Baron Funds®

December 31, 2018

Quarterly Report

"'They don't allow Jews? I'm a Muslim and they allow me! I will never run there again, little brother, I promise you.' And he didn't. That was the Muhammad Ali I will never forget." Billy Crystal. Headline entertainer. 27th Annual Baron Investment Conference. November 9th, 2018. Metropolitan Opera House, NYC.

Billy's storytelling about his close friendship with Muhammad Ali was remarkably on point with the "Values" part of the "Growth + Values" theme of this year's Annual Baron Investment Conference. Once again, more than 5,000 Baron Funds' shareholders, institutional clients of Baron, service providers to our Firm, and executives of businesses in which Baron has invested participated in our annual meeting.

"Growth + Values" was depicted by a colorful, Warhol style series of the Statue of Liberty on our 2018 Conference T-shirts. We chose the theme to remind us that 125 years ago the United States opened Ellis Island in New York Harbor to welcome the immigrant parents and grandparents of many of us reading this letter. We believe that *legal immigrants who have come to America and the values they hold dear are the secret growth engine of our nation's economy*. This year we celebrated those values that we believe have played a critical role in America's dynamic growth.

When choosing investments, we focus on management "values" and corporate culture…*in addition to financial analysis*. We believe this enables us to better judge whether management is likely to take short cuts that could put their entire enterprise at risk or whether a company will realize its long-term growth opportunity.

For two hours beginning at 6 a.m. before our conference, Andrew Ross Sorkin, co-anchor of CNBC's *Squawk Box*, interviewed me and several CEOs of businesses in which Baron has invested. Afterwards, Baron shareholders heard from Matt Desch, CEO of **Iridium Communications Inc.**, Chip Paucek, CEO of **2U, Inc.**, Pat Pacious, CEO of **Choice Hotels International, Inc.**, and Ken Moelis, CEO of **Moelis & Company**. All spoke candidly and answered questions, no holds barred. These companies are important holdings of Baron Funds and most have appreciated significantly since our purchases…and, we think, will continue to grow substantially. The executives' presentations were streamed live and can still be viewed on our website, www.baronfunds.com. Just click on the 2018 Baron Investment Conference.

Before lunch, we raffled a 2019 Tesla Model 3 to a lucky Baron Funds' shareholder. Michael Hebel, a retired San Francisco police captain and current attorney for that city's police officers' association, was this year's winner. I thought

"It was a 'mahvelous' day at the Met, when Billy met Ron at the November 9th 2018 Baron Investment Conference!"

Michael's "thank you" email perfectly embodied the ideas underlying this year's conference. With his permission, we've reprinted it below.

Dear Mr. Baron:

At about 11:15 a.m. on November 9th, while attending the Baron Investment Conference in New York City, I heard Ron Baron announce "Michael Hebel from San Francisco" as winner of the "electrifying" prize. My wife was sitting next to me and pushed my leg saying that my name had been called as the winner of the prize. I still am in amazement that this actually happened!

I am a retired San Francisco police captain and now an attorney for the San Francisco Police Officers' Association. My wife Gity is self-employed as a property manager.

We thoroughly enjoy the annual investment conferences and are grateful that you sponsor and host them. We especially like listening to CEOs from companies held by the Baron funds, listening to the comments from the portfolio managers, and of course, the spectacular entertainment that ends the conference. We plan on attending these annual conferences as long as we are physically able.

I am a third-generation Polish-German-Irish American and my wife is a first generation Iranian American, of this we are very proud. Thank you.

Mike & Gity Hebel, San Francisco

Congratulations, Michael and Gity. One more thing. Tesla wants to be sure you know that the Tesla M3 was a prize given and paid for by our privately-owned investment management company, Baron Capital Group, not by Tesla. We also want you to know that this gift, the lunchtime and end of day entertainment, and all other expenses incurred for our annual meeting, were paid for by us, not by you or Baron Funds.

Our special end of the day entertainment draws Baron shareholders from virtually every state…as well as from other countries. The conversations with Baron executives and leaders of businesses in

TABLE OF CONTENTS

BARON FUNDS® 1987

which we invest keep them coming back…even though our entertainment is not exactly chopped liver…as they say…

This year was no exception. During lunch, Baron Funds’ shareholders were entertained in three Lincoln Center campus venues. We switched things up from rock and roll and Broadway to 100% comedy this year because we thought we could all use some laughs.

In two lunchtime venues, we produced “FAL,” “Live From New York, It’s…Friday Afternoon!” – our version of SNL using current SNL stars and alumni. In David Geffen Hall, the hilarious trio of SNL female comics Tina Fey, Amy Poehler and Kate McKinnon had shareholders in stitches. In the Vivian Beaumont Theater, SNL men of comedy entertained with an anything goes panel of Seth Meyers, Kenan Thompson, Michael Che and Darrell Hammond.

In Alice Tully Hall, the legendary comedian who inspired them all, a man who didn’t look a day over 2,000, the incomparable producer of more great laughs than anyone can possibly count, the one and only, Mel Brooks!

…after lunch, our afternoon at The Met was even cooler than usual…if that is possible…

Six-time Tony Award winning actress and singer Kelli O’Hara opened our afternoon program with a spectacular rendition of Leonard Cohen’s “Hallelujah.” Kelli then concluded with Irving Berlin’s “God Bless America,” our traditional opening for the conference afternoon session.

A Baron portfolio manager panel moderated by Amy Chasen, Baron’s Director of Research, followed. We then debuted a new program, the Baron Executive Women’s Panel, featuring five distinguished female executives of Baron, representative of the significant female composition of our Firm. As Linda Martinson, our Firm’s President and COO, pointed out, 41% of our Firm’s employees are female and a majority (53%) of Baron’s group heads are women. This year’s panel was moderated by Linda and featured Peggy Wong, Chief Financial Officer; Emmanuelle St. Louis, Director of Human Resources; Claudia Pagazani, Director of Portfolio and Risk Analytics; and Stephanie Gisriel, Director, National Accounts.

My speech, which highlighted “Growth + Values,” was next and is reprinted here following this “Letter from Ron.” You can also watch my 22-minute presentation as well as our portfolio manager panel and Linda’s Executive Women’s Panel at www.baronfunds.com. We are pretty sure you will not find them boring.

Finally, the time came for real comic relief. Our surprise entertainer this year exemplified our “Growth + Values” theme. Born in Long Island to Russian-Austrian parents, our headliner grew up to become a “Yankee-loving City Slicker.” He started out in TV as a “Soap” star, but this “Mr. Saturday Night” was destined for SNL and the bright lights of New York City. He performed at our conference 12 years ago and was so “mahvelous,” we just had to invite him back. With hints like these, it became “crystal” clear to Baron shareholders we’re talking about the “Harry” who met Sally, the one and only, Billy Crystal!

If you didn’t have a chance to join us at our 27th annual conference, we hope you will visit us next fall at our 28th on October 25, 2019. Registration begins on August 5th. Thank you for joining us as fellow shareholders in Baron Funds. We will continue to work hard to justify your confidence in us.

Respectfully,

Ronald Baron
CEO and Chief Investment Officer
January 31, 2019

P.S. While they last…if you’re a shareholder and would like a complimentary Baron Fund’s “Growth + Values” 2018 conference T-shirt, please call us at 1-800-992-2766 ext 3. Please specify sizes S-2XL. They are great for working out…sleeping…or for a fancy evening out on the town! They look great belted as a dress! It is amazing to me how often I see them in gyms when I am traveling! Not as often as I see Under Armour tee’s, but more often than you’d expect for an investment manager. We also have been getting lots of compliments about our tee-shirt designs. They’re a team effort with lots of input from lots of people. But, the two people most responsible for their creation and design are Jazmin Jourdain, Director of Shareholder Services, Corporate Projects & Events, and Matt Weiss, research analyst…with me, of course.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses contain this and other information about the Funds. You may obtain them from the Funds’ distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: All investments are subject to risk and may lose value.

Portfolio holdings as a percentage of net assets as of December 31, 2018 for securities mentioned are as follows: **Iridium Communications Inc.** - Baron Growth Fund (3.0%), Baron Focused Growth Fund (6.9%); **2U, Inc.** - Baron Growth Fund (0.8%), Baron Small Cap Fund (1.8%), Baron Opportunity Fund (1.1%); **Choice Hotels International, Inc.** - Baron Asset Fund (1.2%), Baron Growth Fund (3.9%), Baron Focused Growth Fund (5.3%); **Moelis & Company** - Baron Growth Fund (0.5%), Baron Small Cap Fund (0.7%); **Tesla, Inc.** - Baron Opportunity Fund (3.8%), Baron Partners Fund (14.5%*), Baron Fifth Avenue Growth Fund (1.3%), Baron Focused Growth Fund (14.7%), Baron Energy and Resources Fund (13.8%), Baron Global Advantage Fund (1.4%).

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

*% of Long Positions.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

2018 Baron Investment Conference: Left Center Image, Chip Paucek, CEO and Co-Founder, 2U, Inc. Right Center Image, Matthew J. Desch, CEO and Director, Iridium Communications Inc. Clockwise from upper left: He was so "mahvelous" at our conference in 2006, we just had to invite the original City Slicker, Billy Crystal, back for more. Stephanie Gisriel, Director, National Accounts, Baron Capital, Inc., Peggy Wong, CFO and Treasurer, Baron Capital, Inc., Linda Martinson, Chairman, President & COO, Baron Funds, Emmanuelle St. Louis, Director, Human Resources, Baron Capital, Inc., and Claudia Pagazani, Director, Portfolio and Risk Analytics, Baron Capital, Inc. Kenan Thompson brought laughter to shareholders at the 2018 Baron Investment Conference. The incomparable "producer" of more great laughs than anyone can count, the legendary Mel Brooks wowed shareholders at the 2018 Baron Investment Conference. Live from New York…it's Friday afternoon! as SNL female cast members, old and new, Tina Fey, Amy Poehler and Kate McKinnon had shareholders in stitches at the 27th Annual Baron Investment Conference. Amy Chasen, Director of Research, Baron Capital, Inc., Randolph Gwirtzman, Co-Portfolio Manager of Baron Discovery Fund, Alex Umansky, Portfolio Manager of Baron Fifth Avenue Growth Fund, Baron Global Advantage Fund and Baron Durable Advantage Fund, Michael Lippert, Portfolio Manager of Baron Opportunity Fund, Michael Kass, Portfolio Manager of Baron International Growth Fund and Baron Emerging Markets Fund, and James Stone, Portfolio Manager of Baron Energy and Resources Fund. Ken Moelis, Chairman & Chief Executive Officer, Moelis & Company.

“Growth + Values”

2018 Baron Investment Conference: Left Center Image, Kelli O’Hara sings God Bless America at the 2018 Baron Investment Conference. Right Center Image, Ron with Andrew Ross Sorkin, CNBC’s Squawk Box Co-Anchor. Clockwise from upper left: It was ‘crystal’ clear Baron shareholders were in for some serious laughs the moment Ron welcomed Billy back to the Met stage. James Barrett, Head of Institutional Sales, Baron Capital, Inc., Michael Baron, Co-Portfolio Manager, Baron Partners Fund and Asst. Portfolio Manager, Baron WealthBuilder Fund, and Neal Rosenberg, Co-Portfolio Manager, Baron Growth Fund. Seth Meyers shares his “late night” humor with shareholders at the 2018 Baron Investment Conference. David Baron, Co-Portfolio Manager, Baron Focused Growth Fund. Michael Che performs his stand up comedy routine at the 27th Annual Baron Investment Conference. Linda Martinson, Chairman, President & COO, Baron Funds. Randolph Gwirtzman, Co-Portfolio Manager of Baron Discovery Fund, and Laird Bieger, Co-Portfolio Manager of Baron Discovery Fund. Patrick Pacious, President and CEO, Choice Hotels International, Inc.

Introduction to afternoon.

Please be seated…Welcome…Thank you for joining us to celebrate Baron's 36th birthday...and our 27th annual conference.

Sunday is Veteran's Day. Before we begin, I'd like to ask the men and women in our audience who have served in our Armed Forces to please stand so we can honor your patriotism, bravery and sacrifice.

Thank you.

Today we are going to celebrate the values and cultures of our "nation of immigrants." Immigrants' values permeate America's society and, we believe, have played a critical role in our economy's growth.

America's 327 million citizens represent just 5% of planet Earth's population yet our nation produces one fourth of Earth's GDP!

Hence…the Growth + Values theme of the 2018 Baron investment conference.

125 years ago the United States opened Ellis Island in New York Harbor to welcome the immigrant parents and grandparents of many in this room. We think immigrants who have come to America and the values they hold dear are the secret growth engine of our nation's economy.

It is my pleasure to welcome back to our annual meeting Tony award winning Broadway actress and singer Kelli O'Hara. Kelli will begin our afternoon program with Leonard Cohen's haunting "Hallelujah,"

…followed by Irving Berlin's "God Bless America" when we hope you will all stand…

Kelli…

Baron Investment Conference 2018. November 9, 2018. Ron's speech.

I'd like to ask everyone who is an immigrant, the son of an immigrant or daughter or if your grandparents are immigrants, please stand.

Virtually everyone in the audience stood and the room erupted into applause!

America is a nation of immigrants.

When we meet executives of businesses in which we consider investing, I always ask the same question. "Tell me about your family." Everyone in this room invests with us, so I'd like to start by telling you a little about my family.

SLIDE: Manifest

Mechel Baran, my dad's father, emigrated to America in 1907. He was 17. He journeyed "Beyond the Pale," the only place in Russia where Jews were allowed to live. Mechel traveled "steerage."

SLIDE: Ship

That meant cramped quarters below deck for 40 days. 10% of steerage passengers died in transit. My 5'8", 145 pound, blue-eyed grandfather survived. Max Baron, his Americanized name, Frieda Chapman, my grandmother, my dad and his brother lived in a "railroad flat" in Brooklyn. Max became the foreman of a candle factory.

Alter Lewy, my mom's dad, emigrated to America, also from Russia, in 1910.

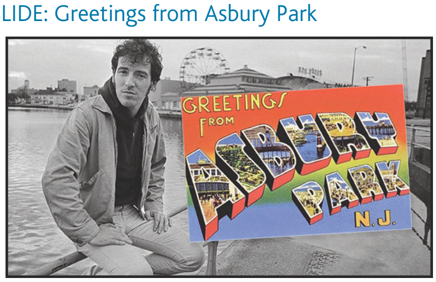
SLIDE: Alter Lewy

At age 13, he walked across Europe to the port in Rotterdam. He had been studying in Russia to become a rabbi...Max Levy, his Americanized name, became a peddler selling shoes from a push cart on New York's Lower East Side. His family, including my mom, lived in two rooms on the fifth story of a tenement.

SLIDE: Lower East Side Scene

My dad was an Army engineer. My family lived in a small house in *Wanamassa* three blocks outside Asbury Park.

SLIDE: Greetings from Asbury Park



At a recent Springsteen show on Broadway, Bruce spoke about playing in many venues including *The Wanamassa Fire Department* before he became a superstar!

RONALD BARON
CEO AND CHIEF INVESTMENT OFFICER

SLIDE: Fire Department

When Bruce mentioned Wanamassa I was the only one in the audience who cheered "Yea!!!" Bruce, surprised, looked up and stared at me for a moment before continuing to tell his story. Judy, embarrassed, kicked me!

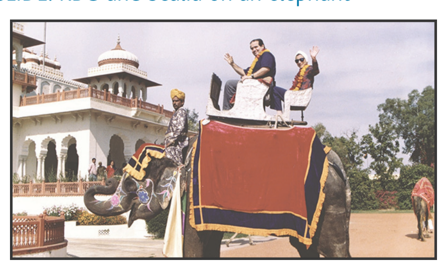
MUSIC. Springsteen. (Dancing in the Dark, Born to Run, Thunder Road)

My grandparents were proud my parents joined America's burgeoning "middle class" in the 1950s. It would be unimaginable to them that more than one million individuals have entrusted Baron with $27.5 billion of their savings.

Film clip. Fiddler on the Roof. Teviah. "If I were a rich man."

It is as implausible to me…and as hopeful for our nation…that Ruth Bader Ginsburg…the Jewish daughter of a Russian immigrant bookkeeper, could become a Supreme Court Justice…and that the Catholic son of a Sicilian immigrant, conservative jurist Antonin Scalia would become the liberal jurist's best friend.

SLIDE: RBG and Scalia on an elephant



Get well soon…please!

Ron's Conference Speech, "Growth + Values"

Alexander Hamilton, Albert Einstein, Elon Musk, Alexander Graham Bell, Sergey Brin, Madeline Albright, Andrew Carnegie and Nikolai Tesla!!!

SLIDE: immigrant faces

...are just a handful of the millions of immigrants who contributed so much to our nation.

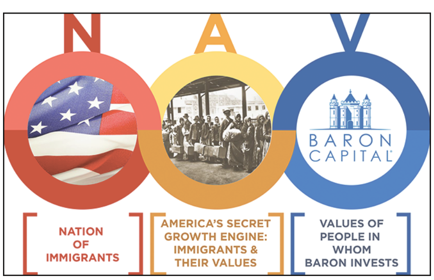
Their dreams were attainable not in places like Anatevka...but only in America.

SLIDE: Ali, Robinson, King, Winfrey, Obama

Can you imagine what the ancestors of Muhammad Ali, Jackie Robinson, Martin Luther King, Oprah Winfrey and Michelle Obama...who were brought to America in chains...would say about the success of their progeny...? We live in a great country...

Today I want to discuss three topics.

SLIDE: NAV



Nation of Immigrants.
America's Secret Growth Engine: Immigrants and their values
Values of people in whom Baron invests.

NAV. That's a term in our industry that stands for Net Asset Value...it measures tangible assets of a business. Today, we use NAV to represent what's not on a balance sheet but is arguably more important: culture, people, process and values.

I. America is a nation of immigrants.

SLIDE. President George Washington. *"America is open to receive not only the opulent and respectable stranger but the oppressed and persecuted of all nations and religions." -1783*

Why have immigrants come to America even before its founding? Just like the Pilgrims at Plymouth Rock in 1620 or the refugee who landed at JFK this morning...

SLIDE: American swearing in at citizenship ceremony

...fleeing religious persecution is one reason. Seeking safety from violence is another.

On November 9, 1938, exactly 80 years ago today, Kristallnacht, the night of broken glass, took place in Germany.

SLIDE: Kristallnacht

Kristallnacht was the start of the Holocaust. On that evening, Nazis shattered the windows of Jewish shop-owners throughout Germany...destroyed 267 synagogues...and sent *30,000* Jews to concentration camps. The opportunity for Jews to emigrate from Germany to the safety of America ended that night...

In 1941, President Franklin D. Roosevelt stated America's "Four Freedoms," to counter nativist arguments against immigration.

FDR Audio stating 4 freedoms...

"The first is freedom of speech and expression. The second is freedom of every person to worship God in his own way. The third is freedom from want. The forth is freedom from fear."

SLIDE: Picture Norman Rockwell's "Four Freedoms."

Immigrants come here for those freedoms... *and*...for opportunities in our Open Society limited only by ability and how hard you work...*not by who your parents are*. Immigrants risk everything for their children. *They do not have a one generation plan!*

But...even in America...it hasn't always been easy...

SLIDE: Kennedy Family Photo Album


WANTED—Farm hand on poultry and fruit farm at once, to make himself generally useful, must know how, be neat, strong, active and obliging, no Jews or Irish, drunkards need not apply, wages $15 a month, with board and washing, write fully giving experience and reference. Rockingham Fruit Farm, North Epping, N. H.

Rose Kennedy called her young son Bobby playing on their lawn to come inside. She showed him an old family photo album. In the back were "carefully folded, faded newspaper ads. The message on all of them? 'IRISH NEED NOT APPLY.'" "This is who you are," she told him. Prejudice against the Irish and Catholics shaped the Kennedys.

Senator John F. Kennedy wrote in 1958 that America's race and country based quotas needed to be reformed.

SLIDE: JFK Book: "A Nation of Immigrants"

Catholics, Jews, Poles, Irish, Italians and Asians had faced difficulties emigrating to America...just like Central Americans seeking asylum today. President Lyndon Johnson's 1965 Immigration Act made good on Kennedy's promise.

SLIDE: LBJ at Statue of Liberty

II. *Immigrant values* are American values. They drive our nation's growth.

Optimism. Immigrants are over indexed for **optimism**...**courage**...and **risk taking** ... Imagine the courage it takes to leave the world you know and go to a place you know nothing about...

Sacrifice. Work Ethic. Family. Immigrants are the ultimate long-term investors. They work hard and **sacrifice** for their children. *Tenement families a century ago who could barely afford rent somehow paid for pianos, violins and weekly music lessons.*

SLIDE: Tenement sights and sounds

Education. Immigrant parents understand the value of education. Bronx High School of Science and Stuyvesant High School are two of the seven New York City public schools for academically gifted children. In the 1960s, Bronx Science students were 85% Jewish. Among those students was my wife Judy...whose immigrant dad had been a butcher...a construction worker...and a taxi driver...Student bodies in both schools are now predominantly Asian.

Patriotism. In World War I the Germans thought the United States multi-ethnic army of Polish-Americans, Italian-Americans, Irish-Americans and Jewish-Americans would collapse. "Hyphenated-Americans" won that war!

SLIDE: Hyphenated Americans win War.

The Germans were amazed. Immigrant soldiers were just as important in WWII.

I was struck by a recent obituary for Max Fuchs, age 96. Max emigrated to America from Poland in 1934 at age 12 when Hitler came to power. Max returned to Europe on D-Day as an American soldier on Normandy beach, where Allied forces suffered enormous casualties. Five months later, Max led 50 Jewish soldiers in an open-air prayer service broadcast from a German battlefield. Max was true to his new country and to his heritage.

SLIDE: Max Fuchs / Audio

Resourceful. Immigrants are resourceful. They are *twice as likely* as native born Americans to become entrepreneurs. First generation immigrants often work in inherited trades.

SLIDE: Immigrant Trades

Italian cobblers. Jewish tailors. Indian hotel owners. Korean grocers. Chinese restaurants…where Jews go on Christmas…The children of immigrants become our doctors, lawyers, engineers, software developers and investors like me.

Ambition. Immigrants' unrelenting drive is part of our character. **It is in our DNA.** *Andy Grove, the Hungarian immigrant who founded Intel, advises* **"think like an immigrant."**

Alexander Hamilton was America's only immigrant Founding Father. He established America's credit, currency and **financial markets.** Founding a new company is tough. Founding a new country is tougher.

Immigrants have been and continue to be the **growth engine of our economy.**

SLIDE: Scenes of America's growth

European and Asian immigrants contributed to America's **Industrial Revolution, the settling of the West** and built our **railroads, canals and highways.**

Today, birth rates in our country are declining and more people are retiring than entering our workforce. Legal immigration offsets America's declining birth rate.

For example, due to rapidly advancing **technology**, *Silicon Valley* needs highly educated software engineers from India, China, Eastern Europe, Russia and Israel…and oh yeah, that guy from South Africa.

SLIDE: Elon

III. Values of people in whom Baron invests.

SLIDE: Question Everything

"Tell me about your family." "Where did you come from?" "What did your parents do?" "What do your brothers and sisters do?" "Did your parents get to see how successful you've become?"

How many investors start their management interviews with those questions? That is *the Baron process. We assess the character and values of managements and the fundamentals of their businesses.*

Marcus Ryu, CEO and Founder of $7.4 billion Guidewire, told us last year that he only disappointed his Korean immigrant parents twice. Once, when he went to Princeton instead of Harvard, the other when he chose to be a businessman instead of a doctor. I'd be surprised if his parents were still disappointed.

Mark Hoplamazian, CEO of the $8 billion Hyatt Hotels, often speaks about his summer jobs in his family's landscaping business. That included driving tractors. Mark lost his dad when he was eight, but later found a mentor in Hyatt's founder, Jay Pritzker. When Mark became Hyatt's CEO, he learned that business by asking a lot of "dumb questions." Jay told him there is no such thing as a dumb question. We share a common mentor in Jay Pritzker and agree the only "dumb question" is the one you don't ask.

Jay's son, Tom, Chairman of Hyatt, has been my friend since 1979. Just like his dad, he's a handshake guy. Jay once told me, "*If you need a contract to enforce an agreement, you're doing business with the wrong person.*" Tom is just like his dad. He's a man of his word.

We have been an investor in Choice Hotels since 1985. Stewart Bainum, whose family founded the business, thinks Pat Pacious, Choice CEO, may be their best chief executive yet. I think his story is amazing. Pat's mom was the first woman admitted to Georgetown Medical School. He is the youngest of 11 kids. He paid his way through Duke writing parking tickets at 3 a.m. And, at age 24, he commanded 200 sailors on a Navy ship. I can't wait to see how much he will make for us at Choice. We've already made 30 times our money!

SLIDE: Values

CEOs' values become businesses' values. Without values…and character…that compel an executive to "do what is right, even if it's more costly"…a liability that isn't recorded on a balance sheet has been created.

B. Do the right thing.

Building a business is expensive. Spending on people, and research and not focusing on short-term profits is why Baron has outperformed. But, the cost of not doing the right thing is extinction. There are no shortcuts.

It is not a good business practice to pollute the air and water…even if it is legal.

Volkswagen…Hitler's car company…was built with slave labor from concentration camps. BMW and Audi too.

Ron's Conference Speech, "Growth + Values"

SLIDE: Slave labor

Which is illustrative of those businesses' cultures and values. It should not be surprising that VW, BMW and Audi developed software enabling their cars to cheat and emit more than permissible hydrocarbons.

SLIDE: Car companies cheating

BP was fined billions for negligence when its Deepwater Horizon rig exploded, lives were lost and Gulf Coast waters were polluted.

SLIDE: BP Deepwater Horizon

It was not a good business practice for banks to make loans to individuals who would unlikely be able to repay them. Banks were fined billions for doing exactly that.

SLIDE: Banks fined

Cigarette companies were fined billions when their executives swore before Congress they were unaware of evidence that proved smoking was harmful and nicotine addictive.

SLIDE: Cigarette execs in Congress

Exxon Mobil whose research proved conclusively that burning hydrocarbons causes climate change, is now being sued for fraudulent misstatements.

SLIDE: Climate change

In 1968, Senator Robert F. Kennedy spoke about his values during his Presidential campaign shortly before he was assassinated.

FILM: RFK speech on what GDP doesn't measure

Robert F. Kennedy, University of Kansas March 18, 1968

Excerpt

"…Our Gross National Product, now, is over $800 billion dollars a year, but that Gross National Product – if we judge the United States of America by that – that Gross National Product…does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans…"

Even in the tumultuous days of 1968, Robert Kennedy found ways to be optimistic.

C. People ask me all the time: "Aren't you worried about the markets?"

"Individuals are genetically programmed to follow the crowd" according to Charlie Munger, the Vice Chairman of Berkshire Hathaway.

SLIDE: Munger

1.8 million years ago, the ancestor of modern man stood on two legs on the plains of the Serengeti. If one of his Neanderthal descendants were in a group that ran in one direction and he ran in the other, he often became the meal of a hungry predator. As a result, his genetic predisposition to make independent decisions is not well represented in our genes.

CLIP: Neanderthal chased by a woolly rhino

Being a good investor is a lot different than trying to survive hungry predators two million years ago. We think you cannot follow the crowd and be a successful investor.

SLIDE: Values

Most investors today focus on breaking news…elections…price of oil…interest rates…trade wars…how many Tesla Model 3s are in a parking lot…next quarters' earnings…

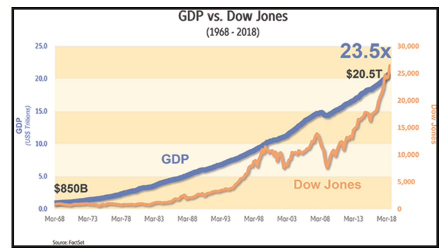
We think that's also a mistake.

We focus on management "values" and corporate culture…not just financial analysis. We believe this enables us to better judge whether a company will realize its long-term growth opportunity…or whether its management is likely to take short cuts that could put the entire enterprise at risk…

With so much focus on short-term headlines, it's easy to understand why many have been reluctant to invest.

In a recent survey, 48% of individuals thought the stock market hadn't changed in the ten years since the '08-'09 Financial Panic. The stock market has actually quadrupled!!!

SLIDE: Chart



Stock prices in the long term reflect America's GDP growth. In 1968 America's GDP was $850 billion. Today it's more than $20.5 trillion! The Dow Jones in 1968 was 1,000. Today it is 26,000. If the economy continues to grow at that 6.5% annual pace, the Dow Jones could be 500,000 in 2068!!!

Due to advances in technology and greater inflation, we think growth will soon be even faster!!!

Since we invest in companies growing faster than the economy, we expect Baron over the long term to continue to outperform.

SLIDE: Ellis Island

Leo Baron, age 6.
Ari Baron, age 4.

Sounds like two names you might find on a ship's manifest arriving at Ellis Island all those years ago. They are my grandchildren.

SLIDE: Pictures of Ari and Leo

In the 125 years since Ellis Island opened, America's GDP has grown from $20 billion to $20 trillion! 1,000 times! Since 1982, Baron investors – Leo and Ari among them, shareholders since birth – have benefitted from America's powerful economic engine and the companies in which we have chosen to invest.

Our market outlook is simple: we are optimists. Optimism is a value I inherited from my parents and grandparents that I have tried to hand down to my sons and grandsons.

In the Jewish tradition, we call that L'dor V'dor, from generation to generation.

I wish for my grandsons what Baron works hard to deliver: decades of growth multiplied by the enduring values of optimism, family, patriotism, sacrifice and hard work.

That is the formula for a life well-lived.

And to me that is the meaning – and the power – of growth plus values.

SLIDE: Growth + Values

Thank you. We'll now take your questions.

The discussion of market trends and companies are not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Portfolio holdings as a percentage of net assets as of December 31, 2018 for securities mentioned are as follows: **Tesla, Inc.** – Baron Opportunity Fund (3.8%), Baron Partners Fund (14.5%*), Baron Fifth Avenue Growth Fund (1.3%), Baron Focused Growth Fund (14.7%), Baron Energy and Resources Fund (13.8%), Baron Global Advantage Fund (1.4%); **Space Exploration Technologies Corp.** – Baron Partners Fund (5.0%*), Baron Focused Growth Fund (5.0%); **Guidewire Software, Inc.** – Baron Asset Fund (3.3%), Baron Growth Fund (1.7%), Baron Small Cap Fund (4.1%), Baron Opportunity Fund (5.2%), Baron Partners Fund (3.8%*), Baron Focused Growth Fund (4.0%); **Hyatt Hotels Corp.** – Baron Asset Fund (1.1%), Baron Partners Fund (6.9%*), Baron Focused Growth Fund (11.3%), Baron Real Estate Fund (2.2%), **Choice Hotels International, Inc.** – Baron Asset Fund (1.2%), Baron Growth Fund (3.9%), Baron Focused Growth Fund (5.3%).

Portfolio holdings may change over time.
* % of Long Positions

Baron Funds does not currently hold shares of **SolarCity Corp.**

Past performance is no guarantee of future results.

Letter from Linda

LINDA MARTINSON
CHAIRMAN, PRESIDENT AND COO

The last four months of 2018 were the most eventful for the U.S. stock market in years. After peaking on 9/20, the S&P 500 Index declined just shy of 20% by 12/24. This was the largest drop since the financial crisis and led to the first negative calendar year return for the index since the crisis. Other popular U.S. indexes, like the tech-heavy Nasdaq Composite Index and the small-cap Russell 2000 Index, dropped even more from their peaks. As a result, company valuations declined below historical averages, particularly in the growth segment, leading to more attractive investment opportunities.

Valuations Have Declined Below Historical Averages

Price-to-Earnings Ratio as of 12/31/2018 vs. 20-Year Average

	Value	Blend	Growth
Large	12.9 / 14.2	15.1 / 16.7	18.2 / 20.5
Mid	13.1 / 14.6	14.7 / 16.8	17.9 / 21.5
Small	12.0 / 14.8	13.9 / 17.2	16.5 / 20.6

Price-to-Earnings Ratio as % of 20-Yr Average Price-to-Earnings

	Value	Blend	Growth
Large	91%	90%	89%
Mid	90%	88%	83%
Small	81%	81%	80%

Source: The Bank of New York Mellon Corporation using I/B/E/S 1 Year Forecast EPS.

The price-to-earnings ratios for each style box are based on Russell indexes, as follows: for Large Value: Russell 1000 Value Index, for Large Blend: Russell 1000 Index, for Large Growth: Russell 1000 Growth Index, for Mid Value: Russell Midcap Value Index, for Mid Blend: Russell Midcap Index, for Mid Growth: Russell Midcap Growth Index, for Small Value: Russell 2000 Value Index, for Small Blend: Russell 2000 Index, for Small Growth: Russell 2000 Growth Index.

During this period, volatility increased and remained at or around its long-term average for most of the fourth quarter. U.S. trade policy, mixed signals from the Fed, geopolitical considerations, and the U.S. government shutdown spurred uncertainty.

When investors become more uncertain, risk-aversion is exacerbated. Investors seem to focus reactively and emotionally on the downside risk rather than objectively assessing the circumstances. Many tend to look for an immediate fix to remove their uncertainty and, as a result, make rash decisions. This behavior drives market volatility and short-term correlations higher, which is just what we saw happen in December. At the same time, this created attractive investment opportunities for long-term investors.

Under pressure to make a quick decision, many investors default to rules of thumb. For example, "When X goes up, the stock market goes down." or "When the economy does this, stocks do that." Wall Street has plenty of these. However, when complex economic issues are reduced to simple statements of correlation, valuable information may be overlooked.

The market is a complicated machine that is driven by a *multitude* of factors and can behave erratically over short periods of time. While investors like to look for patterns to rationalize market movements, there may not always be a pattern to be found. That is why it is virtually impossible to predict the market with consistency. While most investors understand that the market is driven by multiple factors, in times of turbulence it seems they search for a simple explanation and focus on one or two factors.

One such factor in recent years has been interest rates. After an extended period with low rates, many have been trying to figure out what would happen with their investments as rates increase. Certain asset classes, like traditional bonds, are directly affected by interest rates. The intrinsic value of a bond is calculated as the discounted value of its future payments. The higher the discount (interest rate), the lower the value of the bond. As such, when rates increase, bond prices fall.

Similarly, the share price movements of real estate-heavy companies (both REITs and non-REITs), tend to be more sensitive to changes in interests due to two key considerations. First, most real estate companies utilize a high proportion of debt in the capitalization of their companies. When interest rates rise, higher borrowing costs negatively impact earnings growth and real estate values. Second, some real estate companies pay out dividends, notably REITs, which must pay out at least 90% of their taxable income in dividends. When interest rates rise, the relative attractiveness of REIT dividend yields decreases.

For traditional equities, however, the relationship is less straightforward. There is no doubt that interest rates and their changes affect the stock market. After all, many businesses rely on borrowing to fund and grow their activities. Even companies with no debt on their balance sheets can be affected by changing rates, due to the broad impact on the economy. Conventional wisdom dictates that higher interest rates should translate into higher operating costs for companies, thus lower business values and stock prices. Similarly, if we think about the value of a business as the sum of its discounted cash flows, higher rates should lead to lower valuations. While this makes sense, it is not always what happens. The relationship between interest rates and equities is complex, and oversimplifying may lead to misleading advice and negative investment implications.

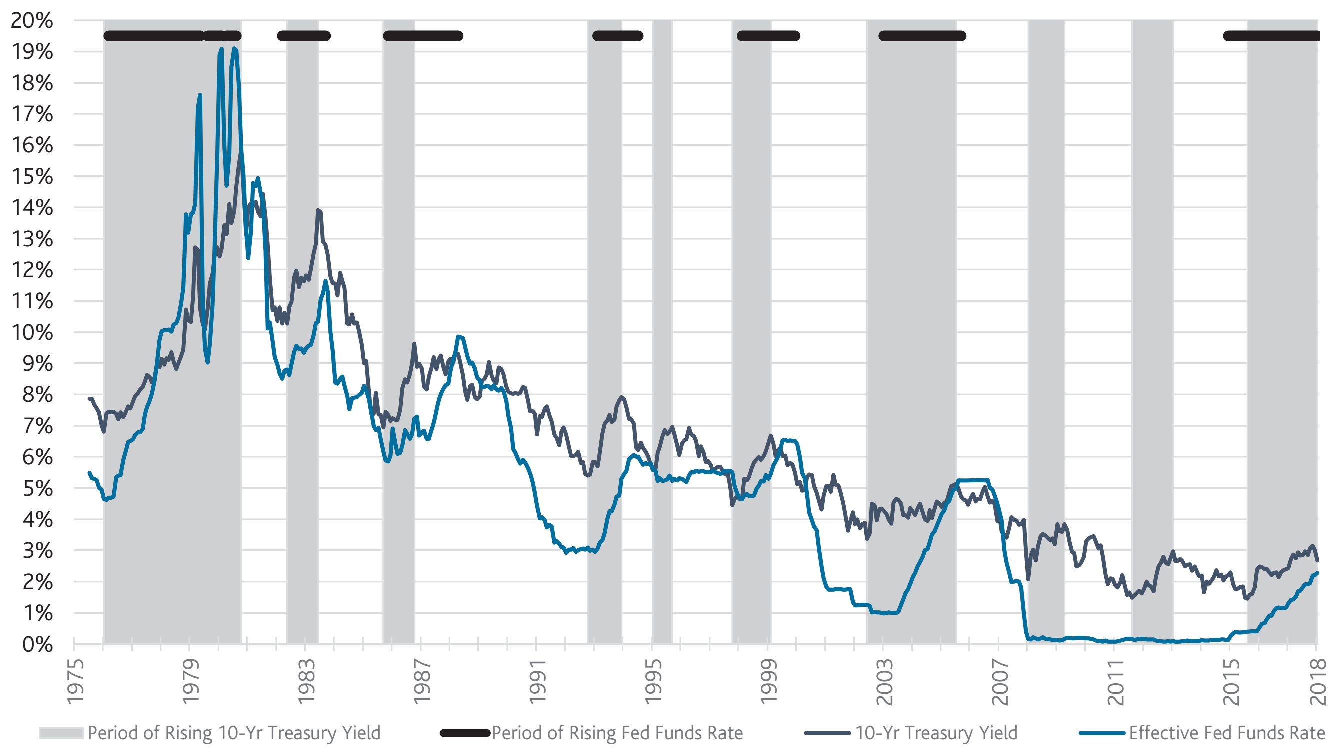
Interest rates are only one of many factors that move company stock prices. Companies will be impacted differently depending on their idiosyncrasies, industry, competitive landscape, and capital structure, among other things. The overall economic environment may also counter or amplify the effects of rising rates. Interest rates could increase at times of improving economic conditions, as a result of higher capital demand. On the other hand, they could increase due to worsening conditions, like higher inflation. Furthermore, rates may rise when equity valuations are high or low, and valuations are an important factor to consider when investing. Just because rates are rising or falling does not mean you should reactively invest or sell.

Even if an investor decides to focus only on the interest rates factor, it is not that simple. There are multiple interest rates to consider. The Fed Funds rate is one choice. It is controlled by the Federal Open Market Committee and is the rate at which depository institutions lend to each other overnight. The rates on various U.S. Treasury securities, like bills (maturities up to one year), notes (maturities between one and 10 years), and bonds (30-yr maturity) are another way to assess rates. The yields on these instruments are determined by market participants in public auctions. Eurodollar rates, swap rates, and corporate bond rates also can be used. Importantly, rates do not necessarily move in lockstep; thus, they may define rising/falling rate environments differently and may correlate with the movements of the stock market differently.

The chart below plots the levels of two of the most popular rates: the 10-year U.S. Treasury Note yield and the Fed Funds rate. The shaded areas represent periods of rising rates for the 10-year Treasury. While both rates have generally trended in the same direction over the long term, they do not always rise or fall together, or change by the same amounts. For example, when the Fed Funds rate started going up at the end of 2015, the 10-year rate kept declining for another few months. Before that, between 2008 and 2015, the Fed Funds rate did not change meaningfully, while the 10-year rate had two notable periods of increases. Looking at the rest of the data, there are more examples of divergence between these two rates. Thus, both rates would define different rising rate environments.

Different Interest Rates Behave Differently

U.S. 10-Year Treasury Yield vs. the Effective Fed Funds Rate



Source: FactSet, Board of Governors of the Federal Reserve System (U.S.).

Many investors choose the 10-year rate to assess the impact of rate changes on the stock market. The table below shows that the S&P 500 Index generated positive returns in 13 of the 15 rising rate periods since 1954, a remarkable record. Based solely on this data, one could easily conclude that rising rates are good for stocks.

Stocks Tend to Increase in Rising Rate Periods

			10-Yr Treasury Rate			S&P 500 Index
From	To	Length (months)	Start	End	Change	Return
4/30/1954	10/31/1957	42	2.25%	3.99%	1.74%	67.94%
4/30/1958	12/31/1959	20	2.83%	4.77%	1.94%	45.99%
5/31/1961	8/31/1966	63	3.68%	5.36%	1.68%	36.93%
3/31/1967	5/31/1970	38	4.50%	7.95%	3.45%	-6.08%
10/31/1971	9/30/1975	47	5.87%	8.48%	2.61%	2.68%
12/31/1976	9/30/1981	57	6.81%	15.84%	9.03%	38.26%
4/30/1983	5/31/1984	13	10.27%	13.91%	3.64%	-3.89%
8/31/1986	9/30/1987	13	6.95%	9.63%	2.68%	31.57%
9/30/1993	11/30/1994	14	5.40%	7.91%	2.51%	2.15%
12/31/1995	8/31/1996	8	5.58%	6.96%	1.38%	7.45%
9/30/1998	1/31/2000	16	4.44%	6.68%	2.24%	39.44%
5/31/2003	6/30/2006	37	3.37%	5.14%	1.77%	39.33%
12/31/2008	3/31/2010	15	2.06%	3.84%	1.78%	33.28%
7/31/2012	12/31/2013	17	1.47%	2.97%	1.50%	38.34%
7/31/2016	12/31/2018	29	1.45%	2.68%	1.23%	21.14%

Source: FactSet, Board of Governors of the Federal Reserve System (U.S.).

Before rushing to this conclusion, let's also look at the returns of stocks when rates fell. As shown below, stocks increased in 12 out of 14 declining rate periods – another remarkable record. The only conclusion we can draw from the data in the two tables is that stocks tend to go up regardless of the direction of the 10-Yr Treasury yield.

Stocks Tend to Increase in Falling Rate Periods Too

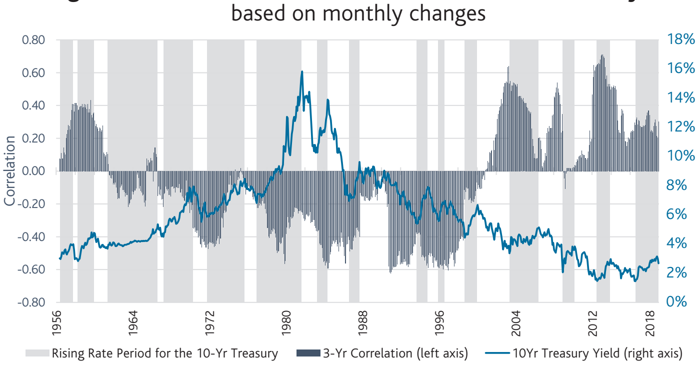
			10-Yr Treasury Rate			S&P 500 Index
From	To	Length (months)	Start	End	Change	Return
10/31/1957	4/30/1958	6	3.99%	2.83%	-1.16%	8.03%
12/31/1959	5/31/1961	17	4.77%	3.68%	-1.09%	16.63%
8/31/1966	3/31/1967	7	5.36%	4.50%	-0.86%	19.31%
5/31/1970	10/31/1971	17	7.95%	5.87%	-2.08%	29.16%
9/30/1975	12/31/1976	15	8.48%	6.81%	-1.67%	34.65%
9/30/1981	4/30/1983	19	15.84%	10.27%	-5.57%	54.25%
5/31/1984	8/31/1986	27	13.91%	6.95%	-6.96%	84.29%
9/30/1987	9/30/1993	72	9.63%	5.40%	-4.23%	74.13%
11/30/1994	12/31/1995	13	7.91%	5.58%	-2.33%	39.62%
8/31/1996	9/30/1998	25	6.96%	4.44%	-2.52%	61.77%
1/31/2000	5/31/2003	40	6.68%	3.37%	-3.31%	-27.51%
6/30/2006	12/31/2008	30	5.14%	2.06%	-3.08%	-25.07%
3/31/2010	7/31/2012	28	3.84%	1.47%	-2.37%	23.76%
12/31/2013	7/31/2016	31	2.97%	1.45%	-1.52%	24.10%

Source: FactSet, Board of Governors of the Federal Reserve System (U.S.).

Equity research from Bank of America Merrill Lynch ("BofA") has similarly concluded (using a different analysis) that "stocks have exhibited a weak and inconsistent correlation with interest rates over time."[1] The chart that follows (inspired by BofA's analysis) shows that the monthly rate of change of the 10-year treasury (i.e., the increase or decrease of the rate during the month, expressed in percentage terms) and the monthly rate of change of the stock market (i.e., the increase or decrease of the stock market during the month, expressed in percentage terms) have not exhibited a consistent correlation over rolling three-year periods. For example, in the most recent rising period, between mid-2016 and the end of 2018, stocks and rates had a small/moderate positive correlation. On the other hand, during two rising rate periods in the mid-90s (late 1993 until end of 1994 and end of 1995 until mid-1996), the correlation was moderate/high negative. Looking at other periods, we can see further inconsistencies in the relationship.

Stocks and Rates Have Had an Inconsistent Relationship

Rolling 3-Yr Correlation Between S&P 500 and 10-Yr Treasury Yields
based on monthly changes



Source: FactSet, Board of Governors of the Federal Reserve System (U.S.), Baron Capital.

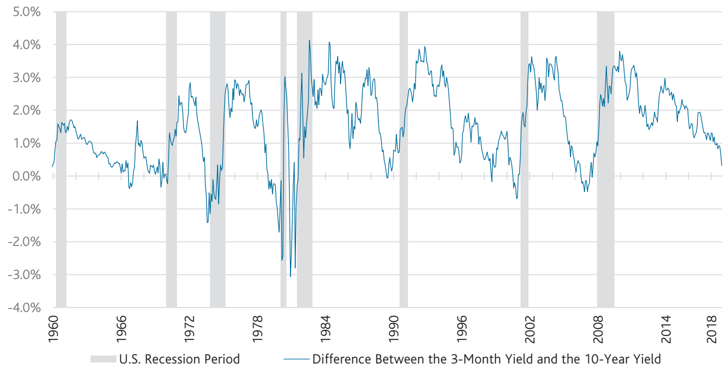
Our own analysis confirms BofA's conclusion that there isn't a specific level of the 10-year rate that is bad for stocks, but it is more likely to experience low/negative returns when the rate exceeds 6-7%. Given today's level of around 2.7% and the slow increase in rates, that scenario seems to have a long way to go.

Over very short periods, like a single day, when the 10-year rate changes significantly, the stock market tends to change significantly too. These changes would more often than not tend to be in the same direction, although there have been multiple instances when the rate moves significantly up or down and stocks move in the opposite direction. While a highly skilled (and lucky) day trader may benefit from this, such information should not be relevant to long-term investors as it pertains to market timing rather than investing.

Another popular approach to assess interest rates is to analyze the shape, levels, and movements of the U.S. Treasury yield curve (a graph plotting government bond rates with different maturities). Research has shown that there is a negative relationship between yield curve inversions (short-term rates exceeding long-term rates) and economic recessions. There are multiple combinations of short- and long-term rates to analyze. Researchers have concluded that the 3-month/10-year relationship has been the best predictor of recessions.[2] The chart below shows that every recession over the past 50+ years has been preceded by a negative spread between these two rates. This spread should be analyzed closely, as non-persistent inversions may not necessarily predict a recession. The relationship between inversions and recessions has persisted for decades, yet "no theory establishes a clear connection specifically between yield curve inversions and recessions."[2]

An Inverted Yield Curve Has Consistently Preceded Recessions Since 1960

Difference Between the 3-Month and the 10-Year U.S. Treasury Yield Rates

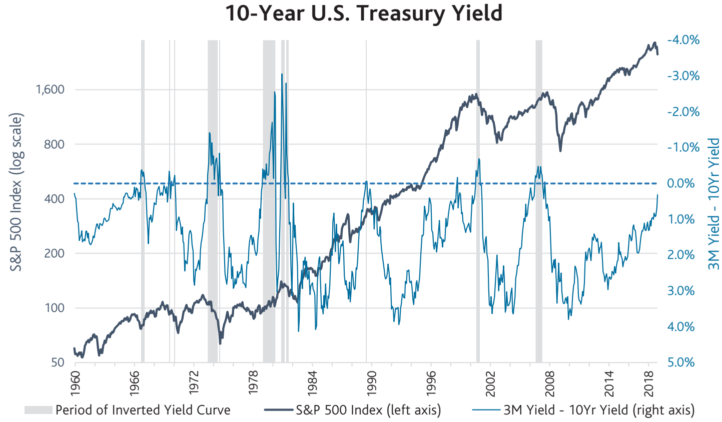


Source: FactSet, Board of Governors of the Federal Reserve System (U.S.).

While inverted yield curves have been a reliable signal for economic weakness, the time until a recession occurred, and its magnitude have varied substantially. Furthermore, inversions have not been a reliable predictor of stock market downturns. The chart below shows that at times an inversion has preceded/coincided with a declining stock market, but in other periods the market went down without a signal from the yield curve (just like recently happened) or kept going up despite an inversion.

An Inverted Yield Curve Has Not Been a Reliable Predictor of Market Declines

S&P 500 Index vs. the Spread Between the 3-Year and the 10-Year U.S. Treasury Yield



Source: FactSet, Board of Governors of the Federal Reserve System (U.S.).

Clearly, such simplistic analyses between interest rates and stock market movements are inconclusive. We believe higher complexity and other factors are at play.

At Baron, we factor in the potential effects of rates on the stocks we analyze and invest in. However, we believe that for most of the companies on our radar, factors like long-term growth opportunities, sustainable competitive

1 Bank of America Merrill Lynch, US Equity Strategy in Pictures, 11/7/2018.

2 Federal Reserve Bank of New York, The Yield Curve as a Leading Indicator: Frequently Asked Questions, A. Estrella, 10/2005

14advantages, strong management, and attractive valuations, among others, play a more important role for the prosperity of a business. We do not believe that there is a rule of thumb that is a good substitute for the in-depth research and experience that a skilled active manager can offer. Rules of thumb exist because history rhymes; a skilled active manager realizes that history does not repeat itself and that there are nuances.

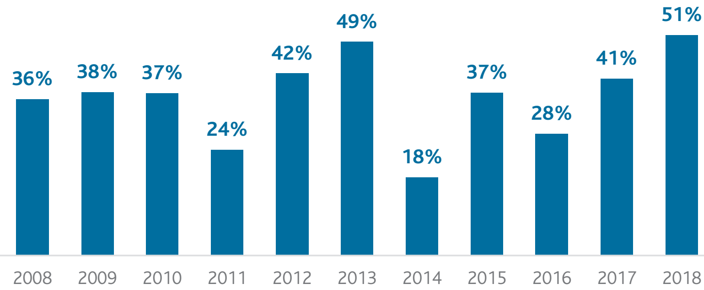
U.S. interest rates have been increasing in the past few years, yet this is unlike other historical rising rate periods. After unprecedented measures by the Federal Reserve, in response to the worst financial crisis in 80 years, interest rates were brought down and artificially kept low for an extended period. In addition, the Federal Reserve has started shrinking its balance sheet after swelling it to uncharted territory with the quantitative easing programs. For these and other reasons, we believe that the current environment can be best described as a period of rate normalization rather than of rising rates. In our opinion, the current conditions are in many ways unique, and it would be unreasonable to compare the current environment to previous rising rate environments.

The uncertainty around rates, among other factors, seems to have created a perfect storm in the last weeks of 2018. Some investors took money out of equities because they got scared, others used the opportunity for tax-loss selling, both of which caused higher volatility. Those who tried to time the market were probably disappointed, as the market quickly recovered part of the losses in the last days of December and in January. As we have done many times, we continue to advise against market timing. We do not know of anyone who has been able to consistently and successfully time the market. At the same time, there are plenty of examples of successful long-term investors.

While outflows hit active equity products across the board, most of the money came out of active growth funds. Notwithstanding, active growth managers had another strong year of performance. Over half of U.S. growth managers outperformed their respective Morningstar category index in 2018[3], the highest rate in at least 10 years. The vast majority of the Baron Funds that are classified in Morningstar's U.S. small, mid, and large growth categories were among the outperforming[4].

Active U.S. Growth Managers Had Another Strong Year

Outperformance Rate of Active U.S. Growth Managers vs. Morningstar Category Indexes[3]



Source: Morningstar Direct, Baron Capital.

Despite the recent market turbulence, we believe that company fundamentals remain solid, and we continue to see attractive long-term growth potential. In our opinion, the recent compression in equity valuations has made stocks even more compelling, especially given low-yielding fixed income alternatives and the likelihood that rates might not go much higher for a while. Through our experience and expertise, we believe we could continue to add value for our investors and we remain committed to this objective.

Sincerely,

Linda S. Martinson
Chairman, President, and COO
January 31, 2019

3 Measured using the performance of each non-index fund share class in Morningstar's US Fund Large Growth, US Fund Mid-Cap Growth, and US Fund Small Cap Growth categories versus the corresponding category index assigned by Morningstar (Russell 1000 Growth Index for US Fund Large Growth, Russell Midcap Growth Index for US Fund Mid-Cap Growth, and Russell 2000 Growth Index for US Fund Small Growth).

4 All share classes of 8 of the 10 Baron Funds classified by Morningstar in the U.S. growth categories outperformed the category index for the period 12/31/2017 – 12/31/2018. In the US Fund Small Growth category, Baron Discovery Fund and Baron Small Cap Fund outperformed the Russell 2000 Growth Index by 9.95% and 2.18%, respectively. In the US Fund Mid-Cap Growth category, Baron Asset Fund, Baron Focused Growth Fund, Baron Growth Fund, and Baron Partners Fund outperformed the Russell Midcap Growth Index by 4.89%, 8.82%, 2.08%, and 3.00%, respectively, while Baron Wealth Builder Fund underperformed the index by 1.63%. In the US Fund Large Growth category, Baron Fifth Avenue Growth Fund and Baron Opportunity Fund outperformed the Russell 1000 Growth Index by 2.90% and 9.86%, respectively, while Baron Durable Advantage Fund underperformed the index by 5.77%. All performance figures are for the institutional share classes, net of fees.

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectuses contain this and other information about the Funds. You may obtain them from the Funds' distributor, Baron Capital, Inc., by calling 1-800- 99BARON or visiting www.BaronFunds.com. Please read them carefully before investing

Risks: All investments are subject to risk and may lose value.

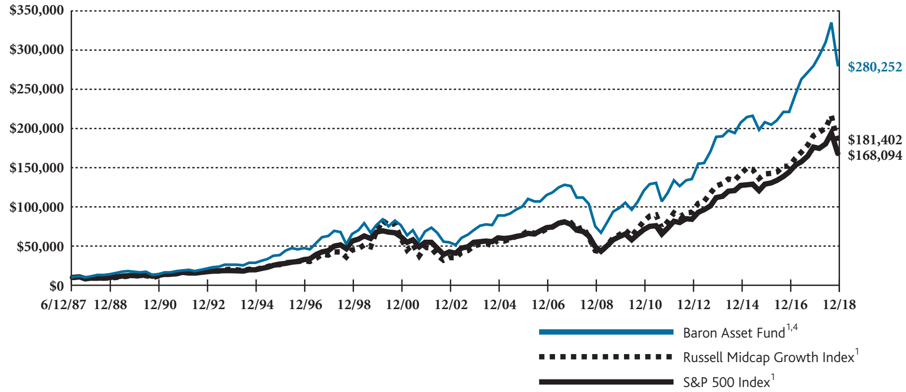
The discussion of market trends is not intended as advice to any person regarding the advisability of investing in any particular security. Some of our comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. Our views are a reflection of our best judgment at the time and are subject to change any time based on market and other conditions, and we have no obligation to update them.

The **Russell 1000® Index** measures the performance of large-sized U.S. companies. The **Russell 1000® Value Index** measures the performance of large-sized U.S. companies that are classified as value. The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth. The **Russell Midcap® Index** measures the performance of medium-sized U.S. companies. The **Russell Midcap® Value Index** measures the performance of medium-sized U.S. companies that are classified as value. The **Russell Midcap® Growth Index** measures the performance of medium-sized U.S. companies that are classified as growth. The **Russell 2000® Value Index** measures the performance of small-sized U.S. companies that are classified as value. The **Russell 2000® Growth Index** measures the performance of small-sized U.S. companies that are classified as growth. The **Russell 2000 Index** is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. The **S&P 500 Index** is made of 500 widely held large-cap U.S. companies. 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. Index performance is not fund performance. Investors cannot invest directly in an index. **Price/Earnings Ratio** (forward) is a valuation ratio of a company's current share price compared to its forecasted earnings per share over the next twelve months. **Correlation** is a statistical measure that determines how assets move in relation to each other.

BAMCO, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Baron Capital, Inc. is a broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. (FINRA).

Baron Asset Fund

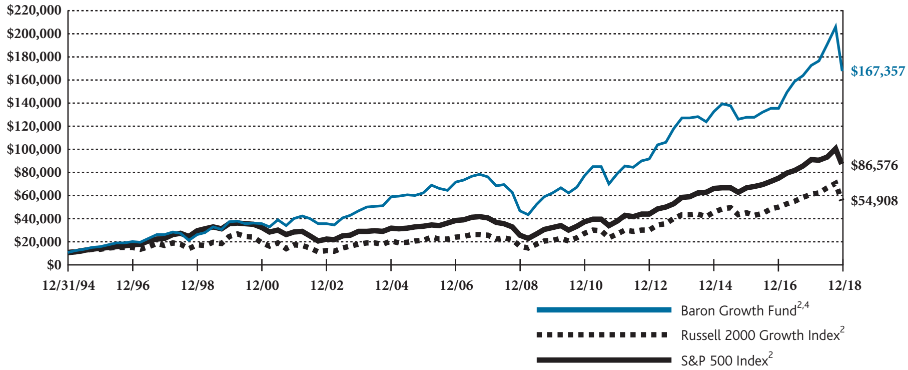
Comparison of the change in value of $10,000 investment in Baron Asset Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Asset Fund's annualized returns as of December 31, 2018: 1-year, 0.14%; 3-year, 10.49%; 5-year, 8.21%; 10-year, 14.07%; and Since Inception, 11.14%.

Baron Growth Fund

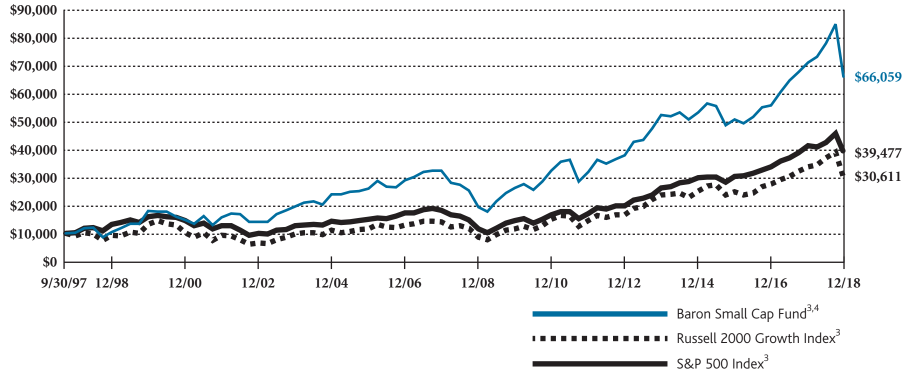
Comparison of the change in value of $10,000 investment in Baron Growth Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Growth Fund's annualized returns as of December 31, 2018: 1-year, (2.67)%; 3-year, 9.63%; 5-year, 5.76; 10-year, 13.77%; and Since Inception, 12.46%.

Baron Small Cap Fund

Comparison of the change in value of $10,000 investment in Baron Small Cap Fund (Institutional Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Small Cap Fund's annualized returns as of December 31, 2018: 1-year, (7.13)%; 3-year, 9.28%; 5-year, 4.79%; 10-year, 13.07%; and Since Inception, 9.29%.

[1] The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Asset Fund are with dividends, which positively impact the performance results.

[2] The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Growth Fund are with dividends, which positively impact the performance results.

[3] The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Small Cap Fund are with dividends, which positively impact the performance results.

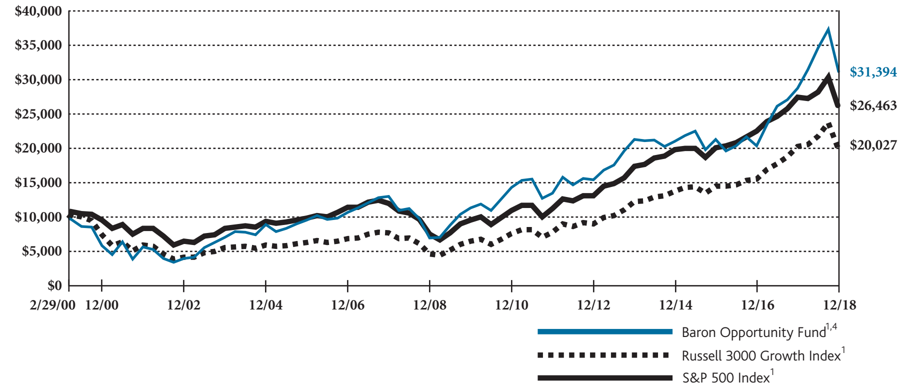
[4] Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

† 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.

Baron Funds Performance

Baron Opportunity Fund

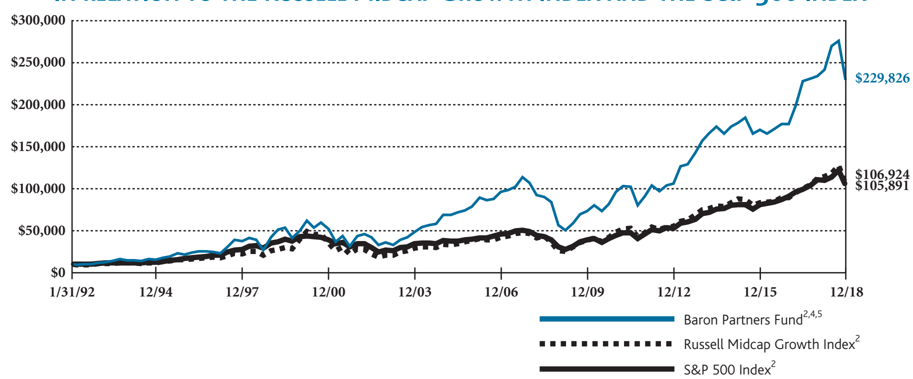
Comparison of the change in value of $10,000 investment in Baron Opportunity Fund (Institutional Shares)† in relation to the Russell 3000 Growth Index and the S&P 500 Index



Baron Opportunity Fund's annualized returns as of December 31, 2018: 1-year, 8.35%; 3-year, 13.36%; 5-year, 7.82%; 10-year, 15.95%; and Since Inception, 6.26%.

Baron Partners Fund

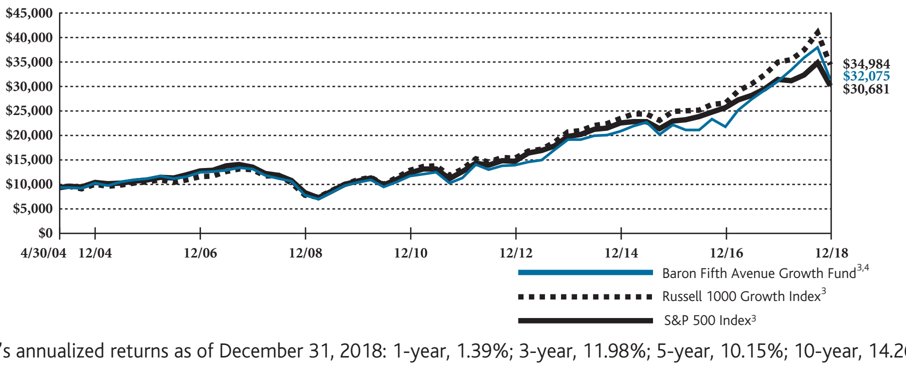
Comparison of the change in value of $10,000 investment in Baron Partners Fund (Institutional Shares)† in relation to the Russell Midcap Growth Index and the S&P 500 Index



Baron Partners Fund's annualized returns as of December 31, 2018: 1-year, (1.75)%; 3-year, 10.56%; 5-year, 7.83%; 10-year, 14.96%; and Since Inception, 12.35%.

Baron Fifth Avenue Growth Fund

Comparison of the change in value of $10,000 investment in Baron Fifth Avenue Growth Fund (Institutional Shares)† in relation to the Russell 1000 Growth Index and the S&P 500 Index



Baron Fifth Avenue Growth Fund's annualized returns as of December 31, 2018: 1-year, 1.39%; 3-year, 11.98%; 5-year, 10.15%; 10-year, 14.26%; and Since Inception, 8.27%.

1 The indexes are unmanaged. The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Opportunity Fund are with dividends, which positively impact the performance results.

2 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Partners Fund are with dividends, which positively impact the performance results.

3 The indexes are unmanaged. The Russell 1000® Growth Index measures the performance of large-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Fifth Avenue Growth Fund are with dividends, which positively impact the performance results.

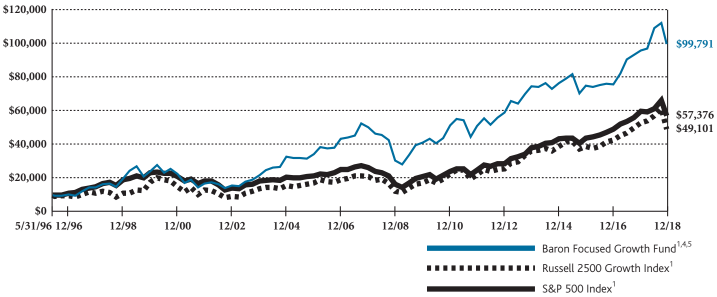
4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

5 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee 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, returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. 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.

† 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.

Baron Focused Growth Fund

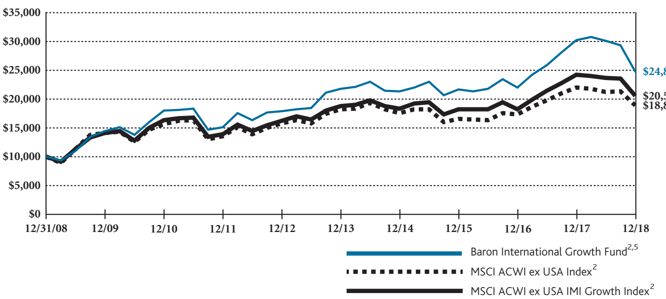
Comparison of the change in value of $10,000 investment in Baron Focused Growth Fund (Institutional Shares)† in relation to the Russell 2500 Growth Index and the S&P 500 Index



Baron Focused Growth Fund's annualized returns as of December 31, 2018: 1-year, 4.07%; 3-year, 9.98%; 5-year, 5.95%; 10-year, 12.50%; and Since Inception, 10.72%.

Baron International Growth Fund

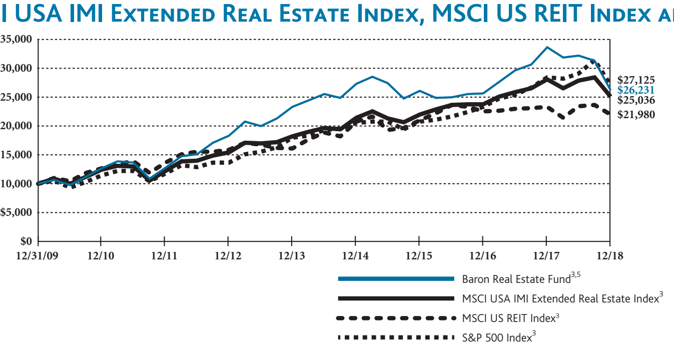
Comparison of the change in value of $10,000 investment in Baron International Growth Fund (Institutional Shares)† in relation to the MSCI ACWI ex USA Index and the MSCI ACWI ex USA IMI Growth Index



Baron International Growth Fund's annualized returns as of December 31, 2018: 1-year, (17.68)%; 3-year, 4.64%; 5-year, 2.63%; 10-year and Since Inception, 9.52%.

Baron Real Estate Fund

Comparison of the change in value of $10,000 investment in Baron Real Estate Fund (Institutional Shares) in relation to the MSCI USA IMI Extended Real Estate Index, MSCI US REIT Index and the S&P 500 Index



Baron Real Estate Fund's annualized returns as of December 31, 2018: 1-year, (22.04)%; 3-year, 0.22%; 5-year, 2.38%; and Since Inception, 11.31%.

---

1 The indexes are unmanaged. The Russell 2500™ Growth Index measures the performance of small to medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Focused Growth Fund are with dividends, which positively impact the performance results.

2 The Fund has changed its primary benchmark to the MSCI ACWI ex USA Index given its broad acceptance as the standard benchmark measuring international markets equity performance. The Fund will maintain the MSCI ACWI ex USA IMI Growth Index as a secondary benchmark. The MSCI ACWI ex USA Index Net USD is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the performance of large-, mid-, and small-cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

3 The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and Baron Real Estate Fund are with dividends, which positively impact performance results.

4 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 predecessor partnership's 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.

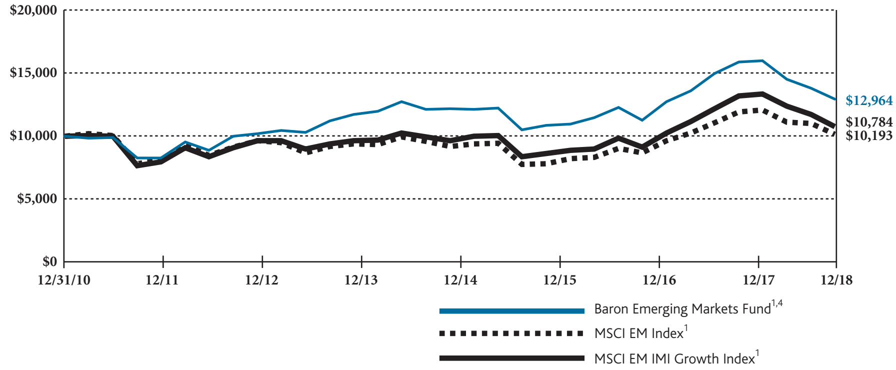
5 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

† 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.

Baron Funds Performance

Baron Emerging Markets Fund

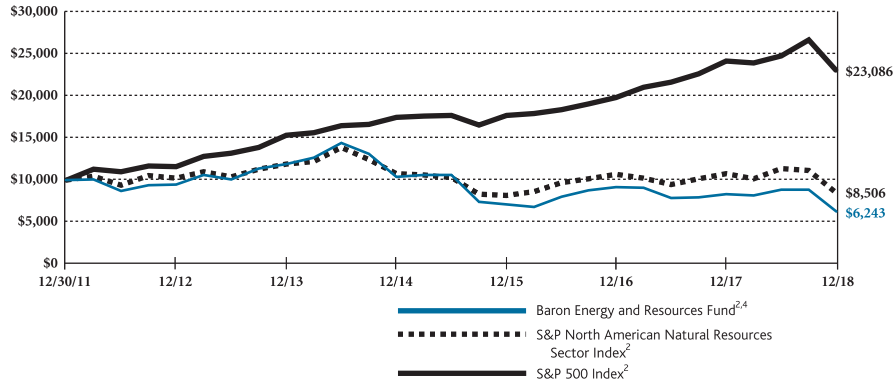
Comparison of the change in value of $10,000 investment in Baron Emerging Markets Fund (Institutional Shares) in relation to the MSCI EM Index and the MSCI EM IMI Growth Index



Baron Emerging Markets Fund's annualized returns as of December 31, 2018: 1-year, (18.49)%; 3-year, 6.06%; 5-year, 1.96%; and Since Inception, 3.30%.

Baron Energy and Resources Fund

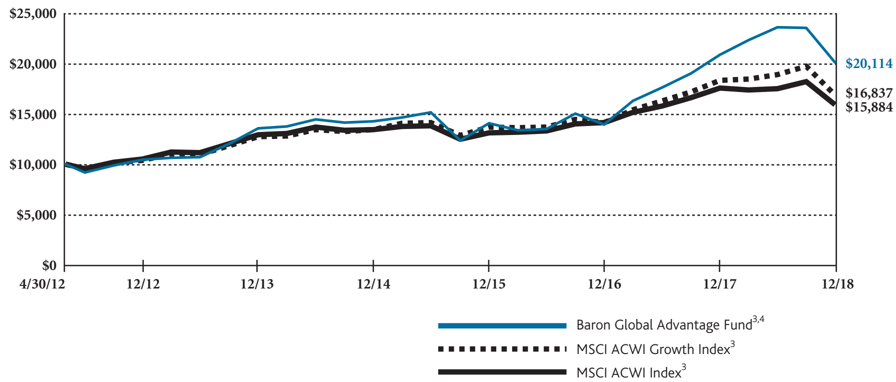
Comparison of the change in value of $10,000 investment in Baron Energy and Resources Fund (Institutional Shares) in relation to the S&P North American Natural Resources Sector Index and the S&P 500 Index



Baron Energy and Resources Fund's annualized returns as of December 31, 2018: 1-year, (25.03)%; 3-year, (4.23)%; 5-year, (12.12)%; and Since Inception, (6.51)%.

Baron Global Advantage Fund

Comparison of the change in value of $10,000 investment in Baron Global Advantage Fund (Institutional Shares) in relation to the MSCI ACWI Growth Index and the MSCI ACWI Index



Baron Global Advantage Fund's annualized returns as of December 31, 2018: 1-year, (3.66)%; 3-year, 12.66%; 5-year, 8.20%; and Since Inception, 11.05%.

1 The Fund has changed its primary benchmark to the MSCI EM (Emerging Markets) Index given its broad acceptance as the standard benchmark measuring emerging markets equity performance. The Fund will maintain the MSCI EM (Emerging Markets) IMI Growth Index as a secondary benchmark. The MSCI EM (Emerging Markets) Index and the MSCI EM (Emerging Markets) IMI Growth Index are unmanaged, free float-adjusted market capitalization weighted indexes. The MSCI EM (Emerging Markets) Index Net USD and the MSCI EM (Emerging Markets) IMI Growth Index Net USD are designed to measure the equity market performance of large-, mid-, and small-cap securities in the emerging markets. The MSCI EM (Emerging Markets) IMI Growth Index Net USD screens for growth-style securities. The indexes and Baron Emerging Markets Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results.

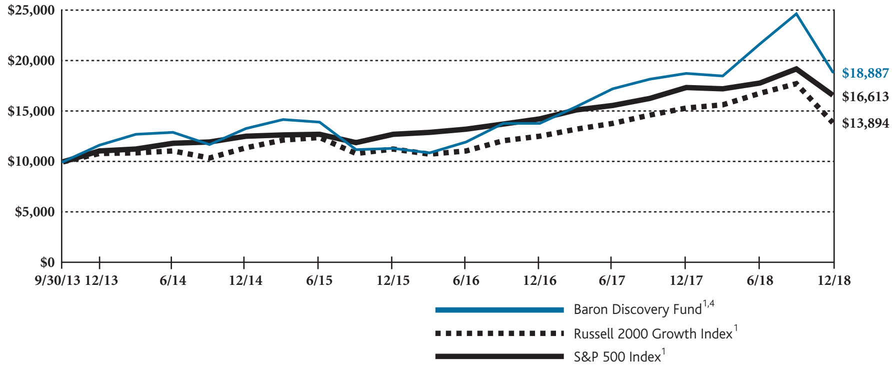
2 The S&P indexes cited are unmanaged. The S&P 500 North American Natural Resources Sector Index measures the performance of U.S.-traded natural resources-related stocks, including mining, energy, paper and forest products, and plantation owning companies. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and Baron Energy and Resources Fund are with dividends, which positively impact the performance results.

3 The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The MSCI ACWI Growth Index Net USD measures the equity market performance of large and mid cap growth securities across developed and emerging markets. The MSCI ACWI Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets. The indexes and Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Discovery Fund

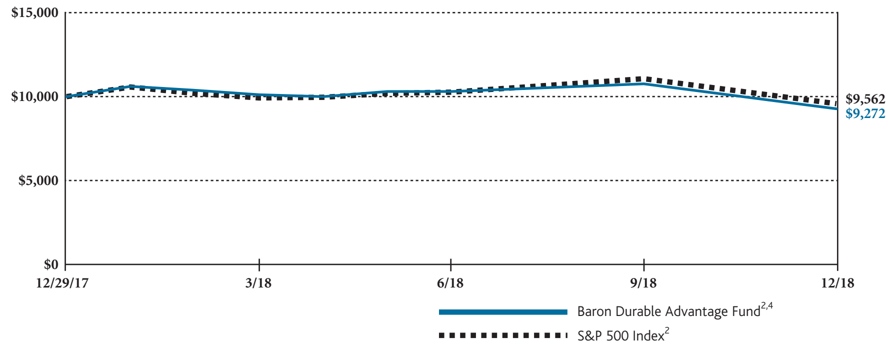
Comparison of the change in value of $10,000 investment in Baron Discovery Fund (Institutional Shares) in relation to the Russell 2000 Growth Index and the S&P 500 Index



Baron Discovery Fund's annualized returns as of December 31, 2018: 1-year, 0.64%; 3-year, 18.50%; 5-year 10.11%; and Since Inception, 12.88%.

Baron Durable Advantage Fund

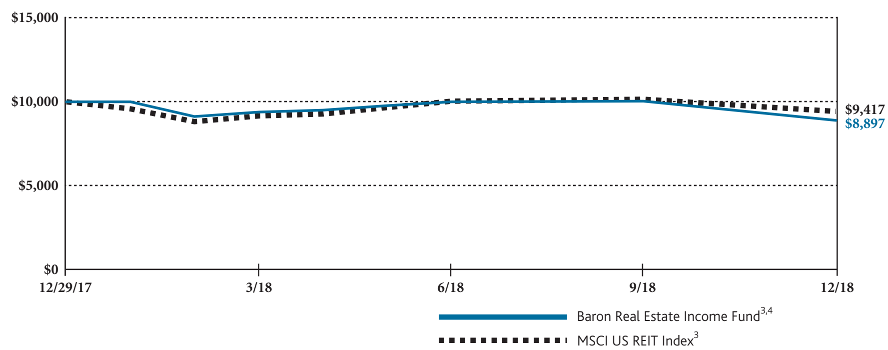
Comparison of the change in value of $10,000 investment in Baron Durable Advantage Fund (Institutional Shares) in relation to the S&P 500 Index



Baron Durable Advantage Fund's returns as of December 31, 2018: 1-year and Since Inception, (7.28)%.

Baron Real Estate Income Fund

Comparison of the change in value of $10,000 investment in Baron Real Estate Income Fund (Institutional Shares) in relation to the MSCI US REIT Index



Baron Real Estate Income Fund's returns as of December 31, 2018: 1-year and Since Inception, (11.03)%.

1 The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and Baron Discovery Fund are with dividends, which positively impact the performance results.

2 The index is unmanaged. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index and Baron Durable Advantage Fund are with dividends, which positively impact the performance results.

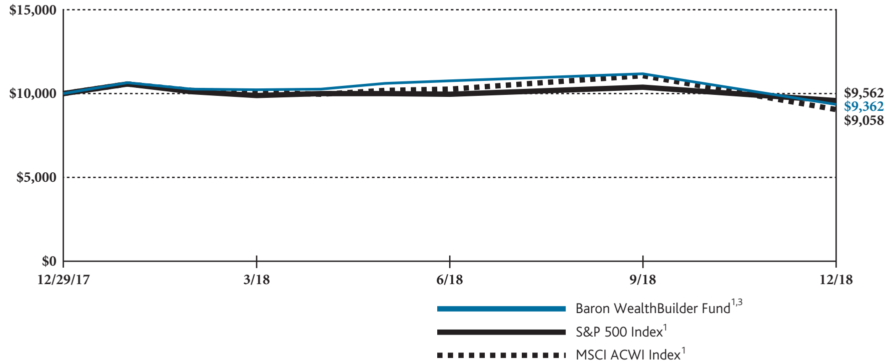
3 The index is unmanaged. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index and Baron Real Estate Income Fund are with dividends, which positively impact the performance results.

4 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

Baron Funds Performance

Baron WealthBuilder Fund

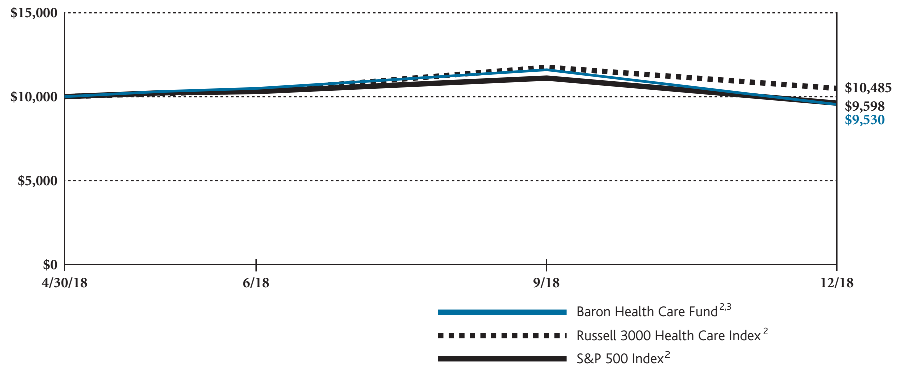
Comparison of the change in value of $10,000 investment in Baron WealthBuilder Fund (Institutional Shares) in relation to the S&P 500 Index and the MSCI ACWI Index



Baron WealthBuilder Fund's returns as of December 31, 2018: 1-year and Since Inception, (6.38)%.

Baron Health Care Fund

Comparison of the change in value of $10,000 investment in Baron Health Care Fund (Institutional Shares) in relation to the Russell 3000 Health Care Index and the S&P 500 Index



Baron Health Care Fund's returns as of December 31, 2018: Since Inception, (4.70)%.[4]

1 The indexes are unmanaged. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The MSCI ACWI Index is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large and mid cap securities across developed and emerging markets. The indexes and Baron WealthBuilder Fund are with dividends, which positively impact the performance results.

2 The indexes are unmanaged. The Russell 3000® Health Care Index is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and Baron Health Care Fund are with dividends, which positively impact the performance results.

3 Past performance is not predictive of future performance. The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

4 Not Annualized.

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.

DEAR BARON ASSET FUND SHAREHOLDER:

PERFORMANCE

U.S. equity indexes declined meaningfully during the quarter, and weakness was broad-based across nearly all sectors. Growth indexes and value indexes both fell, but the decline in growth stocks was more pronounced. Reasons included concerns over the looming trade war between the U.S. and China, indications that the Federal Reserve might increase interest rates several times during 2019, and some signs that global growth, particularly in China, might be slowing. Against this challenging backdrop, Baron Asset Fund (the "Fund") declined 16.35% (Institutional Shares), while the Russell Midcap Growth Index (the "Index") declined 15.99%, and the S&P 500 Index declined 13.52%.

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Asset Fund Retail Shares[1,2]	Baron Asset Fund Institutional Shares[1,2,3]	Russell Midcap Growth Index[1]	S&P 500 Index[1]
Three Months[5]	(16.41)%	(16.35)%	(15.99)%	(13.52)%
One Year	(0.14)%	0.14%	(4.75)%	(4.38)%
Three Years	10.19%	10.49%	8.59%	9.26%
Five Years	7.92%	8.21%	7.42%	8.49%
Ten Years	13.77%	14.07%	15.12%	13.12%
Fifteen Years	9.47%	9.66%	8.98%	7.77%
Since Inception (June 12, 1987)	11.05%	11.14%	9.64%[4]	9.36%

During the quarter, outperformance of the Fund's investments in Financials and Industrials, its modest cash exposure amid a down market, and its higher exposure to better performing REITs within the Real Estate sector contributed the most to relative results. Performance in the Financials sector was driven by **Willis Towers Watson Public Limited Company,** a benefits consultant and insurance broker, and **MarketAxess Holdings Inc.**, an operator of an electronic trading platform for fixed income securities. Both companies reported strong quarterly results. Specialty insurer **Arch Capital Group Ltd.**, investment management tools provider **FactSet Research Systems, Inc.**, and **First Republic Bank** also added value, as their stock prices held up relatively well in a volatile market. Strength in the Industrials sector was due to the outperformance of data and analytics vendor **Verisk Analytics, Inc.** and diversified industrial company **Roper Technologies Inc.**

ANDREW PECK
PORTFOLIO MANAGER

Retail Shares: BARAX
Institutional Shares: BARIX
R6 Shares: BARUX

Verisk's shares outperformed after the company reported solid quarterly results and hosted an upbeat investor day. Roper's stock outperformed as its high-quality characteristics and significant recurring revenues were positively regarded by investors in a volatile market.

Information Technology (IT) and Consumer Discretionary investments and lack of exposure to the outperforming Consumer Staples sector detracted the most from relative results. Weakness in IT was partly due to the underperformance of IT research firm **Gartner, Inc.**, as well as credit card processor **Worldpay, Inc.** We believe both companies were unfairly swept up in the widespread sell-off among IT stocks during the quarter. The underperformance of application software vendors **ANSYS, Inc.** and **Guidewire Software, Inc.** also hampered relative results. Within Consumer Discretionary, underperformance of global ski resort operator **Vail Resorts, Inc.** and venerable jeweler **Tiffany & Co.** weighed on relative results. Vail fell after the company sold slightly fewer season pass sales for the 2018/19 ski season than investors expected. Tiffany's shares were down sharply after quarterly sales growth decelerated from levels experienced earlier in 2018. We are optimistic that the sales issues experienced by both companies will prove fleeting.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2018 was 1.30% and 1.04%, 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 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 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.

4 For the period June 30, 1987 to December 31, 2018.

5 Not annualized.

BARON FUNDS 1987

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

	Year Acquired	Percent Impact
MarketAxess Holdings Inc.	2016	0.20%
Willis Towers Watson Public Limited Company	2016	0.11
SBA Communications Corp.	2007	0.01

MarketAxess Holdings Inc. operates the leading electronic platform for trading corporate and sovereign bonds. The stock performed well after the company reported good third quarter results, highlighted by its increased market share–daily trading volume rose 11% while total market volume fell 7%. The company also benefited from the elevated market volatility during the fourth quarter, as its daily trading volume grew 26% while total market volume fell 2%. We continue to expect MarketAxess to be the prime beneficiary of the ongoing secular shift toward electronic trading in the corporate bond market.

Shares of **Willis Towers Watson Public Limited Company**, a leading insurance broker and human resources consultant, rose modestly against the difficult market backdrop. After shares underperformed for a long period, we believe that the stock had become quite attractively valued. The company's third quarter earnings were well received, enabling shares to hold up relatively well in a volatile market. We remain optimistic that Willis Towers Watson will be able to drive sustained double-digit adjusted EPS growth and generate meaningful free cash flow.

Shares of cellular tower operator **SBA Communications Corp.** rose slightly during the quarter, as the major domestic wireless carriers continued to spend aggressively to build out their networks on SBA-owned towers. We believe that U.S. and Latin American wireless carriers will continue to place more equipment on SBA's towers in order to improve the quality of their 4G networks. In addition, the eventual rollout of next-generation 5G networks should present a further growth opportunity for the company.

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

	Year Acquired	Percent Impact
IDEXX Laboratories, Inc.	2006	–1.65%
Gartner, Inc.	2007	–1.37
Vail Resorts, Inc.	1997	–1.05
Guidewire Software, Inc.	2013	–0.70
Bio-Techne Corporation	2015	–0.65

After rising throughout the first three quarters of the year, shares of **IDEXX Laboratories, Inc.**, the leading player in the market for veterinary diagnostics, detracted meaningfully from performance in the fourth quarter. While the company's third quarter financial results were strong, unfavorable weather in Europe and depressed global milk prices caused farmers to cut back on veterinary expenses, which slightly reduced overall reported growth. We are optimistic about IDEXX's long-term prospects as placements of the company's flagship Catalyst instruments into veterinary offices continued to track at impressive rates. In addition, IDEXX's domestic reference laboratory segment continued to grow at approximately twice the rate of its largest competitor. Lastly, we believe there is meaningful room for continued margin expansion over the next several years.

Shares of **Gartner, Inc.**, the largest provider of syndicated research on the IT sector, detracted from performance, as technology stocks broadly sold off. We believe that Gartner's integration of its approximate $3 billion acquisition of CEB, Inc., which provides research on best practices to senior corporate executives across many industries, is proceeding ahead of schedule. We believe that Gartner has wisely increased its investment into this new business to pursue a large, incremental revenue opportunity. We believe that the company's recent results indicate continued positive returns from this initiative, as both sales productivity and client retention rates improved at CEB. We expect this acquisition to drive accelerated revenue growth for Gartner over the medium term. Separately, we believe that key forward-looking metrics in Gartner's core IT research business continue to be solid, with research contract value growth and sales productivity both improving.

Shares of **Vail Resorts, Inc.**, the largest global operator of ski resorts, decreased in the quarter as the company sold slightly fewer season pass sales for the 2018/19 ski season than investors expected. While this result was disappointing, Vail still received nearly half of its anticipated lift ticket revenue before the ski season started. This should make Vail's earnings more predictable and less susceptible to weather conditions. And, encouragingly, Vail's Colorado resorts received significant early season snowfall. We believe that the company should continue to grow earnings at a double-digit rate, while also generating strong cash flow to be used for dividend increases and accretive acquisitions.

Shares of insurance software vendor **Guidewire Software, Inc.** detracted from performance in concert with a broad sell-off of technology stocks. We believe that Guidewire is the dominant provider of next generation core software systems to the property and casualty insurance industry. We believe the industry is in the early stages of a large-scale core system replacement cycle, and Guidewire has tripled its addressable market in the past several years through new products introductions and cloud delivery capabilities. Eventually, we believe Guidewire will become the key software vendor for the global P&C insurance industry, capturing a significant share of a $15 billion-to-$30 billion total addressable market.

Bio-Techne Corporation is one of the world's leading suppliers of proteins, antibodies, and test kits to the life sciences research community. Shares detracted in the quarter after management removed $30 million of revenue contribution from its 2019 fiscal year guidance because of certain discrete issues related to the timing of revenue recognition in its Exosome Diagnostics segment. We remain optimistic about Exosome, which has a non-invasive liquid biopsy test to help physicians determine whether a prostate biopsy is necessary in patients with ambiguous screening results. We have not changed our view on the company's long-term prospects. Bio-Techne reported solid quarterly financial results, highlighted by 10% organic revenue growth, and management still expects the Exosome segment to contribute $150 million to revenue by 2023.

Portfolio Structure

At December 31, 2018, Baron Asset Fund held 59 positions. The Fund's 10 largest holdings represented 40.3% of assets, and the 20 largest represented 61.5% of assets. The Fund's largest weighting was in the IT sector at 25.5% of assets. This sector includes software companies, IT consulting firms, internet services and infrastructure companies, and data processing firms. The Fund held 23.1% of its assets in the Health Care sector, which includes investments in life sciences companies, and health care equipment, supplies, and technology companies. The Fund held 17.4% of its assets in the Industrials sector, which includes investments in research and consulting companies, industrial conglomerates, and machinery companies. The Fund also had significant weightings in Financials at 13.4% of assets and Consumer Discretionary at 10.4% of assets.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$2.9	$11.6	$196.7	6.4%
IDEXX Laboratories, Inc.	2006	2.5	16.0	181.7	5.9
Verisk Analytics, Inc.	2009	4.0	18.0	135.2	4.4
Vail Resorts, Inc.	1997	0.2	8.5	134.8	4.4
Mettler-Toledo International, Inc.	2008	2.4	14.2	132.4	4.3
Guidewire Software, Inc.	2013	2.8	6.5	101.2	3.3
Verisign, Inc.	2013	7.1	17.9	94.5	3.1
Illumina, Inc.	2012	5.3	44.7	90.7	3.0
The Charles Schwab Corp.	1992	1.0	56.1	88.3	2.9
FactSet Research Systems, Inc.	2006	2.5	7.6	80.4	2.6

Recent Activity

During the past quarter, the Fund established one new position and added to seven others. The Fund reduced its holdings in four positions.

Table V.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Aspen Technology, Inc.	$ 5.8	$20.8
Tiffany & Co.	9.8	5.0
TransUnion	10.5	4.7
Ceridian HCM Holding Inc.	4.8	4.3
IAC/InterActiveCorp	15.3	2.9

Aspen Technology, Inc. is the leading provider of optimization software to the energy and process industries. Aspen was founded 30 years ago in a lab at MIT, gained scale through a series of acquisitions in the early 2000s, and recently finalized a complete re-architecting of its software and business model. Today, the company's core Engineering and Manufacturing & Supply Chain (MSC) suites help customers improve competitiveness and profitability by increasing productivity, reducing operating costs, and minimizing working capital.

Aspen's customers include the world's largest energy, chemical, and engineering & construction companies. These customers depend on Aspen's software to run mission-critical aspects of their business, such as process design and simulation, automated process control, and plant and pipeline scheduling. In total, Aspen's software creates more than $50 billion of value annually for its customers. The criticality of Aspen's tools leads to average contract lives of six years, near-perfect retention rates, and annual price increases.

The company serves a large and well-defined addressable market. We estimate that the opportunity for the company's core Engineering and MSC suites is approximately $3 billion of annual recurring revenue, or around six times larger than its current business. We believe that the vast majority of the growth opportunity will come from deeper engagement with existing customers. The company employs a "token" model as a means to encourage wider adoption of its software. Aspen's customers increase their token consumption when they use additional modules or allow more users to adopt the suite. Given the high ROI of the modules, the inevitable result is that customers need to keep coming back to Aspen to purchase more tokens as their use of Aspen technology expands. Growth in Engineering and MSC should also be driven by an upgrade cycle to its newest platform, better integration of modules, and the consistent release of new modules.

Aspen recently extended its market leading functionality into asset maintenance with the launch of its Asset Performance Management ("APM") suite. APM offers simulation tools and machine learning algorithms to help customers predict machine failures before they happen and prescribe prospective actions for operators to take to avoid unexpected failures. The APM suite offers customers a dramatic ROI, as unanticipated equipment failures can take weeks to resolve and result in millions of dollars per day of lost revenue. In total, unplanned equipment downtime causes an estimated $1.4 trillion of lost value annually.

We estimate that the addressable opportunity for the new APM suite is approximately $2 billion of annual recurring revenue. We believe that APM software is a logical cross-sell for existing Aspen customers in the process industries, and it is also applicable to a broader set of industrial customers, including consumer packaged goods, pharmaceuticals, and transportation. We are encouraged by the company's early traction in growing this business, and we believe that over time APM can represent close to half of the company's annual bookings.

Like many vertical software companies, Aspen's business is highly profitable and extremely cash generative. Free cash flow margins are already in the low 40% range, and we think those will work higher over time given the company's high incremental margins and strong cost controls. The company converts around 75% of its EBITDA to free cash flow, which it uses to make acquisitions and repurchase stock. We expect management to look to acquire assets that will help it penetrate deeper into its customers and further build out its new APM suite. The company's consistent share repurchase program has reduced the number of shares outstanding by 18% over the last three years. We expect to see a minimum $200 million to $250 million of annual repurchases going forward, and we believe that repurchases can opportunistically be expanded.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Amount Sold (millions)
Waters Corporation	$6.4
Arch Capital Group Ltd.	2.4
Alexander's, Inc.	1.5
T. Rowe Price Group, Inc.	1.2

We reduced our holdings in **Waters Corporation**, a leading manufacturer of liquid chromatography devices, over concerns about its long-term competitive position. We trimmed our position in insurer **Arch Capital Group Ltd.** on concerns about the outcome of a changing regulatory environment for its profitable mortgage insurance unit. We trimmed our position in New York office and retail REIT **Alexander's, Inc.** over concerns about trends in the retail environment. And we sold some shares of **T. Rowe Price Group, Inc.** to redeploy the proceeds into other investment opportunities.

Outlook

Despite the stock market's poor performance during the past quarter, we remain optimistic about the prospects for U.S. equities. And we are encouraged by the market's upward direction during the early part of January 2019. We believe that the economy remains generally robust and that the outlook for continued strength in earnings among the companies in our portfolio remains solid. The U.S. unemployment rate remains near an historic low, and most leading economic indicators remain positive. Although we are not expert in gauging the future direction of interest rates (and we believe that few such "experts" exist), we are encouraged that the Wall Street consensus has evolved to expect more modest increases by the Federal Reserve going forward.

We believe that our portfolio of well-managed, competitively advantaged, fast growing companies will continue to perform well, although we cannot guarantee that they will. We continue to believe that high-quality, mid-sized growth stocks represent a compelling long-term investment opportunity.

Sincerely,

Andrew Peck
Portfolio Manager
January 31, 2019

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 mid-sized companies, but there also may be more risk. Specific risks associated with investing in mid-sized companies include that the securities may be thinly traded and they may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 Asset Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Growth Fund Shareholder:

Performance

Markets declined significantly during the quarter, erasing all the gains that had been generated through September. Baron Growth Fund (the "Fund") declined 18.53% (Institutional Shares), but exceeded the performance of its benchmark, the Russell 2000 Growth Index, which declined 21.65%. For the year, the Fund declined 2.67%, which exceeded the performance of its benchmark by 6.64%. Almost half of the Fund's relative outperformance occurred during the fourth quarter, when our strategy of investing in high-quality businesses with consistent and visible revenue and earnings growth proved valuable during a time of market volatility. For the year, the majority of the Fund's relative outperformance came from favorable stock selection, which is the goal of our fundamentally driven investment philosophy.

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(18.58)%	(18.53)%	(21.65)%	(13.52)%
One Year	(2.92)%	(2.67)%	(9.31)%	(4.38)%
Three Years	9.35%	9.63%	7.24%	9.26%
Five Years	5.49%	5.76%	5.13%	8.49%
Ten Years	13.49%	13.77%	13.52%	13.12%
Fifteen Years	8.82%	9.00%	7.96%	7.77%
Since Inception (December 31, 1994)	12.34%	12.46%	7.35%	9.41%

A cross-current of macroeconomic, monetary, and geopolitical developments caused a sudden and dramatic decline in markets during the quarter. In early October, long-term interest rates, as represented by yields on 10-year Treasuries, breached 3% while the Fed maintained a "hawkish" tone regarding future interest rate increases. Tariffs imposed during the current trade war with China began to impact certain sub-sectors of the U.S. economy, while having a more pronounced impact on China's domestic growth, a key market for many multi-national companies. Uncertainty around the progress of U.S.-China trade discussions added to perceived risks. Energy prices plummeted due to concerns over both supply and demand. Domestic labor and transport markets remained tight, leading to modest cost inflation. In aggregate, the market's prevailing expectations pivoted

NEAL ROSENBERG
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

Retail Shares: BGRFX
Institutional Shares: BGRIX
R6 Shares: BGRUX

from "synchronized global growth" to "peaking economic conditions," leading to reductions in earnings estimates and lower valuation multiples.

While we are cognizant of the debates that have recently roiled the market, we do not attempt to predict their outcomes. We think that such events are largely unpredictable, and forecasting the corresponding impact on stock prices is even more capricious. Instead, we spend our time doing fundamental due diligence alongside our growing team of analysts. We meet regularly with management teams, competitors, customers, and suppliers to gain a holistic understanding of a business's long-term growth opportunity. Our portfolio is an outcome of this research effort, and is constructed from a bottom-up perspective.

Our investments share a set of common characteristics, having large addressable markets, benefiting from favorable secular trends, enjoying high barriers to entry, and being run by, in our view, best-in-class management teams. Most employ recurring revenue models and have attractive margins and variable cost structures. This creates predictable earnings and cash flow streams that are less sensitive to the ebbs and flows of geopolitical and macroeconomic cycles. We expect these investments to generate attractive long-term performance as their revenue and earnings compound at above-market rates.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail shares and Institutional shares as of September 30, 2018 was 1.29% and 1.03%, 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 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 The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 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.

4 Not annualized.

BARON FUNDS® 1987

We consider the businesses that we invest in to be of extremely high quality. By extension, we believe that these investments are inherently less risky. The market agrees, and as such, our portfolio's risk as measured by beta is approximately 30% less than the benchmark (see Table II). While this strategy has served investors well over the long term, we believe it is particularly valuable during periods of uncertainty.

Table II.
Performance Based Characteristics as of December 31, 2018

	Time Interval			
	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 12/31/2018	Millennium Internet Bubble to Present 12/31/1999 to 12/31/2018	Inception 12/31/1994 to 12/31/2018
Alpha (%)	5.05	2.89	4.93	6.89
Beta	0.58	0.78	0.66	0.69

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

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 12/31/2018		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2018		Inception 12/31/1994 to 12/31/2018	
	Value $10,000	Cumulative	Value $10,000	Cumulative	Value $10,000	Cumulative	Value $10,000	Cumulative
Baron Growth Fund (Institutional Shares)	$12,448	24.48%	$36,344	263.44%	$45,243	352.43%	$167,357	1,573.57%
Russell 2000 Growth Index	$ 6,476	(35.24)%	$35,547	255.47%	$23,019	130.19%	$ 54,908	449.08%
S&P 500 Index	$ 7,188	(28.12)%	$34,303	243.03%	$24,657	146.57%	$ 86,576	765.76%

Baron Growth Fund has significantly outperformed its peers over the long term. A $10,000 investment in Baron Growth Fund at its inception would be worth $167,357 at December 31, 2018. This is approximately three times greater than the $54,908 value of the same investment made in an index fund tracking the Russell 2000 Growth Index. Those returns were achieved with approximately 30% less volatility than the benchmark, an attribute that we believe is particularly valuable in the mercurial market environment we are currently navigating.

Baron Growth Fund didn't make much money from the peak of the Internet Bubble December 31, 1999 through the trough of the Financial Crisis December 31, 2008, but did generate positive returns. This is a much better outcome than the Russell 2000 Growth Index, our benchmark, or the S&P 500 Index, both of which declined during that period. (See Table III-Millennium Internet Bubble to Financial Panic.) The effects of compounding help to illustrate this difference. A $10,000 investment in Baron Growth Fund on December 31, 1999 was worth $45,243 on December 31, 2018. That is 96.5% more than an investment in a passive Russell 2000 Growth Index mutual fund, and 83.5% more than a comparable investment in a S&P 500 Index fund (See Table III – Millennium Internet Bubble to Present). We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with exceptional management teams help us to generate attractive returns in good markets, and help to protect on the downside during more challenging ones.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Benefitfocus, Inc.	2013	$1.3	$ 1.5	13.03%	0.16%
Church & Dwight Co., Inc.	2006	2.4	16.2	11.05	0.07
American Assets Trust, Inc.	2011	0.7	1.9	8.45	0.02

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

The stock of consumer products company **Church & Dwight Co., Inc.** performed well in the quarter. The company showed strong organic growth in both its domestic and international consumer lines. A tough environment with higher commodity and transportation costs reduced gross margins, but the company announced price increases on approximately a third of its products, which should help relieve cost pressures next year. Additionally, investors have favored the reliability of Church & Dwight's sales and earnings given the current volatility in the broader market.

American Assets Trust, Inc. is a diversified REIT with a high-quality portfolio in high barrier-to-entry markets in the western U.S. Shares contributed to performance during the fourth quarter, driven by a "risk off" stock market environment that caused high-quality and more defensive REITs such as American Assets Trust to perform well.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Vail Resorts, Inc.	1997	$0.2	$ 8.5	–22.16%	–1.85%
Gartner, Inc.	2007	2.3	11.6	–19.34	–1.07
IDEXX Laboratories, Inc.	2005	1.9	16.0	–25.53	–1.07
Penn National Gaming, Inc.	2008	2.5	2.2	–43.02	–1.05
CoStar Group, Inc.	2004	0.7	12.3	–19.86	–1.05

Shares of **Vail Resorts, Inc.**, the world's largest operator of ski resorts, decreased in the quarter as growth in season pass sales decelerated, and underlying price increases were modestly below expectations. We expect lower-than-expected season pass sales, coupled with unexpectedly slow pre-holiday results, to modestly reduce EBITDA this year. While disappointing, we believe the company is still able to grow earnings at a double-digit rate over the long term. Cash flow generation is strong, which the company will use for dividend increases and accretive acquisitions.

Shares of **Gartner, Inc.**, a provider of syndicated research, detracted from performance as technology stocks broadly sold off. The integration of CEB is proceeding well, and the company increased its investment to pursue this large opportunity. We expect this acquisition to drive faster revenue growth over the medium term. We also believe that key forward-looking metrics in Gartner's traditional IT research business are solid. We observe signs of traction in the acquired CEB business with good uptake of seat-based model sales, particularly to new customers.

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** detracted from performance. While financial results were strong, unfavorable weather in Europe and depressed global milk prices temporarily reduced reported growth. We estimate that just 1% to 2% of IDEXX's profit is exposed to milk prices, and we believe that weather trends in Europe have normalized. We believe that competitive trends are outstanding in IDEXX's core companion animal business, highlighted by instrument installed base growth of 20%, domestic lab growth more than twice that of its main competitor, and improving sales productivity. We expect new proprietary innovations and ongoing sales force expansion to contribute to growth over time.

Recent Purchases

This quarter the Fund initiated a position in **Dechra Pharmaceuticals PLC.** Dechra is a U.K.-based company that develops, manufactures, and sells specialty veterinary pharmaceuticals. We are enamored with the global animal health market, and have successfully invested in the space for over a decade. We estimate that the global market for animal health pharmaceuticals is approximately $32 billion. We expect the market to grow at a 5% to 6% annual CAGR, driven by powerful secular trends, including the humanization of pets and persistent increases in demand for animal protein and other animal by-products. We believe that increases in global veterinary R&D, and derivative benefits from human pharmaceutical R&D will also drive market expansion.

The veterinary health care market is structurally superior to the human health care market. Unlike human health care, there are no government payors and few third-party commercial insurers. Pet owners pay for products and services using cash rather than insurance, which helps eliminate reimbursement risk, and enables the industry to pass through modest annual price increases. Additionally, industry regulations tend to be promulgated by the USDA rather than the FDA, and are far less stringent than in the human space.

Dechra is the 10^{th} largest animal pharmaceutical company in the world, but has just 2% global market share. The company targets sectors that are underserved by larger pharmaceutical competitors, and is often the dominant provider in its individual therapeutic niches. Today, the company's primary areas of focus are endocrinology, dermatology, ophthalmology, analgesics, and equine. Over time, we expect the company to broaden its portfolio, particularly into the food animal market. We estimate that Dechra's current pipeline of new products includes more than 75 that could add almost 40% to the business on a risk-adjusted basis.

We also expect growth to benefit from geographic expansion. Dechra's roots are in the U.K., and the company also has a strong and growing presence in the EU. Dechra first entered the U.S. market in 2016, and is growing in that geography in excess of 20% annually. Over time, we expect the company to enter or enhance scale in other emerging markets, particularly those with large production animal populations like Brazil, Argentina, and Australia.

We expect the combination of end-market growth, share gains, R&D, and geographic expansion to generate organic revenue growth around 10% annually. We expect Dechra to supplement this organic growth with acquisitions. The company has successfully completed 13 acquisitions since 2010, which help expand its product set and geographic coverage. Most recently, Dechra acquired AST/LeVet, which strengthened the company's European product portfolio and should generate significant sales synergies.

Of late, large human health care companies have been spinning off their animal health businesses, creating large pure play entities such as Zoetis and Elanco. We believe that these large, independent players will be better able to deploy capital in pursuit of growth, and will cause the animal health pharmaceutical industry to consolidate. We view Dechra as an attractive target for many of these vendors given its unique portfolio of niche products and minimal overlap with these competitors.

Portfolio Structure And Investment Strategy

The Fund seeks to invest in businesses that have attractive and durable fundamental characteristics. We look for companies that we believe have large addressable markets, are driven by positive secular trends, and are benefiting from high and growing barriers to entry. We favor business models that have high levels of recurring revenue, generate attractive incremental margins, and have strong free cash flow conversion. We exclusively invest with management teams that we consider to be best-in-class, who have incentives that are aligned with ours and operate their companies with the goal of driving long-term shareholder value. When we identify businesses that meet our investment criteria, we seek to buy them at attractive prices relative to their long-term potential. Frequently, these opportunities arise when a management team elects to penalize current earnings with expenditures in pursuit of longer-term growth. As a result, the Fund has been able to invest in high-quality businesses at what we believe were unusually attractive prices.

The Fund tends to hold investments for the long term. As of December 31, 2018, almost 87% of the portfolio had been held for more than 5 years, and approximately 50% had been held for more than 10 years. This is dramatically longer than most other small-cap growth funds, who turn over about 74% of their portfolios annually, according to Morningstar. We view this long-term perspective as a source of our competitive advantage and a key driver of returns over time.

Table VI.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Choice Hotels International, Inc.	1996	1,372.6%
IDEXX Laboratories, Inc.	2005	1,192.5
Vail Resorts, Inc.	1997	1,131.0
Arch Capital Group Ltd.	2002	834.6
CoStar Group, Inc.	2004	742.5
Church & Dwight Co., Inc.	2006	736.2
Mettler-Toledo International, Inc.	2008	684.0
Alexander's, Inc.	1999	680.9

Baron Growth Fund owns stock in 36 businesses that it has held for more than five years. *These investments represent 86.9% of the Fund's assets and have earned an annualized rate of return of 15.2% on weighted average assets since they were purchased. This exceeds the performance of the Fund's benchmark by 6.4% per year.* Most Fund investments that have been held for more than five years have realized approximately three- to seven-fold appreciation so far, and six have achieved returns in excess of eight times since their initial purchase. In addition, 7 of the 36 investments have achieved annualized returns that exceed their benchmark by more than 10%.

Table VII.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Trex Company, Inc.	2014	233.8%
Iridium Communications Inc.	2014	154.8
Kinsale Capital Group, Inc.	2016	106.9
Wix.com Ltd.	2016	92.6
Performance Food Group Company	2015	68.1
Moelis & Company	2015	60.4
Littelfuse, Inc.	2016	54.1
Altair Engineering Inc.	2017	50.6

We exclusively purchase small-capitalization companies that we think can double in size in a four- or five-year period. Investments held for less than five years include 22 stocks that account for 13.3% of the portfolio. As a group, they have returned 15.9% annually on weighted average assets, and exceeded our benchmark by 12.3% annualized. Nine of these investments have achieved annualized returns that exceeded our benchmark by more than 10%, and five have achieved annualized returns that exceeded our benchmark by more than 20%.

Portfolio Holdings

As of December 31, 2018, Baron Growth Fund held 59 investments. The top 10 holdings represented 48.4% of the Fund's total investments. All these top 10 investments have grown dramatically since they were purchased when they were smaller businesses. We believe they all continue to offer significant further appreciation potential, although we cannot guarantee that will be the case. We believe the Fund's diversified portfolio offers investors potentially better-than-market returns with less risk than the market. Note that diversification cannot guarantee a profit or protect against loss.

Baron Growth Fund purchases only small-cap companies. Since the Fund holds its investments for the long term, the Fund has a significant percentage of assets invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's investment. Please see Table VIII. Baron Growth Fund's median market cap is $3.4 billion; its weighted geometric average market cap is $6.3 billion. The Morningstar U.S. market breakpoints for small- and mid-cap funds are $3.1 billion and $16.0 billion, respectively, as of December 31, 2018.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Vail Resorts, Inc.	1997	$0.2	$ 8.5	$442.7	8.1%
CoStar Group, Inc.	2004	0.7	12.3	288.4	5.3
Gartner, Inc.	2007	2.3	11.6	287.6	5.2
Arch Capital Group Ltd.	2002	0.4	10.8	277.1	5.1
MSCI, Inc.	2007	1.8	13.0	266.1	4.9
FactSet Research Systems, Inc.	2006	2.5	7.6	250.2	4.6
Choice Hotels International, Inc.	1996	0.4	4.0	214.7	3.9
ANSYS, Inc.	2009	2.3	11.9	214.4	3.9
IDEXX Laboratories, Inc.	2005	1.9	16.0	212.1	3.9
Bright Horizons Family Solutions, Inc.	2013	1.8	6.5	191.7	3.5

Thank you for joining us as fellow shareholders in Baron Growth Fund. We believe the growth prospects for the businesses in which Baron Growth Fund has invested continue to be favorable.

We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We will also continue to provide you with information that we would like to have if our roles were reversed. This is so you will be able to make an informed judgment about whether Baron Growth Fund remains an appropriate and attractive investment for your family.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
January 31, 2019

Neal Rosenberg
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 smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities 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 portfolio 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 Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 Growth Index) is 1.00 by definition.

Baron Small Cap Fund

Dear Baron Small Cap Fund Shareholder:

Performance

Baron Small Cap Fund (the "Fund") fell 22.01% (Institutional Shares) in the fourth quarter, roughly in line with the Russell 2000 Growth Index (the "Index"), which declined 21.65%. For 2018, the Fund lost 7.13%, which outpaced the Russell 2000 Growth Index by 218 basis points. The broader S&P 500 Index fell 13.52% for the quarter, and 4.38% for the year.

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Small Cap Fund Retail Shares[1,2]	Baron Small Cap Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(22.07)%	(22.01)%	(21.65)%	(13.52)%
One Year	(7.39)%	(7.13)%	(9.31)%	(4.38)%
Three Years	8.98%	9.28%	7.24%	9.26%
Five Years	4.52%	4.79%	5.13%	8.49%
Ten Years	12.79%	13.07%	13.52%	13.12%
Fifteen Years	8.27%	8.44%	7.96%	7.77%
Since Inception (September 30, 1997)	9.16%	9.29%	5.41%	6.68%

The market suffered a broad, swift, and substantial decline in the fourth quarter, culminating in the worst December performance since 1931. Small-cap stocks, which led the market earlier in the year, dropped more sharply than larger stocks in the quarter and in the last trading month when the declines accelerated.

A confluence of events led to the market rollover in early October. Trade tensions with China intensified. The Federal Reserve continued to raise rates and withdraw liquidity from the financial system through "quantitative tightening," while espousing plans to continue on this course. Strong employment reports raised fears of wage inflation. Companies in the housing and lending industries reported slowing trends as interest rates ticked higher. And importantly, earnings reports for the third quarter started to show some weakness in current results and/or cautious guidance about near-term outlets. The increased tariffs caused higher costs for materials, transportation, and logistics that negatively impacted reported profits. The potential of additional and larger tariffs caused many businesses to focus on reorienting their supply chains or to re-think their growth and capital deployment plans until things become clearer. Angst and uncertainty paralyzed our companies and sent the market into a tizzy.

CLIFF GREENBERG
PORTFOLIO MANAGER

Retail Shares: BSCFX
Institutional Shares: BSFIX
R6 Shares: BSCUX

After a brief respite in November, the sell-off picked up speed in December. In addition to the aforementioned factors, some of which intensified, there was a fresh fear of imminent recession. We quickly went from concern of overheating to talk of recession…stoked by readings of slowing global growth and fears that the U.S. could tip over since the decline in stocks cost U.S. consumers $5 trillion in wealth. We believe the market also lost faith in policy makers and politicians, leading investors to just throw in the towel. As volatility picked up, downside momentum accelerated, and quantitative and algorithmic trading strategies took over. Company fundamentals didn't matter. By the way, we believe fundamentals do matter and in the long run, stocks track company earnings and prospects.

Our Fund acted in line with the Index. We usually outperform in down markets, but this period our stocks traded in lock step, as stocks traded like commodities, without much regard to the individual attributes of our holdings. Also, in major sell-offs like we just experienced, the stocks of the blue chip, high-quality, leading performers usually hold up the best and longest, but when they fall, they fall the hardest because their relative values are much higher, and the holders of these stocks are often taking profits and booking gains as they decline. Many of our worst performing stocks this quarter on a percentage basis (**Teladoc Health, Inc., HealthEquity, Inc., 2U, Inc., ASGN Incorporated, Cision Ltd., IDEXX Laboratories, Inc.,** 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 September 30, 2018 was 1.30% and 1.04%, 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 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 The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 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.

4 Not annualized.

BARON FUNDS® 1987

Ollie's Bargain Outlet Holdings, Inc.) didn't have any issues with their results and outlooks, yet suffered significant losses since they were some our biggest winners earlier in the year.

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

	Percent Impact
Guardant Health, Inc.	0.11%
Americold Realty Trust	0.01
Planet Fitness, Inc.	0.01

There were a few stocks that didn't decline in the quarter during the broad market sell-off. The stocks that held up best were those of companies with stable business models and whose equities have performed well over the long term, as these are stocks that investors get less nervous about in times of stress. This includes many of our larger and longest held positionings, such as **SBA Communications**, **Bright Horizons**, **Waste Connections**, **Mettler-Toledo**, and **TransDigm Group, Inc.** All of these stocks outperformed the Index this quarter.

Our best performing stock this quarter was **Guardant Health, Inc.**, a new position for the Fund that we bought as part of its IPO in October. Guardant offers liquid biopsy tests for advanced-stage cancer and is developing liquid biopsies for detecting the recurrence of existing cancers in cancer survivors and early detection of cancer in high risk individuals. Liquid biopsies are better than standard tissue biopsies because they are less invasive, do not require access to the tumor samples, enabling repeat sampling, have faster turnaround times, and support real time monitoring of progression. Guardant has unique technology and patent protection, and is the industry leader with demonstrated clinical utility, regulatory approval, and commercial adoption. We believe the company has the potential to revolutionize cancer care, and we think that its revenues can grow over five-fold in the next five years.

Shares of **Americold Realty Trust**, the largest owner/operator of temperature-controlled warehouses, contributed positively to performance. Americold reported a solid third quarter, with NOI growth of 9%. The fundamental backdrop remains positive, with steady demand and limited supply because of high barriers to entry. The company has an expanding pipeline of new development opportunities. They are on track to open a new high-tech facility in Chicago that is being built on spec in the first quarter of 2019, and recently announced it won a large contract to build three large custom facilities for an Australian retailer. We think that accretive acquisitions will be another lever of growth, though we expect transactions to be episodic. We believe that the stock is undervalued, not reflecting its high-quality franchise and solid growth prospects, and that its trading multiple (cap rate in REITs) will increase over time.

Planet Fitness, Inc., the franchisor and operator of low-cost Planet Fitness gyms, helped performance in the quarter after the company reported a broad-based beat to third quarter expectations and increased full-year guidance. System wide same-store sales increased 9.7% and are up double-digits for the year. Total gyms in operation are up 15% and membership is up 26%. The company also announced that it executed a $300 million share repurchase program on an accelerated basis, which we favor since we think this business should have a more appropriately leveraged balance sheet. We admire the company's positioning, as the industry behemoth benefiting from its scale, alongside its approach of offering high-end gyms at rock bottom monthly membership prices. The asset-light franchise business model drives high margins, great returns, and strong free cash flows. We think the company can continue to grow EBITDA at mid double-digit rates for the foreseeable future as it expands its chain from the 1,600 gyms now operating towards their goal over of 4,000 in the U.S.

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

	Percent Impact
GTT Communications, Inc.	–1.11%
Teladoc Health, Inc.	–1.10
Gartner, Inc.	–0.99
ASGN Incorporated	–0.86
John Bean Technologies Corporation	–0.82

Most of the biggest decliners in the fourth quarter were among the top performing stocks in the Fund for the first nine months of the year. Two-thirds of our stocks that declined more than the Russell 2000 Growth Index this quarter had outperformed the Index year-to-date coming into the quarter, including many of our best stocks, which had appreciated anywhere from 40% to 230% for the first nine months. These were mostly high-growth stocks that trade at higher multiples, and sold off the hardest…including **The Trade Desk**, **Teladoc Health, Inc.**, **Wix.com Ltd.**, HealthEquity, Inc., **Yext, Inc.**, **Aspen Technology, Inc.**, **WEX Inc.**, Ollie's Bargain Outlet Holdings, Inc., and **BJ's Restaurants, Inc.** Nothing changed with the fundamentals of any of these companies in the quarter. All have been reporting strong business trends for the year, which had driven strong stock performance coming into the quarter.

Usually the worst performers in any period are companies that stub their toes or are hurt by changes in business conditions. We had some of those this quarter, but they were not the real issue.

Shares of **GTT Communications, Inc.**, a telecommunication service provider to global enterprise customers, was down in the quarter. GTT made a large acquisition of European telco company Interoute, which we think will be accretive and strategic long term, but is blurring the near-term picture. GTT increased its leverage to do the deal, and leverage was a negative market factor in the quarter. GTT is walking away from some acquired unprofitable contracts and is rebuilding its international sales force, which is pressuring organic growth, while expected cost savings are still to come. We like the deal and support its financing, since we consider the balance sheet sound and the company avoided issuing more equity, which is dilutive. We think the company is well positioned to gain significant share in its niche because of superior product offerings and service. We believe the company will post good organic growth, continue to do accretive acquisitions, and has the opportunity to become a major global player. Its stock can rise multiple fold.

Teladoc Health, Inc., the leading provider of telehealth, fell in the quarter along with other high-growth market leaders. The sell-off also reflected news of the resignation of the CFO/COO for violating internal corporate policies. A capable new executive has been installed in the role and guidance was reiterated, so we don't think the company will miss a beat. In the third quarter, business was very strong-membership grew 18% and utilization of services as measured by visits was up 44%. Teladoc has substantial momentum in establishing itself as the dominant provider in the rapidly evolving and expanding telehealth industry. They are rolling out a new point of sale retail service with CVS and government health care programs are soon to adopt the service in droves. We like the company's strategic vision and admire how they have expanded their offerings and reach over the years.

Shares of **Gartner, Inc.**, the provider of syndicated research on technology and business functions, declined in the quarter in conjunction with other tech stocks. The integration of CEB is proceeding well, and management is expanding its sales resources to ramp sales of its revamped offerings. Though not yet evident in the numbers, we sense that CEB is on the verge of a big uptick in its growth rate over the medium term. Gartner's traditional IT research business remains robust, as contract value grew 14% in the latest quarter. Leverage has now been reduced to its target range and the company has begun to repurchase its shares with its free cash flow. We expect repurchase activity to increase significantly. We see growth in free cash flow/share accelerating and believe the stock now trades at a modest multiple by our estimates, yielding significant upside from growth and multiple expansion.

ASGN Incorporated, a large U.S. staffing firm serving the IT, design, and government service sectors, declined in the quarter along with others in the sector on fear of a potential slowdown in the economy. ASGN has had a terrific year. Organic growth has been double-digits and accelerated through the year, benefiting from the tight labor market and increased utilization of temporary staffing that took share from offshoring and consulting. Execution has been solid, with the company continuing to grow much faster than its industry peers. Management has improved the trends in one of its lower performing units and seamlessly integrated the acquisition of ECS, which launched the company's entrance into a new vertical. We expect business trends to remain positive, though the government shutdown might delay some federal contracts. The stock traded down to an unjustifiably low multiple, in our opinion, of adjusted earnings and EBITDA, which we believe does not properly reflect the value of the franchise and the prowess of management.

John Bean Technologies Corporation, a leading global technology solutions provider to the food processing and air transportation industries, detracted during the quarter. The company reported disappointing results due to a sales shortfall in the food business as customers postponed orders due to macro-related uncertainty. In addition, the stock sold off with most Industrials late in the quarter. We continue to hold the stock as we retain conviction in John Bean's ability to grow, improve margins, and consolidate the fragmented food processing equipment industry.

Portfolio Structure

As of December 31, 2018, the Fund had $3.5 billion under management. The top 10 positions accounted for 32.1% of the Fund. We owned 68 stocks at the end of the quarter.

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

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Gartner, Inc.	2007	$166.2	4.8%
Guidewire Software, Inc.	2012	140.4	4.1
Waste Connections, Inc.	2016	120.7	3.5
TransDigm Group, Inc.	2006	110.5	3.2
IDEXX Laboratories, Inc.	2008	102.3	3.0
ICON plc	2013	96.9	2.8
SBA Communications Corp.	2004	93.1	2.7
Bright Horizons Family Solutions, Inc.	2013	91.9	2.7
Ultimate Software Group, Inc.	2008	91.8	2.7
ASGN Incorporated	2012	89.9	2.6

The makeup of the Fund doesn't change much from period to period, as we are long-term investors and our turnover is modest. As before, the Fund is heavily invested in the IT sector, which is where we find the most compelling opportunities. This makes up about 32% of our Fund at year end. We are overweight this sector versus the Index because of our excitement for the growth prospects of our holdings. Industrials are our second highest weighting, at about 18% of the Fund, and we are overweight versus the Index as well. We have about 15% of our assets invested in Consumer Discretionary and 18% in Health Care stocks. We are well underweight the Index in Health Care, primarily because we have just a modest exposure to biotechnology/pharmaceuticals stocks, and are a little higher in Consumer Discretionary. We don't own any Energy or Consumer Staples stocks, and have only minimal exposure to Financials, as we find fewer differentiated businesses and secular growers in those sectors.

Most of our IT investments are application software companies that provide the operating software that serves as the backbone of so many businesses' operations. These are companies that have commanding stature in their niche segments, and whose position we believe is only getting stronger. These are mostly companies that sell their services on a subscription basis with renewal rates (on a dollar basis) of 100% or more and are adding additional products and services to expand their opportunity. We favor these business models as they generate consistent and highly visible results, expand margins and free cash flows with scale, and generally require modest capital so generate high returns.

The Industrials we own are not typical. Our holdings are not very cyclical. We own businesses that are leaders in their segments, benefiting from their market position and business opportunities that are not reliant on external macro factors. Our big holdings are in sub-industries with secular tailwinds such as aerospace & defense (**TransDigm Group, Inc.** and **Mercury Systems, Inc.**), industrial machinery (**RBC Bearings Incorporated**), environmental & facilities services (**Waste Connections, Inc.**), and human resource & employment services (**ASGN Incorporated**). Our smaller investments are in what we consider special companies in niches where there is good secular growth and often international opportunities.

Last quarter we laid out the financial characteristics of our holdings. Unfortunately, our holdings are about 25% lower now and cheaper on a multiple basis, since we think the vast majority of our holdings are still on pace to meet the estimates, we based our calculations on last quarter. For all our holdings, our research group does our own fundamental projections for near-term and long-term earnings (or EBITDA, free cash flow…whatever the appropriate metric). We value each company based on what we think are reasonable and conservative multiples for the applicable metric that is most appropriate for each stock. From year end levels, we presently project over 40% upside to those target stock prices based on calendar year 2020 estimates. Of course, stocks never perform exactly as we underwrite them, but the upside points to the relative attractiveness of our portfolio and is wider than normal.

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2018

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
Dechra Pharmaceuticals PLC	2018	$2.7	$24.9
Ingevity Corporation	2018	3.5	21.2
Guardant Health, Inc.	2018	3.2	10.3
Cantel Medical Corp.	2014	3.1	7.7
Installed Building Products, Inc.	2017	1.1	5.3

During the quarter we bought two new positions and increased our holdings in nine existing stocks.

Dechra Pharmaceuticals PLC is a U.K.-based $2.7 billion market cap company that develops, manufactures, and sells specialty veterinary pharmaceuticals. The company is the 10th largest animal veterinary company in the world with approximately $400 million in fiscal year 2018 sales. Its largest markets are in the U.K. and U.S.; it has a direct sales and marketing presence in 24 countries, with distributor partnerships in 50 other countries.

We are bullish on the $31 billion animal health market, which is experiencing positive secular trends, with a 5%-to-6% CAGR driven by humanization of pet health care and the increasing demand for animal protein. We believe that Dechra, with an approximate 2% share, is well positioned to continue to outperform through its focus on niche end markets that are underserved by large pharma. It focuses on animal endocrinology, dermatology, ophthalmology, analgesics, and equine. Roughly 90% of Dechra sales are generated from their key strategic therapy areas.

We think Dechra can sustain top-line organic growth of around 10%, supplemented by a healthy dose of acquisitions. Dechra had completed over a dozen deals since 2010, which have served to expand its geographic footprint and product lines. Recent significant transactions include the transformative 2016 $200 million acquisition of Putney, a leading developer of companion animal drugs, which brought Dechra into the U.S. and the early 2018 $422 million acquisition AST/LeVet, which strengthened Dechra's European portfolio and brings significant sales synergies.

Dechra has multiple areas for growth. While about 65% of its sales are related to the higher value, non-commoditized companion animal market, it is still under-indexed in Farm Animal Products (FAP), which represents 60% of the global animal pharmaceutical market. It is also less geographically diverse than its global competitors. The company has been pursuing a successful land and expand strategy, entering attractive new geographic markets such as Mexico and Brazil. Lastly, there is Dechra's pipeline comprised of 75+ products estimated to be worth $140 million risk adjusted at peak sales. We expect most of these to launch over the next five years, helping to support our outlook for low double-digit top-line growth for the next several years. Further, the animal health market is undergoing consolidation, and while not part of our immediate investment thesis, we believe Dechra would be an attractive acquisition target for a larger animal pharmaceutical company, particularly given its heavier mix of higher value companion animal drugs.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
LiveRamp Holdings, Inc.	2013	$1.6	$ 2.6	$33.0
FleetCor Technologies, Inc.	2010	1.8	24.1	30.3
Bright Horizons Family Solutions, Inc.	2013	1.8	6.5	20.4
Teladoc Health, Inc.	2017	1.8	3.5	16.1
Liberty Expedia Holdings, Inc.	2016	2.4	2.3	14.1

During the quarter, we exited our positions in **FleetCor Technologies, Inc.**, **Liberty Expedia Holdings, Inc.**, and **REV Group, Inc.** The first two were good stocks for the Fund that we sold at full valuations. The latter has a business that was severely hurt by tariffs, and we were concerned that the business could remain under pressure for some time, so sold at a loss.

We reduced our **LiveRamp Holdings, Inc.** position by a third by participating in the company's dutch auction and were able to properly resize our position and get a good price in the sale. We trimmed a bunch of other existing holdings, mostly stocks that held up in the quarter (**Bright Horizon Family Solutions, Inc.** and Mettler-Toldeo International, Inc.) or stocks that had risen a lot earlier in the year (**Teladoc Health, Inc.**, Wingstop Inc., and The Trade Desk).

Outlook

It was very painful to have our success for the year all be reversed in the fourth quarter. Markets are fickle and sometimes unkind. Whenever stocks plunge, we do our best to remain calm and analytical, and we consider if the decline in stocks is a harbinger of deterioration in fundamentals or just an emotional sell-off. In this case, we side on the latter.

It is our view that the market environment is actually pretty favorable as of now. We believe business is pretty good and that recession is not nearby. We think stocks are cheap and that the market leaders coming into the downturn will likely resume leadership on the flip side. This is premised on our belief that cooler heads will prevail, that irrational political behavior will not upset economic conditions, and fundamentals will again reassert themselves as the guiding factor for stock valuation.

The positives are:

- Interest rates have fallen significantly, down over 50 basis points on the 10-year bond.
- The Federal Reserve has changed its stance and now professes "patience" and "flexibility." U.S. balance sheet normalization is no longer on autopilot, and all "appropriate tools" would be used in case of crisis.
- Stocks are much cheaper. The market is trading at about 15 times projected earnings. We believe our holdings are now inexpensive on our near-term projections and offer great upside as we look out even further.
- The economy is doing just fine, as evidenced by the latest jobs report, which was a gangbuster. Though we do expect lower growth in GDP and corporate earnings in 2019 versus last year, we still think growth will be respectable.
- The U.S. dollar is lower, which is good for earnings translations.
- Market sentiment is awful, which is good for stocks.
- China and the U.S. are presently at an impasse with respect to the trade war, but there is hope that the dispute with China gets settled over the near term.

Offsetting these positives, are:

- Trade issues with China are not settled, and if additional tariffs are to be enforced or tensions escalate, we would expect a major negative shift in sentiment and a significant negative impact to growth.
- U.S. corporate debt levels are higher, and liquidity is lower, which could lead to higher borrowing costs and some refinancing risk. Corporate credit spreads widened late in the year.

- The U.S. government deficit increased as the budget ran a deficit even after the past year of strong economic growth. Higher rates could result if these imbalances are deemed fiscally irresponsible.
- Trump is a wild card, especially with the new Democratic Congress and the findings of the Mueller probe in the offing.
- The market's structural issues, that helped exaggerate the sell-off in the last quarter, might augur lower multiples.
- Fourth quarter results and guidance might be muted because of slowing economic conditions at the end of 2018 and uncertainty about pending tariffs. We expect growth to improve over the year.

As the year begins, the market has been bouncing back from oversold conditions. Fear is residing with trade tensions easing and early upbeat earning reports. Market leadership has returned to high-quality growth companies and small caps are outperforming large caps.

We believe we are well positioned and own a portfolio of what we believe are terrific businesses. We own:

- Companies that are leaders in their sectors and are often disrupting those industries while strengthening their competitive position.
- Companies that have great business models, with visible, recurring, and sustainable revenues and cash flows.
- Companies run by sharp, often founding executives, who have proven track records of success, and are of high character.
- Stocks that now trade at reasonable valuations on this year's estimates and offer great upside as earnings compound over time and/or multiples expand to recognize the special qualities of these businesses.

Our approach to invest primarily in these high-quality companies has served us well in the past. We supplement these holdings with a smattering of situational investments that we believe offer great near-term upside. We have a strong group of analysts and fund managers all focused on this same approach working together to uncover great investments, and believe the Fund is laden with such. Hopefully, the market we experienced in the fourth quarter is behind us, and we can get back to making good returns for all.

Thanks for investing with us.

Cliff Greenberg
Portfolio Manager
January 31, 2019

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 smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities 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 portfolio 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 manager 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 Small Cap Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

DEAR BARON OPPORTUNITY FUND SHAREHOLDER:

PERFORMANCE

Along with the market, Baron Opportunity Fund (the "Fund") pulled back in the fourth quarter, falling 16.47% (Institutional Shares). The Fund was effectively in line with the Russell 3000 Growth Index, which declined 16.33%, but behind the S&P 500 Index, which fell 13.52%. The Fund concluded 2018 yielding solid returns, up 8.35%, markedly ahead of both indexes, which lost 2.12% and 4.38%, respectively. As of this writing, the Fund has rebounded – a bit ahead of the market – to start the new year.

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Opportunity Fund Retail Shares[1,2]	Baron Opportunity Fund Institutional Shares[1,2,3]	Russell 3000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(16.58)%	(16.47)%	(16.33)%	(13.52)%
One Year	8.05%	8.35%	(2.12)%	(4.38)%
Three Years	13.05%	13.36%	10.85%	9.26%
Five Years	7.53%	7.82%	9.99%	8.49%
Ten Years	15.65%	15.95%	15.15%	13.12%
Fifteen Years	10.07%	10.26%	8.63%	7.77%
Since Inception (February 29, 2000)	6.12%	6.26%	3.76%	5.30%

MICHAEL A. LIPPERT
PORTFOLIO MANAGER

Retail Shares: BIOPX
Institutional Shares: BIOIX
R6 Shares: BIOUX

REVIEW & OUTLOOK

The Fund delivered solid relative and absolute performance in 2018, but retreated with the market during the fourth quarter. I believe the Fund's performance for the year was driven by our consistent focus on secular innovation trends and sustainable growth.

For the last several months, the market has experienced a substantial increase in volatility. The market pulled back sharply in October, bounced around in November and early December and then abruptly declined as the year came to a close. The year-end move was provoked, in my view, by the mid-December Federal Reserve meeting, where the Fed again raised rates and Chairman Powell, in his public remarks, spooked the market into fearing the Fed would raise rates too far and shrink its balance sheet too fast, stifling economic growth and tightening financial conditions. The market teetered the first few days of the year, but after Chairman Powell (and other Fed members) publicly clarified that the Fed was not on "autopilot" and would be patient and guided by economic data, the market inflected up and has continued to gradually extend its rebound as I write this letter.

In my view, the current market, economic and political setting remains uncertain. Economic growth and employment metrics have been solid, but certain leading indicators, such as the housing market, have betrayed weakness. Our government is trapped in the longest "shutdown" in our Nation's history. It is pretty much impossible to predict how Brexit or trade negotiations with China will end up. And economists and market strategists continue the bull/bear debates on: (i) an economic "soft landing" vs. a recession; and (ii) a bear market vs. a mid-cycle correction within a long-term bull market.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2018 was 1.37% and 1.11%, 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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The Russell 3000® Index measures the performance of the broad segment of the U.S. equity universe comprised of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000® Growth Index measures the performance of those companies classified as growth among the largest 3,000 U.S. companies and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 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.

4 Not annualized.

BARON FUNDS 1987

I don't know how these issues will evolve or end up, but our bottom-up, long-term investment approach at Baron does not require us to. The Fund's strategy remains consistent and focused. We are all in on secular growth – or, as a recent Morgan Stanley software note put it, "In Secular Growth We Trust." The bedrock thesis of the Fund has always been that secular and sustainable growth is the best place to invest over the long term and in uncertain market and economic environments.

Amid the uncertainty acknowledged above, our research and company reports confirm that the growth prospects and secular trends for our investments remain excellent – in fact, as strong as ever, in our view. We believe the economic and market factors and unknowns should have little to no impact on the fundamentals for the industries and business we favor, given their powerful and sustainable secular and structural growth drivers. We have confidence that our portfolio should be in a relatively strong position to weather and thrive in a variety of economic, market and political environments. While market leadership will inevitably cycle, our conviction remains that sustainable/secular growth matters and will be the predominant foundation of longer-term market leadership for both individual businesses and industry groups. Finally, with the pullback from summer highs, valuations for the themes and industries we emphasize are reasonable and attractive.

We continue with our approach of reacting to market dynamics by making modest tactical adjustments to our portfolio. Our aim is to iteratively improve portfolio quality – which I define as companies that are clear leaders in well-established secular themes; moving at a steady pace along the business maturity curve, measured by scale, customer adoption, market share or market capitalization; and material free cash flow generators – and increasing portfolio diversification. We have trimmed or allowed inflows to dilute some of our better performing and/or larger positions where we believed valuations were becoming extended (see, for example, top net sales below). And we have increased our weightings and added new positions where we thought valuations were particularly attractive, or a business's prospects were misunderstood or overlooked by the Street.

Here is a partial list of the secular megatrends we relentlessly focus on:

- Cloud computing
- Software-as-a-service (SaaS)
- "Big Data" and "Artificial Intelligence"
- Mobile
- Digital media
- Targeted, people-based digital advertising
- E-commerce
- Genetics
- Minimally-invasive surgical procedures
- Cybersecurity
- Electric-drive vehicles/autonomous driving
- Electronic payments

By investing in businesses capitalizing on these potent trends, we have been able to build portfolios that consistently deliver revenue growth rates at multiples of the general economy, as reflected in broad market indexes. Below we compare the revenue growth rates of our portfolio and three indexes for the trailing four quarters for which we have reliable data:

Comparison of Revenue Growth (based on quarter end holdings)

	Actual Q3 2018	Actual Q2 2018	Actual Q1 2018	Actual Q4 2017
Baron Opportunity Fund	27.4%	30.1%	31.0%	29.1%
S&P 500 Index	10.5%	11.4%	9.7%	9.9%
Russell 3000 Index	10.5%	11.6%	9.9%	9.5%
Russell 3000 Growth Index	12.0%	12.8%	11.2%	10.6%

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

	Percent Impact
Tesla, Inc.	0.56%
argenx SE	0.46
Mellanox Technologies Ltd.	0.42
Benefitfocus, Inc.	0.23
Guardant Health, Inc.	0.17

Tesla, Inc. is the world's first pure play diversified sustainable-energy company, manufacturing fully-electric automobiles, solar roof products and energy storage solutions. Tesla's shares outperformed during the quarter on third quarter results that exceeded investor expectations, including solid earnings, strong gross and operating margins and meaningful cash generation, which eased investor fears of liquidity risks and the need to raise equity capital. Tesla management expressed confidence that it will be able to drive its growth aspirations with internally-generated cash flow. Tesla is expanding Model 3 activity in new markets, including acceleration of production facilities in China and deliveries to China and Europe as soon as early 2019. (Ishay Levin)

argenx SE is a Dutch biotechnology company focused on developing antibodies to treat patients with cancer and severe autoimmune diseases. The shares performed well during the quarter. We believe this was in response to the positive resolution of some confusion regarding a bleeding safety concern. In addition, the company announced a large licensing deal with Johnson & Johnson for argenx's asset to treat acute mylegenous leukemia. We continue to believe argenx's antibody platform is one of the most valuable assets in the biotechnology development space. (Josh Riegelhaupt)

Mellanox Technologies Ltd. is one of the leading global suppliers of high-performance switch systems, adapters, cables, and software supporting high-speed InfiniBand and Ethernet networking technologies. Mellanox's shares were up in the quarter following the company's strong quarterly results, which exceeded its guidance on top line and margins, in addition to rumors around a potential takeout deal. We believe Mellanox is an attractive long-term investment due to its technological leadership in high-speed interconnects, which are becoming increasingly relevant in a world of big data and artificial intelligence. (Guy Tartakovsky)

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

Guardant Health, Inc. is a genetic testing pioneer that offers liquid biopsy tests for advanced-stage cancer and is developing liquid biopsy tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. The company went public in early October and the stock's strong post-IPO performance reflects investor excitement about its leading position in an attractive, large new market. We think Guardant possesses differentiated technology and data and has significant growth prospects. (Neal Kaufman)

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

	Percent Impact
Amazon.com, Inc.	-1.64%
Guidewire Software, Inc.	-0.98
Gartner, Inc.	-0.94
Apple, Inc.	-0.75
Electronic Arts Inc.	-0.74

Shares of **Amazon.com, Inc.** pulled back sharply during the fourth quarter, although it produced solid returns for the full calendar year. Shares fell on softer-than-expected revenue growth in the third quarter, but the company remains one of our highest conviction investment ideas. While penetration of e-commerce is rising rapidly, Amazon continues to grow its total addressable market at an unprecedented pace. For example, we believe Amazon's advertising business has the potential to generate $30 billion in the next four years and substantially improve Amazon's core margins. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market. Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. Paid Prime membership has exceeded 100 million households globally. We continue to think Amazon is a good bet to become the most valuable company on earth sometime soon. (Ashim Mehra)

Shares of P&C insurance software vendor **Guidewire Software, Inc.** detracted from performance in concert with a broad sell-off of technology stocks. Guidewire has emerged as the leading vendor of core software systems vendors to the P&C industry. The company remains early in its core system replacement cycle, and has tripled its addressable market through new products and cloud delivery. Over time, we believe Guidewire will be the key software vendor for the global P&C insurance industry, capturing 30% to 50% of its $15 billion to $30 billion total addressable market and generating margins above 40%. (Neal Rosenberg)

Shares of **Gartner, Inc.**, a provider of syndicated technology and business research, detracted from performance as technology stocks sold off. The integration of CEB into Gartner's Global Business Sales division is proceeding well, and the company increased its investment to pursue this large opportunity. We expect this acquisition to drive faster revenue growth over the medium term. We also believe that key forward-looking metrics in Gartner's traditional IT research business are solid. We observe signs of traction in the acquired CEB business with good uptake of seat-based model sales, particularly to new customers. Gartner's management team continues to believe the company is on track for double-digit growth in revenues, earnings and cash flow for years to come. (Neal Rosenberg)

Apple, Inc., known worldwide for its iconic iPhone, was a detractor during the quarter. During its last quarterly earnings call, Apple surprised investors with an announcement that it would no longer report unit sales for its hardware products, including the iPhone, something it has been doing for well over a decade, including when the iPod itself was first launched. Apple also expressed concerns with its China business because of escalating trade war tensions. We sold our Apple position for a small gain in the wake of the earnings call. (Alexander Mahylis)

Electronic Arts Inc. is a leading U.S. video game publisher. The stock underperformed in the quarter after the company reported underwhelming earnings driven by a deceleration in Live Services growth. More broadly, sentiment in the entire video game sector is negative at the moment. While this near-term environment is unfortunate, we retain long-term conviction due to industry tailwinds that should benefit the company going forward, including the shift to digital, in-game monetization, mobile gaming, advertising, and eSports. (Adam Lieb)

Portfolio Structure

The Fund invests in secular growth, innovative businesses across all market capitalizations. As of the end of the fourth quarter, the largest market cap holding in the Fund was $785.0 billion and the smallest was $306 million.

The median market cap of the Fund was $11.7 billion. The Fund had $372.3 million of assets under management. The Fund had investments in 58 securities. The Fund's top 10 positions accounted for 40.7% of the portfolio.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$734.4	$22.5	6.0%
Microsoft Corporation	785.0	21.1	5.7
Alphabet Inc.	723.2	20.0	5.4
Guidewire Software, Inc.	6.5	19.5	5.2
Gartner, Inc.	11.6	17.4	4.7
Tesla, Inc.	57.2	14.0	3.8
CoStar Group, Inc.	12.3	10.3	2.8
argenx SE	3.5	9.4	2.5
Mellanox Technologies Ltd.	4.9	9.0	2.4
Wix.com Ltd.	4.4	8.3	2.2

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
IAC/InterActiveCorp	$15.3	$5.4
Take-Two Interactive Software, Inc.	11.7	4.3
NVIDIA Corporation	81.4	3.5
Opera Limited	0.6	3.2
Arrowhead Pharmaceuticals, Inc.	1.1	2.5

We initiated a position in **IAC/InterActiveCorp**, a holding company chaired by media mogul Barry Diller that consists of several internet marketplace assets, including majority equity stakes in publicly-traded companies Match Group, Inc. and ANGI Homeservices Inc., as well as such wholly owned subsidiaries as Vimeo and DotDash. IAC trades at a meaningful discount to the underlying asset value of the listed subsidiaries alone, which implies we are getting the rest of the assets for free. Match and ANGI Homeservices are the dominant internet marketplaces in their respective niches – online dating and home services/repairs – which are both in the early stages of secular offline-to-online conversion. As a result, we expect IAC to experience rapid, high-margin growth over the intermediate term as both marketplaces should lend themselves to winner-take-most economics. High free cash flow conversion will also allow IAC to continue consolidating assets within its respective niches or add assets in adjacent verticals. We note that IAC's management team have historically been good stewards of capital and created significant equity value through M&A.

We initiated a position during the period in **Take-Two Interactive Software, Inc.**, a leading video game publisher. Despite continuing to report solid earnings and even raising fiscal year 2019 guidance on its fiscal second quarter in November, the stock traded off towards year end due largely to the broader market sell-off. Longer term, we believe that Take-Two is well positioned for success based on a number of factors: its uniquely strong intellectual property portfolio (key game franchises include Grand Theft Auto, Red Dead Redemption and NBA 2K); margin expansion potential driven by the industry wide shift to digital (digital downloads, in-game revenue and future streaming services); the opportunity to have a more regular release slate; increased mobile gaming penetration; eSports; a strong balance sheet; and an experienced and proven management team.

We added to our position in **NVIDIA Corporation**, the graphics processor and artificial intelligence ("AI") chip giant, on stock weakness during the quarter. NVIDIA's shares have underperformed recently driven by a slowdown in its gaming segment driven solely by the crypto-currency boom and bust, which has spooked more short-term oriented investors concerned by the length of the one-to-two quarter trough, which we believe not only unknowable but immaterial. We believe the current price represents a significant discount to our estimate of NVIDIA's intrinsic value and envision a bright long-term future for NVIDIA. Long known for its leading positioning in PC graphics with a market share topping 75% (its graphics cards are mainly used for high-end PC gaming), NVIDIA has taken advantage of and built upon its technological lead in graphics to design chips that power AI. With the demand for compute growing rapidly (driven by big-data, AI and digital transformations), while 'free' performance boosts from Moore's Law are coming to an end, NVIDIA's accelerated computing platform is becoming increasingly important. As Founder/CEO Jensen Huang told us in a recent meeting, "We are the only solution for data center acceleration that one can reasonably deploy." This positioning has created material opportunities for the company across several large and growing end markets including data centers (and cloud computing), high-performance computing, autonomous driving and robotics. Moreover, NVIDIA enjoys a wide moat around its business, reinforced by the ecosystem it has built over the last decade.

We initiated a small position in **Opera Limited**, a leading browser and news feed company in several emerging markets. We believe the business is poised to grow due to the expansion of its user base and improvements in the monetization of its news feed. Its news feed has over 100 million monthly active users globally, which we expect to double in the next three years. On top of this, we believe the company's advertising monetization should see solid expansion over the same time frame. Given Opera's low-cost base of engineers in Poland and China, we expect growth in advertising revenue to fall to the bottom line at high incremental margins, driving meaningful profit growth for the next several years.

We also initiated a small position in **Arrowhead Pharmaceuticals, Inc.,** a biotechnology company focused on the development of RNA interference drugs across a broad range of therapeutic indications. Drugs are in various stages of Phase 1 and 2 development for diseases like alpha-one antitrypsin, dyslipidemia, cystic fibrosis, hypertriglyceridemia, renal cell carcinoma and hepatitis B. The latter recently generated positive returns when Arrowhead announced that it had entered into a $3.7 billion licensing deal with J&J subsidiary Janssen to co-develop hepatitis B cures. We continue to expect value inflections as the assets in Arrowhead's portfolio mature.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Apple, Inc.	$839.8	$16.1
LiveRamp Holdings, Inc.	2.6	6.0
Facebook, Inc.	401.9	5.7
Tencent Holdings Limited	315.8	4.8
Booking Holdings, Inc.	90.0	4.5

We sold **Apple, Inc.** (as described above) and **Facebook, Inc.**, **Tencent Holdings Limited** and **Booking Holdings, Inc.** because of fundamental concerns and to fund investments in positions where we possessed more conviction.

We reduced our holding in **LiveRamp Holdings, Inc.** on valuation and position-sizing considerations as the stock rose during the year, but remain confident of the long-term growth opportunity for the company and retain a meaningful position.

To conclude, I believe wholeheartedly in the strategy of the Fund: growth based on powerful, long-term, innovation-driven secular growth trends. In the highly uncertain world we live in, we believe non-cyclical, sustainable and resilient growth should be part of investors' portfolios.

Sincerely,

Michael A. Lippert
Portfolio Manager
January 31, 2019

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 securities of high growth businesses benefiting from innovation through development of pioneering, transformative or technologically advanced products or services, but there also is more risk. Companies propelled by innovation, including technological advances and new business models, may present the risk of rapid change and product obsolescence and their successes may be difficult to predict for the long term. Securities issued by small and medium sized companies may be thinly traded and may be more difficult to sell during market downturns. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 Opportunity Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Baron Partners Fund

MICHAEL BARON
CO-PORTFOLIO MANAGER

RON BARON
CEO AND LEAD
PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

Dear Baron Partners Fund Shareholder:

Performance

The three months ended December 31, 2018 was a very difficult period for domestic equity markets. Baron Partners Fund's (the "Fund") investments, with few exceptions, did not withstand the market "correction." The Fund declined 16.72% (Institutional Shares) in the fourth quarter. This performance was roughly in line with the Russell Midcap Growth Index, which declined 15.99%, and worse than the S&P 500 Index, which fell 13.52%. According to Morningstar, the Fund slightly outperformed the Morningstar US Fund Mid-Cap Growth Category Average ("Category Average"), which fell 17.57% in the period. Although 17 of the 31 securities held by the Fund during the period, representing 69.3% of the Fund's net assets, and 54.6% of its gross assets, on a weighted average basis, outperformed the Russell Midcap Growth Index, the negative effect of leverage in a down market overshadowed positive stock selection.

Baron Partners Fund's returns for the full year were better on a relative basis than those of its benchmark indexes. The steep declines in the last quarter, however, made the Fund's absolute return negative for the trailing 12 months. In 2018, Baron Partners Fund Institutional Shares fell 1.75%. The Russell Midcap Growth Index and the S&P 500 Index declined 4.75% and 4.38%, respectively. According to Morningstar, the Category Average declined 6.65% in 2018.

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	(16.76)%	(16.72)%	(15.99)%	(13.52)%
One Year	(2.01)%	(1.75)%	(4.75)%	(4.38)%
Three Years	10.28%	10.56%	8.59%	9.26%
Five Years	7.55%	7.83%	7.42%	8.49%
Ten Years	14.67%	14.96%	15.12%	13.12%
Fifteen Years	10.74%	10.92%	8.98%	7.77%
Since Conversion (April 30, 2003)	12.43%	12.61%	10.61%	8.84%
Twenty Years	8.74%	8.88%	7.19%	5.62%
Since Inception (January 31, 1992)	12.25%	12.35%	9.20%	9.16%

Baron Partners Fund's portfolio consists of businesses with faster growth rates on average than its primary benchmark, the Russell Midcap Growth Index. The Fund's holdings also have higher valuations than the securities in the benchmark based on price to sales, price to earnings, and price to cash flow metrics. This is because their valuations accord some weight to the expected growth of those businesses. Not enough, in our opinion, but some. When stock prices undergo significant and highly-correlated corrections, stock prices of rapidly growing businesses are often penalized more than stocks of slower growing, more mature businesses. This is because sometimes investors discount future earnings streams more (the result of higher interest rates) and give more weight to the uncertainty of future projections (the result of a potentially slowing economy). When stock prices recover, share prices of such businesses in the past have generally recovered more rapidly than stocks in the benchmark. This is because the benchmark includes many slower growing, more mature, cyclical businesses. We believe the growth businesses in which we have invested offer the best return potential over extended time periods, which is why Baron Partners Fund has significantly outperformed its benchmark over the long term.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2017 was 1.79% (comprised of operating expenses of 1.34% and interest expense of 0.45%) and Institutional Shares was 1.53% (comprised of operating expenses of 1.08% and interest expense of 0.45%). *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 Fund's transfer agency expenses may be reduced by expenses 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 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. 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 Midcap® Growth Index measures the performance of medium-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The Russell Midcap Growth Index, the S&P 500 Index 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 in the table 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.

Shares of businesses that we regard as "inflation hedges" fell more than the market in 2018. Of late they have been performing better on both a relative and absolute basis. Real estate-related businesses like real estate investment trusts (REITs), hotels, gaming, destination resorts, and real estate service businesses were penalized during 2018 by the steady rise in interest rates. Higher rates caused income streams produced by real estate businesses to be valued for less. Regardless, these businesses have continued to grow, and their replacement costs are continuing to increase. The Fund's exposure to real estate goes beyond traditional REITs and other real estate-related businesses. It extends to information and data services companies, like **CoStar Group, Inc.** and **Zillow Group, Inc.**, that are focused on real estate end markets. While **Marriott Vacations Worldwide Corp.**, **Red Rock Resorts, Inc.**, **MGM Growth Properties LLC**, **Douglas Emmett, Inc.**, and other real estate-related businesses declined in 2018, gains in most of the Fund's top 10 holdings more than offset the underperformance of these stocks.

Tesla, Inc., **IDEXX Laboratories, Inc.**, **Vail Resorts, Inc.**, **CoStar Group, Inc.**, **Space Exploration Technologies Corp.**, **FactSet Research Systems, Inc.**, and **Gartner, Inc.** managed gains when the broader market was down, as their businesses continued to exhibit excellent growth as measured by Key Performance Indicators (KPIs). As a group, the Fund's top 10 holdings increased 3.5% in 2018 while the Russell Midcap Growth Index declined 4.75% over the same period. While we were pleased with the returns these stocks generated, they did not match the KPI growth of their underlying businesses. This suggests favorable appreciation and opportunity for these businesses.

Table II.
Total returns and KPI growth in 2018 for the Fund's top 10 holdings

	% of Net Assets at 12/31/18	2018 Total Return (%)	KPI (Key Performance Indicator)	2018 KPI Growth (%)
Tesla, Inc.	18.9	6.9	Vehicles Delivered	137.4
CoStar Group, Inc.	15.1	13.6	Subscription Revenue	30.2
Vail Resorts, Inc.	10.0	1.7	Season Pass Sales	15.9
Arch Capital Group Ltd.	9.7	–11.7	BVPS	6.7
Hyatt Hotels Corp.	9.0	–7.4	Management and Franchise Fee EBITDA per Share	17.8
IDEXX Laboratories, Inc.	8.6	19.0	CAG Diagnostics	14.2
FactSet Research Systems, Inc.	7.9	5.0	ASV	6.0
Space Exploration Technologies Corp.	6.6	33.9	Launches	11.1
The Charles Schwab Corp.	6.1	–18.4	Net Income	52.7
Gartner, Inc.	5.5	3.8	Research Salespeople	17.1
Total	97.4	3.5		

Sources: FactSet PA and BAMCO.

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

	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008		Financial Panic to Present 12/31/2008 to 12/31/2018		Millennium Internet Bubble to Present 12/31/1999 to 12/31/2018		Inception 1/31/1992 to 12/31/2018	
	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized	Value $10,000	Annualized
Baron Partners Fund (Institutional Shares)	$11,479	1.54%	$40,298	14.96%	$46,257	8.39%	$229,827	12.35%
Russell Midcap Growth Index	$ 6,488	(4.69)%	$40,880	15.12%	$26,522	5.27%	$106,924	9.20%
S&P 500 Index	$ 7,188	(3.60)%	$34,303	13.12%	$24,657	4.86%	$105,891	9.16%

"To make money, buy some good stock, hold it until it goes up, and then sell it. If it doesn't go up, don't buy it." Will Rogers. American Humorist. 1931.

Due to the "magic" of compounding … and not losing money when the benchmark index and most investors had negative returns (from December 31, 1999 to December 31, 2008). . . $10,000 invested in Baron Partners Fund on December 31, 1999 was worth 4.6 times that amount, or $46,257 on December 31, 2018. That is 74.4% more than an investment in a passive index fund or ETF that tracks the Russell Midcap Growth Index during that period. (See Table III-Millennium Internet Bubble to Present.)

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Total Return	Percent Impact
Tesla, Inc.	2014	$21.9	$57.2	25.69%	2.94%
Benefitfocus, Inc.	2015	1.1	1.5	13.03	0.14
MSCI, Inc.	2018	12.5	13.0	7.25	0.02

Tesla, Inc., designs, manufactures and sells electric vehicles, solar products, and energy storage solutions (batteries). Tesla's shares appreciated after announcing very favorable third quarter results. Tesla's earnings and sales exceeded investor expectations, especially its margin profile and working capital generation. Tesla also expressed confidence that it can now support rapid growth from its internally generated cash flow. Tesla is expanding its Model 3 production and sales into new markets. It has also begun construction of a new factory in China and more infrastructure investments in that nation. It is beginning deliveries of cars to China and Europe in the first quarter of 2019 that are being produced in its Fremont, California factory. Tesla's Model 3 has achieved the largest market share of premium, mid-sized sedans in America, beating Mercedes, BMW, Audi, Porsche, and Lexus. (Ishay Levin)

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

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance in the fourth quarter. The company reported solid third quarter earnings results, but the stock traded off for much of the quarter with the broader market. We purchased MSCI late in the quarter and experienced a gain from the time of our investment. While market uncertainty could create some near-term volatility, the company owns strong franchises and stands to benefit from several prominent tailwinds in the coming years, in our view. (Adam Lieb)

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
CoStar Group, Inc.	2005	$0.7	$12.3	–19.84%	–3.08%
Vail Resorts, Inc.	2008	1.6	8.5	–22.16	–2.36
IDEXX Laboratories, Inc.	2013	4.7	16.0	–25.49	–2.34
Hyatt Hotels Corp.	2009	4.2	7.4	–14.88	–1.23
Marriott Vacations Worldwide Corp.	2018	3.2	3.3	–36.61	–1.22

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

Shares of **Vail Resorts, Inc.**, the largest operator of ski resorts in the world, decreased in the quarter when the company reported season pass sales increased 10% for the 2018/19 ski season, which was slightly lower growth than investors expected. However, since Vail is now assured of almost half its lift ticket revenue before the season even starts, its earnings are more predictable and less susceptible to weather conditions. We believe the company is still able to grow earnings at a double-digit rate and is generating strong cash flow that it is using for dividend increases and accretive acquisitions. (David Baron)

Shares of veterinary diagnostics leader **IDEXX Laboratories, Inc.** detracted from performance. While third quarter financial results were strong, unfavorable weather in Europe and depressed global milk prices slightly reduced overall growth. We retain conviction. In the core companion animal business, competitive trends are outstanding, highlighted by instrument installed base growth of 20%, domestic lab growth more than twice that of its main competitor, and improving sales productivity. New proprietary innovations and a sales force expansion should also contribute to growth, in our view. (Neal Rosenberg)

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

Shares of Marriott Vacations Worldwide Corp., a global manager and developer of timeshare resorts, fell as a result of slower earnings growth at its recently acquired Interval Leisure resorts. The slowdown is in line with company expectations. Marriott expects Interval's growth to reaccelerate next year as it integrates the business and finds efficient ways to expand. We are positive on the acquisition and expect increased synergies over time. Marriott generates strong cash flow that it is using for share buybacks and leverage reduction. (David Baron)

Investment Strategy and Portfolio Structure

The goal of Baron Partners Fund is to double its value per share within five years, although there is no guarantee that this goal will be met. The Fund's strategy is to invest for the long term in a focused portfolio of what we believe are well-managed, appropriately capitalized, fast growing, competitively advantaged businesses at attractive prices across market capitalizations. Although the Fund can invest in stocks regardless of market capitalization, we remain most interested in mid-cap companies. This is because, in general, mid-cap companies are better established and thus less risky than smaller businesses and grow faster than larger ones. Approximately 92.9% of Baron Partners Fund's long positions were invested in smid-, mid-, and mid/large-cap businesses as defined by Russell. As of December 31, 2018, the weighted average market capitalization of Baron Partners Fund's growth companies was $19.4 billion.

We manage a portfolio of fewer than 30 securities diversified by GICS sectors. However, the vast majority of the Fund's assets are invested in its Top 10 holdings. Baron Partners Fund held 28 investments at December 31. The Fund's Top 10 investments represented 97.4% of its net assets and approximately 75% of its gross assets. Leverage utilized at December 31, 2018 was 30.7%. The Fund uses what we consider moderate leverage, to enhance returns and balance its portfolio. This is although leverage may increase the volatility of returns, both positively and negatively, as it did in 2018. The businesses in which Baron Partners Fund invests are identified by Baron's proprietary research.

As you might expect from a Firm that holds itself out as a long-term investor, Baron Partners Fund's average portfolio turnover was 16.62% during the past three years. This implies an average holding period of more than six years. If you review Baron Partners Fund's Top 10 holdings in Table VI, you can see that most of our largest holdings have been owned much longer than that. For example, the Fund has been an investor in Charles Schwab since 1992 and Arch Capital since 2002. Even better is the significant appreciation we have achieved in those two investments and in virtually all others in our Top 10 holdings since their initial purchase. What is more interesting to us, however, is that we believe we have an opportunity to double our money again in these investments over the next five to seven years…and, in several cases we expect that to happen much sooner. Of course, we cannot guarantee that will be the case.

While Baron Partners Fund has outperformed its primary benchmark index since inception by 3.15% annualized (although certainly not every year), according to Morningstar, the Category Average has consistently underperformed the Fund's primary benchmark during the last several calendar years, as well as for the since conversion and since inception periods. We attribute our outperformance to our Firm's process and long-term perspective about virtually everything...including hiring, training, and retaining exceptionally talented and hardworking analysts and portfolio managers…and other Firm employees as well. The investment industry is one that generally experiences high turnover. We have never had a layoff and, we believe, as a result, have generated significant loyalty from our investment professionals. We have not lost an analyst or portfolio manager in four years.

As of 12/31/2018, the annualized returns of the Category Average were (6.65)%, 7.27%, 5.61%, 13.16%, 8.76%, and 8.49% for the 1-, 3-, 5-, 10-year, since conversion (4/30/2003), and since inception (1/31/1992) periods.

In addition to its strong relative performance, the long-term absolute performance of Baron Partners Fund has been very good. The Fund has returned 12.35% annualized since its inception compared to a 9.20% annualized return for the Russell Midcap Growth Index. According to Morningstar Direct, the Morningstar Mid-Cap Growth Category Average increased in value 8.49% per year annualized over the same time frame. We attribute our competitors' underperformance largely to their efforts to "market time" based on unpredictable "macro" developments and their efforts to "asset allocate." In that regard, Larry Fink, the CEO and founder of BlackRock, the largest provider of ETFs in every asset class known to man, was recently interviewed on CNBC's Squawk Box. Larry noted that "80% of investment returns can be attributed to asset allocation." He went on to say "unfortunately, it is very difficult to predict in advance what asset classes will perform best!"

Portfolio Holdings

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Total Investments
Tesla, Inc.	2014	$21.9	$57.2	$369.4	14.5%
CoStar Group, Inc.	2005	0.7	12.3	295.2	11.6
Vail Resorts, Inc.	2008	1.6	8.5	195.2	7.6
Arch Capital Group Ltd.	2002	0.6	10.8	189.7	7.4
Hyatt Hotels Corp.	2009	4.2	7.4	175.8	6.9
IDEXX Laboratories, Inc.	2013	4.7	16.0	167.4	6.6
FactSet Research Systems, Inc.	2007	2.5	7.6	154.1	6.0
Space Exploration Technologies Corp.	2017	–	–	128.9	5.0
The Charles Schwab Corp.	1992	1.0	56.1	120.4	4.7
Gartner, Inc.	2013	5.7	11.6	108.7	4.3

Thank you for joining us as fellow shareholders in Baron Partners Fund. We will continue to work hard to justify your confidence and trust in our stewardship of your hard-earned savings. We will also remain dedicated to continuing to provide you with the information we would like to have if our roles were reversed. This is so you will be able to make an informed decision about whether this Fund remains an appropriate investment for you.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
January 31, 2019

Michael 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 using non-diversification and leverage, but there also is more risk. Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater loss in any given period. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and made difficult to sell during market downturns. Leverage is the degree to which an investor or business is utilizing borrowed money. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 Partners Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

It was a rough fourth quarter for U.S. equity investors. The decline was broad-based causing indexes to turn negative for the year and in the process, wiping out most of our gains. Baron Fifth Avenue Growth Fund (the "Fund") declined 16.9% (Institutional Shares) in the December quarter compared to declines of 15.9% and 13.5% for the Russell 1000 Growth and the S&P 500 Indexes, respectively, the Fund's benchmarks. For the year, the Fund generated a profit of 1.4% compared to a loss of 1.5% and a loss of 4.4% for the respective benchmarks (and a loss of 72.2% for Bitcoin–just because some of you want to know).

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(16.99)%	(16.92)%	(15.89)%	(13.52)%
One Year	1.10%	1.39%	(1.51)%	(4.38)%
Three Years	11.67%	11.98%	11.15%	9.26%
Five Years	9.86%	10.15%	10.40%	8.49%
Ten Years	13.98%	14.26%	15.29%	13.12%
Since Inception (April 30, 2004)	8.09%	8.27%	8.91%	7.94%

The market was slowly but persistently grinding lower until December 6, when the S&P 500's 50-day moving average crossed its 200-day moving average on the way down (apparently known as "the death cross") sending the universal SELL signal to every technical algo-trading machine, man, woman and child, and the market went into a significant sell-off phase. **Red Hat**, **CME Group**, **Tesla**, and a new addition, **RingCentral**, were the only holdings to have appreciated during the quarter, while **Amazon**, **Activision Blizzard**, **Apple**, **Alibaba**, and **Illumina** were our largest detractors.

It was a more balanced picture in 2018 overall. While there were plenty of losers, we also had many sizable winners, with eight investments contributing over 50 basis points to the overall returns, and that's after the fourth quarter carnage. **Red Hat**, **Illumina**, **CME Group**, **Veeva**, **Intuitive Surgical**, and **Wix.com** all appreciated over 30%, while **Amazon** and **Mastercard**, gained over 25%, and **Visa**, **Vertex Pharmaceuticals**, and **Monsanto** posted double-digit gains of their own. All in all, we had 19 investments that contributed positively to performance, which is what allowed us to eke out a small gain on the year.

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

So, seven full years after we completed the restructuring of the Fund at the end of calendar 2011, our report card reads as follows: the Fund has returned 166.8% cumulatively, outperforming the Russell 1000 Growth Index by 14.4%, the S&P 500 Index by 35.9% and the Morningstar Large Growth Category Average by 39.7%. A reasonably good outcome, in our view.*

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2018 was 1.09% and 0.82%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waivers, restated to reflect current fee waivers). *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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The Russell 1000® Growth Index measures the performance of large-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 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.

4 Not annualized.

* Mr. Umansky became the portfolio manager of the Fund on November 1, 2011. Since that date, the Fund has returned 158.65% cumulatively, which compares to 151.53% for the Russell 1000 Growth Index and 132.71% for the S&P 500 Index, outperforming the Morningstar US Fund Large Growth Category Average by 36.6% over the 7+ year period.

The long anticipated and frequently predicted market weakness is finally here. Is it just a sell-off, a dip, a pullback, a correction, a shallow, garden variety Bear Market or something worse? Something more painful and enduring…

Predictably, we do not know. Though we haven't had a down year in a while, it's actually not uncommon. According to Cornerstone Macro (CM), in its 91-year history, the S&P 500 Index has declined 30 times, or 32.97%. In its 122-year history, the Dow Jones Industrial Average was down 42 years, or 34.43% of the time, while the Russell 2000 Index declined 32.50% and the NASDAQ Composite experienced a down year 27.66% of the time. In addition to this one, there were 10 other times when the S&P 500 declined 20%+ from its all-time high with a median decline of 34.79%. Perhaps more interesting, CM points out, is that the average is heavily skewed by the epic bear markets of 1929 to 1932 (86.2% decline during the Great Depression), 1973 to 1974 (48.2% decline), 2000 to 2002 (49.2% decline), and 2007 to 2009 (56.8% decline). Removing these four periods from the sample would leave us with an average decline in the mid-to-high-20's. We are not fans of selective data removal, but we do understand the historical framework here. Of course, history may, or may not repeat itself.

In the meantime, the U.S. government shutdown is in its second month and domestic political uncertainty remains high. Trade tensions, hard BREXIT, and rising interest rates continue to pose risks to investors. We continue to believe it is the latter that will have the largest impact on the short-to-intermediate direction of stocks. We actually agree with President Trump that the Fed should stop raising rates. There is way too much uncertainty right now about the economic growth for the Fed to remain on autopilot and we think Chairman Powell's remarks walking back that comment and stressing that the Fed is NOT on a pre-determined path and will be vigilant and patient if needed, is the primary reason why the markets are off to a good start in early 2019.

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

	Quarter End Market Cap (billions)	Percent Impact
Red Hat, Inc.	$31.0	0.58%
CME Group, Inc.	67.3	0.33
Tesla, Inc.	57.2	0.20
RingCentral, Inc.	6.6	0.04

Red Hat, Inc. is the leading provider of open-source software, building and commercializing enterprise-ready distributions of open-source architectures. Shares of Red Hat increased 29% during the quarter following IBM's announcement of its intention to acquire the company. The deal's price of $190 per share represented a premium of approximately 62% to the closing price of $117 on the day before the announcement. We have been shareholders of Red Hat since 2011 and our thesis all along has been that Red Hat would benefit from the secular adoption trends behind open-source software after creating the industry in the early 1990s. In all honesty, we would have loved for Red Hat to stay independent a bit longer, and for us to continue compounding our investment in the company as open-source adoption grows. Admittedly though, after investing in Red Hat shares at an average cost of just over $50, we are also satisfied with our total cumulative return of over 350% to date.

CME Group, Inc. is the world's largest and most diversified derivatives marketplace. Its exchanges support trading of futures and options across a variety of asset classes, including interest rates, equity indexes, energy, agricultural commodities, currencies, and metals. CME shares rose 12% in the quarter benefiting from increased derivative trading volumes due to rising market volatility and a greater demand for hedging (over 80% of CME's revenues are tied to trading volumes). The increase in volumes also benefits CME's bottom line as most of its costs are fixed, resulting in extremely high margins on incremental volume. CME is an example of a business we like:

- It has a wide structural moat enabled by the network effects between buyers and sellers on its marketplaces. The value of a marketplace is a function of its liquidity, which rises with the number of participants.
- It is capital light.
- It has an experienced management team that allocates capital well.

We believe CME will continue to benefit from higher volatility, interest rate normalization, and greater adoption of exchange-traded futures.

Tesla, Inc. designs, manufactures and sells fully electric vehicles, solar products and energy storage solutions. Shares appreciated 26% during the fourth quarter. The company reported third quarter results that significantly exceeded investor expectations, generating over $800 million of free cash flow with gross margins above 25%. This quarter increases our confidence that Tesla can fund growth going forward solely with internally generated cash flow, reducing the capital cycle risk. We remain excited about the opportunity for Tesla to expand Model 3 availability into new markets, including new production facilities in China, accelerating deliveries to both China and Europe, while continuing to gain share in the U.S.

RingCentral, Inc. is a leader in unified communications as a service, enabling phone calls, video conferences, team collaboration, and a contact center in the cloud. Shares of RingCentral increased 1% during the quarter as the company reported robust earnings results, with 34% revenue growth, exceeding Street expectations, while free cash flow growth also surprised to the upside. Strong quarterly results underlined the continued acceleration in the adoption rate of its solutions. We believe RingCentral is very early in its penetration cycle, and the company has a significant opportunity ahead, as organizations who are still using on-premises-based systems transition to the cloud, representing an addressable market of over $100 billion.

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

	Quarter End Market Cap (billions)	Percent Impact
Amazon.com, Inc.	$734.4	–4.24%
Activision Blizzard, Inc.	35.5	–1.79
Apple, Inc.	748.5	–0.87
Alibaba Group Holding Limited	355.3	–0.80
Illumina, Inc.	44.7	–0.77

Amazon.com, Inc. shares were down 25% in the quarter driven by the broader market decline, year-end profit taking and a general assault on high-multiple companies. In the meantime, Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. Paid Prime membership has exceeded 100 million households globally with over 2 billion products ordered with one-day delivery or faster. While e-commerce is growing significantly faster than overall retail, Amazon continues to increase its total addressable market at an unprecedented pace. For instance, Solimo, Amazon's health care-related private label products are growing 70% *month-over-month*, while the company has applied for prescription filling licenses in 17 states. Then there was this "Festive Season Sale" in India where apparently 1 million Xiaomi devices were sold on Amazon in one day! In the next several years, Amazon will continue to build out its advertising business with the potential to reach $30 billion in revenues over the next few years. As the largest online retailer, Amazon can tap into the $1 trillion+ global advertising market, over a third of which is trade promotions, where brands spend to promote their products. Advertising is not only a large revenue opportunity, but it has the ability to substantially improve Amazon's core margins going forward. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market by a wide margin. This is a market that we believe is in the very early innings that will grow to be many multiples of its current size driven by the secular trend of digitization. Startups adopt AWS to reduce time to market and utilize a best-in-class platform as a service offerings. Enterprises adopt AWS as they try to accelerate their innovation clock cycle and avoid being disrupted. Amazon remains one of our highest conviction investment ideas, and we think a good bet to become the most valuable company on earth sometime in the future.

Activision Blizzard, Inc. is a global leader in digital interactive entertainment. The company develops, markets, publishes, and distributes video games on consoles, PCs, and mobile. Key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. Shares of Activision declined 44% in the fourth quarter as uncertainty regarding the launch slate for 2019, some management turnover, and the broad negative sentiment around the video game sector intensified. There is also continued concern that the popularity of Fortnite (a new video game from a different publisher) will impact near-term performance. We think 2019 may prove to be a transition year and hence have muted short-term expectations, despite the undemanding valuation. Longer term, we believe that Activision has the opportunity to significantly grow revenues, continue to expand margins, and effectively allocate capital for years to come. We believe the company has an excellent management team and stands to be a major beneficiary from a number of tailwinds benefiting the video game industry, including the shift to higher-margin digital revenue, mobile gaming, in-game advertising, eSports, and international expansion.

Apple, Inc. is the world's largest consumer electronics company with iconic products such as iPhone, iPad, Apple Watch, and Macs and arguably, the world's most valuable brand. Apple is a platform company with rapidly growing, recurring revenue services businesses that benefit from network effects. The company's shares declined 30% during the quarter as iPhone sales came in below expectations driven by the weakening Chinese demand and increased competition from local players in China. Despite our concerns about Apple's long-term growth opportunities in a mature smartphone market, we retained the ever-shrinking position in the stock largely due to belief that it will perform considerably better in times of stress due to undemanding valuation. Clearly, that has been proven not to be the case. While many of Apple's virtues are immediately apparent, its fit in this high growth "big idea" portfolio, is less obvious every day. Held in Baron Fifth Avenue Growth Fund since the first quarter of 2005, Apple is likely to be replaced by another investment in 2019. Partly due to Apple's growth limitations and partly due to a market correction that should enable us to find more compelling long-term opportunities.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China, operating the shopping platforms Taobao and Tmall. Alibaba also holds 33% of Ant Financial, whose brand, Alipay, is the largest third-party online payment provider in China. Shares of Alibaba declined 17% during the quarter due to a macro-driven slowdown weighing on consumer spending, and trade war driven uncertainties, prompting the company to reduce annual guidance. Additionally, Alibaba decided to postpone the monetization of incremental inventory from new recommendation feeds in order to help merchants who are being pressured due to the macro environment. This is a good example of the management's long-term approach, willing to forgo short-term gains for the benefit of its customers. China's GDP growth is increasingly driven by domestic consumption, which last year rose to 62% of GDP growth from 35% in 2003. China's e-commerce is now 20% of total retail, one of the highest penetration rates anywhere, still growing 28% (one of the fastest growth rates anywhere) with over 70% of Gross Merchandise Value coming from mobile. Short-term concerns notwithstanding, Alibaba continues to be one of our highest conviction investments.

Illumina, Inc. is the leading provider of next generation DNA sequencing instruments and consumables. The stock declined 18% during the quarter due to increased market volatility, profit taking, and general rotation away from higher-multiple growth stocks. Here is how we think about this: less than 0.025% of humans (fewer than 2 million) have been sequenced. Less than 0.01% of species have been sequenced and more than 99% of the variants discovered in the genome have not been deciphered yet. We initiated an investment in Illumina in the fourth quarter of 2011, when its market capitalization was under $4 billion, because we thought it could become a platform company with meaningful competitive advantages and network effects in a market that one day could be very, very large. One of the risks at the time was that we were early. Seven years later, Illumina's market capitalization is approaching $45 billion (yep, 12 times) and that risk is now one of the opportunities. We are no longer early–rather, we think we are at the very beginning. AI-based bioinformatics tools and continued cost declines should power clinical adoption of next-generation DNA sequencing in applications such as cancer diagnosis and treatment for years to come, which we think bodes well for Illumina's prospects.

Portfolio Structure

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark weights) determining the size of each individual investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

The top 10 positions represented 55.0% of the Fund, the top 20 were 82.8%, and we exited the quarter with 31 investments.

Information Technology, Consumer Discretionary, Health Care, Communication Services, and Financials made up 94.7% of the portfolio. The remaining 5.3% was made up of a position in Equinix, which is a REIT and is classified under Real Estate, as well as cash.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$734.4	$37.6	15.3%
Alibaba Group Holding Limited	355.3	12.7	5.2
Mastercard Incorporated	194.8	12.6	5.1
Alphabet Inc.	723.2	12.4	5.1
Visa, Inc.	290.8	11.0	4.5
Illumina, Inc.	44.7	10.8	4.4
CME Group, Inc.	67.3	10.2	4.2
Intuitive Surgical, Inc.	54.7	10.0	4.1
Veeva Systems Inc.	13.0	9.0	3.7
Activision Blizzard, Inc.	35.5	8.2	3.4

Recent Activity

During the quarter, we initiated an investment in **RingCentral, Inc.** and added to eight existing positions, mostly on market weakness. We eliminated the two stub positions in **Elanco Animal Health Incorporated**, and in **Meituan Dianping**, which we described in the last quarterly letter, and reduced exposure to three others. Our turnover in 2018 was 10.1%, on the low end of our 10% to 20% expected range.

Table V.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
RingCentral, Inc.	$ 6.6	$2.5
Worldpay, Inc.	23.9	2.5
Activision Blizzard, Inc.	35.5	1.3
Veeva Systems Inc.	13.0	1.2
Wix.com Ltd.	4.4	0.6

We initiated a small position in **RingCentral, Inc.** a software as a service (SaaS) company focused on the unified communications as a service (UCaaS) market. RingCentral's software provides a unified solution across multiple locations and devices and allows for communication across multiple channels, including voice, video, messaging (collaboration) and online meetings. RingCentral is disrupting a large category of 300 million to 400 million knowledge workers, representing an addressable market of over $100 billion. It is the fastest growing UCaaS player while also being almost two times larger than its closest competitor thanks to its high quality of service (controlling a larger percentage of the path a communications packet passes during its route), its differentiated strategy (offering an open platform, integrating best-of-breed partners instead of owning the entire stack) and robust execution (met or beaten expectations every quarter since its 2013 IPO). We believe RingCentral will continue showing accelerating growth rates driven by best-in-class unit economics with customer lifetime value representing over 10 times the customer acquisition cost. We also believe that RingCentral's co-founder CEO, Vlad Shmunis, is a savvy industry leader who is not afraid to invest in the business in the near term, penalizing margins in the short term, in order to grow the company's intrinsic value for the benefit of long-term shareholders. RingCentral is a beneficiary of the early stages of an industry migration to the cloud and it is the leader in that industry with a multi-year opportunity for growth. We define "best-in-class" businesses as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital, and lower leverage, that are leaders in their respective markets. Note that this statement represents our opinion and is not based on a third-party ranking.

We added to our investment in **Worldpay, Inc.** after gaining more conviction in the strategic rationale and financial merits of the combination of the U.S.-based Vantiv and the U.K.-based Worldpay. The combination created a leader in payments processing technology and solutions with a product suite spanning integrated point-of-sale and virtual terminals, credit and debit card payments, mobile wallets, ATM services, accounting integration and treasury services, and others. The combined scale makes the company one of the obvious beneficiaries of the growth in e-commerce.

Veeva Systems Inc. is the leading provider of cloud-based solutions targeted at the life sciences industry. Veeva offers customer relationship management, content, collaboration, and data management solutions tailored mostly to the life sciences industry. Most recently, Veeva reported another set of excellent financial results. Management noted traction with newer solutions, while the more penetrated, commercial cloud products continued to show healthy growth rates. Though management is investing in the new products' growth within life sciences and in new verticals, Veeva continues to deliver on profitability, delivering over 27% of subscription revenue growth last year while maintaining EBITDA margins and year-over-year growth of over 30%. With Vault now serving as the growth engine for the company, we expect that the growing product line will create additional, multi-year growth opportunities for the company and believe it can be a significantly larger company by capturing significant share over time, in new sub-segments within and beyond life sciences.

Wix.com Ltd. is a leading provider of an operating system to help micro businesses build and maintain their websites and operate their businesses better. Wix has over 135 million registered users and nearly 4 million premium users. This large installed customer base enables Wix to continue to build scale and introduce additional functionality that the company can cross-sell at near zero marginal cost, increasingly becoming the operating platform of choice for small businesses. Wix has continued to innovate, introducing Wix Code, a platform solution that significantly increases the flexibility of website design for customers, while outsourcing the back-end necessities, such as security, latency, etc..., to Wix. This results in strong cohort economics, creating a predictable and profitable business model (acquire a cohort once, get increasing subscriptions thereafter), with high incremental profit margins. We think there is an attractive opportunity in Wix shares as the company continues to innovate and convert an increasing number of businesses to premium subscribers.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Expedia Group, Inc.	$ 16.8	$3.4
Dropbox, Inc.	8.3	1.4
Facebook, Inc.	377.3	1.0
Meituan Dianping	30.8	0.5
Elanco Animal Health Incorporated	11.6	0.0

We eliminated **Expedia Group, Inc.**, **Dropbox, Inc.**, **Meituan Dianping**, and **Elanco Animal Health Incorporated**, four of the smallest positions in the Fund. We also reduced the size of our investment in **Facebook, Inc.**

Outlook

We continue to be surprised by how many professional investors equate volatility and risk. While they believe that companies they own generally will significantly increase their earnings and cash flows well into the future, they are worried about a market pullback and believe they have the responsibility and the ability to manage that. For the most part, that simply means they sell. The assumption here is that selling reduces the risk; the risk of future losses that is, and of course, it does…if one gets the timing right. But what about the risk of selling too early, or worse, selling too late? What about the risk of selling and never buying the right companies back? So, it seems that the risk of future losses declines at the expense of future gains. And that's short-term market risk at the expense of long-term fundamental gains. While some people always seem to be getting these pullbacks right, few that we know of, can get it right consistently. We can state with virtually 100% certainty that a recession will come! We just don't know when.

Well-known conditions and widely-anticipated events, such as Federal Reserve rate hikes, ongoing trade disputes, a partial government shut down, and the unpredictable behavior of the U.S. president, were shrugged off by the financial markets one day and driving markets down the next. We find it hard to know why market participants do what they do over the short term.

Every day we live and invest in a world full of uncertainty. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of *taking* risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital. We focus on identifying and investing in what we believe are unique companies with sustainable competitive advantages that have the ability to compound capital at high rates of return for extended periods of time. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
Portfolio Manager
January 31, 2019

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 Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk. There is no guarantee that these objectives will be met.

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 Fifth Avenue Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

DEAR BARON FOCUSED GROWTH FUND SHAREHOLDER:

PERFORMANCE

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

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	(11.28)%	(11.21)%	(20.08)%	(13.52)%
One Year	3.75%	4.07%	(7.47)%	(4.38)%
Three Years	9.69%	9.98%	8.11%	9.26%
Five Years	5.68%	5.95%	6.19%	8.49%
Ten Years	12.24%	12.50%	14.76%	13.12%
Fifteen Years	10.43%	10.61%	8.79%	7.77%
Since Inception (May 31, 1996)	10.61%	10.72%	7.30%	8.04%

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

DAVID BARON
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

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

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

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

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.40% and 1.12%, but the net annual expense ratio was 1.35% and 1.10% (net of the Adviser's fee waivers), respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) for and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.*

1 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders will not be charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The indexes are unmanaged. The Russell 2500™ Growth Index measures are classified as growth and the S&P 500 Index of 500 widely the performance of small to medium-sized U.S. companies that held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.

3 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

4 Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.

5 Not annualized.

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

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

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

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

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

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

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

Table II.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

From 2014 through 2016, we invested in several businesses whose stocks underperformed when they were investing in themselves to grow. CoStar, Benefitfocus, and **Guidewire Software, Inc**. are all examples of this strategy. These companies outperformed in 2018 as investments they made are beginning to generate returns. While the Fund's 5- and 10-year performance continues to lag the index, most of this was due to the Fund's results from 2014 through 2016.

We believe the Fund's underperformance from 2014 through 2016 is analogous to instances when, after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, at the height of the Internet Bubble, the Fund, which owned no internet stocks, increased 41.77% annualized, while the benchmark increased 126.53% annualized…just prior to the Internet Bubble bursting and the index falling materially. Please see Table II.

Similar to Baron Focused Growth Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund to perform well over the next few years. This is despite our expectation that there will be periods when value stocks outperform the growth stocks in which we have invested. However, we can certainly make no guarantee this will be the case.

Since its inception on May 31, 1996, the Fund's 10.72% annualized performance has exceeded that of its benchmark by an average of approximately 340 basis points per year. This means that a $10,000 investment in Baron Focused Growth Fund over 22 years ago would now be worth approximately $99,800! If an investor had invested $10,000 in a passive index fund that mirrored the Russell 2500 Growth Index over the same time period, it would be worth approximately $49,100. Please see Table I and III.

Baron Focused Growth Fund's beta is .77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of the Fund's strong absolute and relative returns and lower risk, the Fund has achieved 5.16% annual alpha, a measure of risk-adjusted performance, since inception.

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

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

Baron Focused Growth Fund didn't make much money from the peak of the Internet Bubble on December 31, 1999 through the trough of the Financial Crisis on December 31, 2008. But…we did make something…which gave you a much better outcome than if you had invested in a passive index fund mirroring either the Russell 2500 Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during that period.

Due to the "magic" of compounding and of not losing money during the Millennium Internet Bubble to Financial Panic period, $10,000 invested in Baron Focused Growth Fund on December 31, 1999 is worth 4.1 times that amount or $41,355 on December 31, 2018. That is 50.6% more than an investment in an index fund tracking the Russell 2500 Growth Index.

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

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

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

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

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

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

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

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

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

Investment Strategy & Portfolio Structure

The strategy of Baron Focused Growth Fund is to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of less than 20 securities diversified by GICS sectors that will be approximately 80% as volatile (beta) as the market. These businesses are identified by our Firm's proprietary research and time-tested investment approach.

As of December 31, 2018, the Fund held 15 investments. It purchased a small position in **Bloom Energy Corporation**, a designer and manufacturer of fuel cell systems that help make energy clean and affordable. They have developed a proprietary electric power grid that should be able to deliver reliable, uninterrupted power in a clean and efficient way. The Fund's average portfolio turnover for the past three years was 9.21%. This means the Fund has an average holding period for its investments of almost 11 years. This contrasts sharply with the average mid-cap growth mutual fund which typically "turns over" its portfolio every 21 months. From a quality characteristics standpoint, the Fund's investments have higher earnings growth than the average holdings in the benchmark, are more conservatively financed (evidenced by a lower debt to market capitalization ratio) and have lower betas. We believe these metrics are important to help limit risk for this concentrated portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than that of the Russell 2500 Growth Index. For example, the Fund is heavily weighted in Consumer Discretionary businesses with about 50% of the portfolio in this sector vs. just 15% for the index. The Fund is further diversified by investments in businesses at different stages of growth and development. For example, we classify the holdings of Baron Focused Growth Fund as one of three types: rapid, early stage growth businesses; companies with irreplaceable assets that offer pricing power and a hedge against inflation; and finally, foundational, long-term holdings that continue to steadily grow sales and earnings while using excess free cash to return value to shareholders.

Table VI.
Investments in Less Seasoned Growth Companies

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

Rapidly growing firms account for 50% of the Fund's assets. On current metrics, these businesses look expensive; however, we think they will continue to grow and have the potential to generate exceptional returns over time. Examples of these companies include electric vehicle leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, commercial real estate data supplier **CoStar Group, Inc.**, and systems software provider to the insurance industry **Guidewire Software, Inc.**

Table VII.
Investments with Irreplaceable Assets

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

Companies that own what we believe are irreplaceable assets represented 33% of Fund assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and storied English Premier League sports franchise **Manchester United plc** are all examples of companies we believe possess meaningful brand equity and barriers to entry in their businesses that equate to pricing power over time.

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

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

Steady growers that continually return excess free cash to shareholders represent approximately 17% of the portfolio. For example, **Choice Hotels International, Inc.** employs a capital light franchise model for its economy hotel brands, and this model allows the company to return cash to shareholders through buybacks and dividends while still achieving strong revenue and earnings growth no matter the stage of the lodging cycle. As one of the leading financial intelligence systems for the asset management industry, **FactSet Research Systems, Inc.** continues to grow into new areas via fixed income, risk management, and most recently wealth management with the recent win of the Merrill Lynch wealth management business. This should enable the company to grow, while generating a steady stream of recurring cash flow that it uses for acquisitions and share buybacks.

Portfolio Holdings

For the year ended December 31, 2018, the Fund's top 10 holdings represented 86.4% of net assets. A number of these investments have been successful and were purchased when they were smaller businesses. We believe they continue to offer significant further appreciation potential, although we cannot guarantee that will be the case.

The top five positions in the portfolio, **Tesla, Inc.**, **Vail Resorts, Inc.**, **CoStar Group, Inc.**, **Hyatt Hotels Corp.**, and **FactSet Research Systems, Inc.**, all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior knowhow or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth.

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

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

Thank you for investing in Baron Focused Growth Fund.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We are also continuing to try to provide you with information we would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
CEO and Lead Portfolio Manager
January 31, 2019

David Baron
Co-Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contains this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Adviser believes that there is more potential for capital appreciation in small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies may be thinly traded and they may be more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future holdings are subject to risk.

The discussions of the companies herein are not intended as advice to any person regarding the advisability of investing in any particular security. The views expressed in this report reflect those of the respective portfolio managers only through the end of the period stated in this report. The portfolio manager's views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time based on market and other conditions and Baron has no obligation to update them.

This report does not constitute an offer to sell or a solicitation of any offer to buy securities of Baron Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

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

Baron International Growth Fund

Dear Baron International Growth Fund Shareholder:

Performance

Baron International Growth Fund (the "Fund") declined 15.41% (Institutional Shares) for the final quarter of 2018, while its principal benchmark index, the MSCI ACWI ex USA Index, retreated 11.46% for the quarter and the MSCI ACWI ex USA IMI Growth Index declined 12.70%. For the full year of 2018, the Fund was down 17.68% while the MSCI ACWI ex USA Index declined 14.20% and the MSCI ACWI ex USA IMI Growth Index retreated 14.96%. In the fourth quarter, international developed equities, and particularly emerging market ("EM") equities, outperformed their U.S peers. In our view, this was due to several factors outlined in our third quarter letter, in which we suggested a period of mean reversion in performance was a reasonable likelihood.

In last quarter's letter, we proposed that the principal catalysts driving poor international and EM equity returns were not related to company fundamentals, but rather macroeconomic and geopolitical forces; we also suggested that, while a legitimate agreement between the U.S. and China on trade or a change in U.S. Fed rhetoric would likely spark a reversal in international and EM relative and absolute performance, a subtle catalyst could be a perceived peak in President Trump's political currency, as any dilution to the more aggressive elements of his "America First" policy would likely trigger a mean reversion in the year-to-date divergence of performance. We also noted that the international and EM correction was well advanced, and that we did not believe the U.S. markets or economy could remain insulated from the global liquidity and protectionist squeeze indefinitely. Contagion to the U.S., which was likely in our view, could trigger a bottom in international and EM assets and currencies as these markets would begin to discount a change in the cadence of trade policy and/or Fed rhetoric. We would now suggest that the conditions outlined above are increasingly being anticipated and discounted by market developments worldwide.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	(15.45)%	(15.41)%	(11.46)%	(12.70)%
One Year	(17.90)%	(17.68)%	(14.20)%	(14.96)%
Three Years	4.38%	4.64%	4.48%	4.01%
Five Years	2.37%	2.63%	0.68%	1.76%
Ten Years and Since Inception (December 31, 2008)	9.25%	9.52%	6.57%	7.47%

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 1.41% and 1.13%, but the net annual expense ratio was 1.20% and 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current expense 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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The MSCI ACWI ex USA Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD measures the equity market performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

For the final quarter of 2018, we underperformed both our primary benchmark MSCI ACWI ex USA Index as well as our all-cap international growth proxy. While disappointed by our recent quarterly results, which also drove our full-year relative performance, our longer-term returns remain ahead of our benchmarks and peers. The fourth quarter confirmed our view that while appreciation and leadership often accumulate over time, corrections and underperformance can often be abrupt. During the fourth quarter, higher-quality growth stocks across the globe suffered mightily after a protracted period of outperformance. While we had recognized profits on certain positions consistent with our active risk management process, our quarterly results remained disappointing. While we would characterize the earnings results across the bulk of our portfolio as solid, many of our investments suffered material multiple contraction resulting from a rise in risk premium on international equities in general, a concern over the outlook for global trade and tariffs, future regulatory or policy tightening, or additional risks related to the outlook for growth in China. In this regard, as 2018 progressed, we would characterize investor sentiment as increasingly hostile towards the equity values of private sector corporations, and more acutely so in the smaller, mid-cap and lower end of large-cap universe, which of course forms the core of our investment portfolio. While we believe a principal catalyst has been escalating pressure due to unconventional U.S. aggression in the form of foreign policy, trade protectionism, and threatened sanctions, the good news is that any de-escalation would likely relieve such pressure and allow risk premium on international and EM assets to normalize, and earning multiples to rise.

During the fourth quarter, our relative performance was driven by poor stock selection effect in the Consumer Discretionary, Energy, and Communication Services sectors. While negative absolute returns were fairly broad based across both the portfolio and quality growth stocks throughout the markets, poor returns and stock selection were concentrated in our Japanese holdings, where all of our positions declined by double-digits, and in the Energy sector, where declines were largely driven by a major correction in the price of crude oil. In most cases, we would attribute the weak performance to macroeconomic and foreign policy issues, particularly in energy-related and Japanese equities, several of which have a high correlation with global economic and consumption expectations, and perhaps more directly to China. Within Consumer Discretionary, concerns over a hard Brexit outcome drove significant weakness in **B&M European Value Retail S.A.** and **Glenveagh Properties PLC**, while classic growth stocks such as **Domino's Pizza Enterprises Ltd.** of Australia and **The Stars Group Inc.**, a Canadian online gaming operator, suffered large corrections. Partially offsetting the above, several company-specific developments triggered positive returns across several holdings. Most notable was **argenx SE**, a Dutch biotech firm that announced encouraging safety data on its core ARGX-113 molecule and introduced a second potentially commercial molecule during the quarter, driving material gains in the stock. In addition, **Mellanox Technologies Ltd.**, an Israeli silicon and systems provider to the high-performance computing and data center markets, announced it had hired an investment bank to review a potential sale of the company, and **China Tower Corporation Limited**, a recent addition to the portfolio that we profiled in our third quarter letter, appreciated meaningfully as the government unveiled a plan to distribute 5G spectrum and begin deploying network capacity.

For the full year 2018, our adverse performance relative to the MSCI ACWI ex USA Index was driven most by poor stock selection effect in the Energy and Financials sectors, which we attribute largely to macroeconomic and geopolitical factors rather than company-specific or theme-based developments. On the positive side, and partially offsetting the above, strong stock selection in the Information Technology sector, largely occurring in the first nine months of the year, and our cash position, drove the bulk of our positive relative performance for the year.

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

	Percent Impact
argenx SE	0.42%
Mellanox Technologies Ltd.	0.35
China Tower Corporation Limited	0.31
Zai Lab Limited	0.19
Housing Development Finance Corporation Limited	0.10

argenx SE is a Dutch biotech company focused on developing antibodies to treat patients with cancer and severe autoimmune diseases. Recent positive performance comes from resolution of some confusion regarding a bleeding safety concern. This was amplified by a large licensing deal from Johnson & Johnson for argenx's asset to treat acute mylegenous leukemia. We believe argenx's antibody platform is one of the most valuable assets in the biotech development space.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Mellanox shares were up in the quarter following the company's strong quarterly results, which exceeded its guidance on top line and margins, in addition to rumors around a potential takeout deal. We believe Mellanox is an attractive long-term investment due to its technological leadership in high-speed interconnects, which are becoming increasingly relevant in a world of big data and AI.

Shares of **China Tower Corporation Limited** appreciated in the quarter as fears of a merger between two important customers eased after the government announced a plan to distribute 5G spectrum. China Tower is the largest owner of wireless towers globally with dominant market share in China. We continue to believe that China Tower will be a significant beneficiary of the carrier 5G network build in China, and should be able to compound value in the double-digit range for more than five years.

Zai Lab Limited is a China-based biotech firm focused on becoming a large player in the newly emerging Chinese health care system. Recent positive performance is attributed to China's quick regulatory acceptance of lead asset Zejula, whose Chinese rights are in-licensed from Tesaro, a company that was also acquired by GlaxoSmithKline for a hefty premium in the quarter. We expect continued strong performance as Zai becomes one of the go-to biotechs in China to commercialize western medications.

Housing Development Finance Corporation Limited is India's premier housing finance company. Shares increased as liquidity conditions in the short-term funding market began to normalize following a squeeze triggered by a large credit downgrade in the system in September. In addition, a decline in oil prices and a lower inflation rate tempered the outlook for higher benchmark rates, which helped ease expectations for the company's funding costs. Lastly, the company reported results that showed continued steady earnings growth despite a difficult operating environment.

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

	Percent Impact
Encana Corp.	–0.75%
Fresenius Medical Care AG & Co. KGaA	–0.61
Eurofins Scientific SE	–0.51
Recruit Holdings Co., Ltd.	–0.48
Tullow Oil plc	–0.47

Encana Corp. is a Canadian-based exploration and production company with primary operations in Western Canada and Texas. Shares declined after the company announced the acquisition of Newfield Exploration, which has limited geographic overlap with Encana's core position in the U.S. In our opinion, Encana is one of the most attractively valued E&Ps. We believe investors underappreciate the company's long-term free cash flow, return potential in the Permian and the Montney, and potential operational synergies and cash flow accretion from the Newfield acquisition.

Shares of **Fresenius Medical Care AG & Co. KGaA** declined in the quarter. As the world's leading provider of dialysis products and services, the company is a beneficiary of increased onset of End Stage Renal Disease due to growing rates of diabetes and obesity. Earnings weakness owing to unfavorable reimbursement trends pressured shares. The company also issued below-consensus 2019 earnings guidance as it plans to incur upfront costs to drive future growth. We retain conviction as Fresenius is a stable, defensive, cash generative health care business in our view.

Shares of **Eurofins Scientific SE** detracted from performance in the quarter. Eurofins provides analytical testing services to clients in the food, pharmaceutical, and environmental industries. Shares fell due to questions about the sustainability of Eurofin's organic growth and its ability to make acquisitions given current leverage levels. We believe the company's organic growth remains attractive and is sustainable in the mid-single digits, and further maintain confidence in the company's management and acquisition-led growth strategy.

Recruit Holdings Co., Ltd. operates recruiting and temporary staffing businesses in Japan, the U.S., and Europe. While it reported strong earnings, shares fell on macro concerns. A weak economy would negatively affect employment-related businesses as employment levels and wages are direct inputs into the earnings outlook for these companies. While macro conditions are a near-term risk, we believe Recruit is also a long-term play on efficiency, as it utilizes technology to create a match between a job opportunity and qualified worker, at a a substantial cost savings relative to the traditional agent recruiting model.

Tullow Oil plc is an international exploration and production company primarily focused on operations in West and East Africa. Shares declined in the quarter due to falling oil prices. We remain investors due to the company's operational improvements, ramp up of production at TEN field in Ghana, the deleveraging of its balance sheet, exploration upside in South America, and potential monetization of Kenya assets.

Portfolio Structure

Table IV.
Top 10 holdings as of December 31, 2018 – Developed Countries

	Percent of Net Assets
AstraZeneca PLC	2.9%
argenx SE	2.6
Nokia Corporation	2.5
Danone SA	2.2
Constellation Software, Inc.	2.2
Mellanox Technologies Ltd.	2.1
Golar LNG Ltd.	1.8
Linde Public Limited Company	1.6
Aena SME, S.A.	1.6
Abcam plc	1.6

Table V.
Top five holdings as of December 31, 2018 – Emerging and Frontier Countries

	Percent of Net Assets
China Tower Corporation Limited	1.5%
Arco Platform Limited	1.4
Petróleo Brasileiro S.A. – Petrobras	1.3
WH Group Limited	1.1
Zai Lab Limited	1.1

Table VI.
Percentage of securities in developed markets as of December 31, 2018

	Percent of Net Assets
United Kingdom	14.0%
Japan	12.6
France	7.2
Canada	5.2
Netherlands	4.8
Germany	4.6
United States	3.8
Israel	3.7
Norway	3.5
Spain	3.0
Finland	2.5
Ireland	2.3
Switzerland	2.1
Australia	1.7
Belgium	1.2

Table VII.
Percentage of securities in emerging and frontier markets as of December 31, 2018

	Percent of Net Assets
China	8.0%
Brazil	4.7
India	3.8
Mexico	2.0
Korea	1.5
Argentina	1.5
Russia	0.9
Panama	0.4
Indonesia	0.3
Nigeria	0.1

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of December 31, 2018, the Fund's median market cap was $7.3 billion, and it had approximately 52.1% in large- and giant-cap companies, 31.9% in mid-cap companies, and 11.4% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the recent quarter, we deployed a meaningful balance of our cash position in a declining market as we began to perceive attractive value. A new theme has materialized in recent months related to the impending rollout of 5G wireless networks. We currently have investments in **Nokia Corporation** and **China Tower Corporation Limited**, and hope to identify additional attractive opportunities in months ahead. New investments in general were predominantly emerging markets related, while we added to several existing developed world positions. Our largest new investment was **Petróleo Brasileiro S.A. – Petrobras**, the dominant integrated oil and gas operator in Brazil, which we believe will be a major beneficiary of strategic and governance changes recently affirmed by the new Bolsonaro administration. **YY Inc.** is our second China-based live streaming investment that also holds a majority interest in HUYA Inc., a fast-growing and leading e-sports platform in China. We see **KIA Motors Corporation** of Korea as a likely beneficiary of Chaebol reform, while also entering a period of accelerated new model introductions. We believe the company's earnings are likely to post strong growth in the current year, and we think the valuation is quite attractive. We also took positions in **HDFC Bank Limited**, the leading high-quality private sector bank in India, **Copa Holdings, S.A.**, a leading low-cost airline operator in Latin America with enviable competitive advantages, and **Nestlé S.A.**, which we believe is likely to demonstrate improved operating performance and monetize attractive assets in response to activist shareholder pressure. We initiated a position in **B&M European Value Retail S.A.**, a U.K.-based retailer that came under market pressure largely in response to Brexit proceedings during the quarter. We also increased existing investments in Norwegian company **Opera Limited**, which we believe will capture materially higher monetization rates via its mobile web browsing and newsfeed platforms in the coming years, and **Nokia Corporation**, a Finnish wireless communications equipment vendor, which we believe will likely be a major beneficiary of the trade-related conflicts occurring between the U.S. and China, while also benefitting from the global rollout of 5G networks beginning this year. In addition, we added to current holdings in **Golar LNG Ltd.**, **Square Enix Holdings Co., Ltd.**, **Industria de Diseño Textil, S.A.**, and **Dechra Pharmaceuticals PLC**, in our view, all high-quality growth businesses that suffered significant corrections in recent months.

During the quarter, we sold our positions in **Amorepacific Corporation**, a leading Korean cosmetics manufacturer over concerns regarding deteriorating fundamentals in both its home market as well as in China, which has been driving the company's substantial growth, and **Titan Company Limited**, a leading jewelry manufacturer and retailer in India, based on concerns related to India's recent liquidity crisis. Finally, we also reduced several positions, including **Domino's Pizza Enterprises Ltd.**, **InterXion Holding N.V.**, **Momo Inc.**, and **Landis+Gyr AG**, based on concerns over slowing growth and/or heightened government regulatory risk.

Outlook

In our third quarter letter, we suggested several potential catalysts that could likely trigger a mean reversion in leadership where international and EM equities would begin to outperform. In our view, such catalysts included indications of a credible truce between the U.S. and China on trade, market recognition that U.S. corporate profits and equities were quite exposed to disruption from escalating tariffs and foreign policy tensions, and finally, a peak in unconstrained executive privilege, or what we termed "peak Trump political currency." In our view, during the fourth quarter, the above catalysts have all come into play, and as a result, international and EM equities outperformed the U.S. for the first time in several quarters. We believe such outperformance is a welcome precondition to forming a durable bottom and a return to positive absolute returns.

Our expectation was that the above conditions would increase the likelihood that the U.S. would seek a compromise in trade relations with China and perhaps a return to more conventional foreign policy, and/or help coerce Fed behavior to become less restrictive, either of which would also reduce risk premium associated with international assets and currencies. We now enter 2019 with various risks to U.S. corporate earnings increasingly priced in and speculative and leveraged positioning in equities, bonds, and oil having corrected and normalized. Our conclusion is that much that could go wrong has now been priced in, particularly in mid-cap growth stocks globally, which suffered an outsized correction during the fourth quarter. Consistent with the above conditions, as well as our view that the U.S. midterm elections might represent an important inflection point where going forward we begin to see constraints on U.S. executive privilege, during the quarter we became considerably less defensive and exited the quarter with a much-reduced cash position. Looking ahead, in the near term, we believe a rally in global equities is more likely than a further decline, as markets begin to anticipate a de-escalation of protectionist measures and improving global trading conditions, as well as a more flexible Fed mandate. Such a development would likely suggest a peak in the U.S. dollar and further outperformance by international equities. While this is our base case expectation for now, we remain cautious because global capital markets remain exposed to the elevated risk of policy error: Will the U.S. and China reach a credible compromise by the imposed March 2nd deadline? Will the Fed follow through in tempering expectations of future tightening if trade relations improve? Could a shift to positive global economic surprises, in the aftermath of a large decline in oil and long-term government bond yields, force the Fed to return to a more restrictive bias? Lastly, and indicative of a market environment where non-economic risks may ultimately "overwhelm the fundamentals," what can we expect in the coming months from the ongoing Mueller investigation and what sort of unpredictable response could it provoke?

While we have written in recent quarters that we believe unconventional U.S. foreign policy initiatives have driven international and EM equity risk premium higher and earnings multiples lower in the short term, we nonetheless are encouraged by several emerging bright spots. Brazil, in particular, has demonstrated market leadership and material positive returns as the incoming Bolsonaro administration has articulated a market-friendly doctrine emphasizing material privatization activity and a commitment to enhanced fiscal orthodoxy. We built an overweight position in Brazil during the fourth quarter. We believe we are nearing a conclusion to the Brexit drama, and suspect something close to a worst-case scenario is expected and largely priced into markets. During the quarter we increased our domestic U.K. exposure and currently see both attractive risk/reward and a catalyst likely to emerge soon. In addition, while certain Asian equity markets remain closely correlated to the outlook for China's economy and policy direction, many EM markets remain more sensitive to the outlook for the U.S. dollar and Treasury yields, where recent developments suggest we have already entered a bottoming phase. Should the outlook for foreign and trade policy reduce pressure on China, and Fed policy shift to a marginally more accommodative stance, we believe many of our existing investments offer material upside from current levels. As always, we remain confident that our forward-looking and bottom-up fundamental approach positions us to discover exciting long-term investment opportunities regardless of the market environment.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
Portfolio Manager
January 31, 2019

Kyuhey August
V.P., 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: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. Portfolio holdings are subject to change. Current and future portfolio 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 manager 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 International Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

DEAR BARON REAL ESTATE FUND SHAREHOLDER:

PERFORMANCE

Following our particularly strong performance in 2017, when the Baron Real Estate Fund (the "Fund") gained 31.42% (Institutional Shares), significantly outperforming the MSCI U.S. REIT Index that increased only 3.74%, its primary benchmark Index, the MSCI USA IMI Extended Real Estate Index Net (the "MSCI Real Estate Index") that gained 18.04%, and the S&P 500 Index that gained 21.83%, we are disappointed in the Fund's performance in 2018 (see Table I below).

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Real Estate Fund Retail Shares[1,2]	Baron Real Estate Fund Institutional Shares[1,2]	MSCI USA IMI Extended Real Estate Index[1]	MSCI US REIT Index[1]	S&P 500 Index[1]
Three Months[3]	(16.30)%	(16.25)%	(11.77)%	(7.05)%	(13.52)%
One Year	(22.22)%	(22.04)%	(10.73)%	(5.83)%	(4.38)%
Three Years	(0.04)%	0.22%	4.48%	1.53%	9.26%
Five Years	2.12%	2.38%	6.59%	6.43%	8.49%
Since Inception (December 31, 2009) (Annualized)	11.03%	11.31%	10.74%	9.14%	11.73%
Since Inception (December 31, 2009) (Cumulative)[3]	156.46%	162.31%	150.36%	119.80%	171.25%

Several factors contributed to the Fund's 2018 results. They include:

- Macroeconomic considerations, such as the spike in U.S. interest rates and the Federal Reserve's ("Fed") increasingly assertive removal of monetary accommodation. These factors sparked a severely negative correction, some as high as 30% to 50%, in the share prices of many real estate companies, particularly housing-related securities, such as building product/services companies, construction materials companies, and homebuilders.

JEFFREY KOLITCH
PORTFOLIO MANAGER

Retail Shares: BREFX
Institutional Shares: BREIX
R6 Shares: BREUX

- Other factors that triggered headwinds and investor concerns for certain real estate categories and companies include:
  - Concerns about slowing economic growth and its impact on hotel and vacation timeshare companies;
  - Market weakness in technology companies (most notably in the fourth quarter of 2018 when the NASDAQ Composite declined by approximately 17%) that impacted the shares of several real estate data center companies; and
  - The temporary business slowdown in Las Vegas and Macau, and its negative impact on the share prices of several casino and gaming companies.

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 1.32% and 1.06%, 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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings, and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The MSCI USA IMI Extended Real Estate Index is a custom index calculated by MSCI for, and as requested by, BAMCO, Inc. The index includes real estate and real estate-related GICS classification securities. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed or produced by MSCI. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The indexes and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

Since the launch of the Fund nine years ago, 2018 was the only period when numerous segments of real estate underperformed, even though in previous solid economic and rising interest rate environments, they had historically performed well.

While we are disappointed with this anomaly, our durable and proven investment process for the past nine years has not changed. The fundamentals of the businesses we own are generally favorable, and we have been taking advantage of opportunities to invest in and add to quality real estate companies, many of which are now trading at much lower valuations than a year ago.

We encourage you to read the "Portfolio Structure" section presented later in this letter. There, we explain why we are generally "staying the course" with regard to the structure of the portfolio, and discuss in detail, our key observations regarding the portfolio's structure and strategy.

We also urge you to review our perspective on the outlook for the market, real estate, and the Fund in the "Outlook" section later in this letter. "Spoiler alert": We are bullish.

During the Fund's nine-year performance from 2010 to 2018, there have been temporary periods when the Fund underperformed. Yet, in each case, the Fund rebounded by resuming its strong performance. For example, in 2017, the Fund rebounded sharply, gaining 31.42%, following tempered results in 2016.

We are encouraged by the early performance of the Fund this new year. The Fund has gained 10% as of January 25, 2019, exceeding the returns of the MSCI U.S. REIT Index, the MSCI Real Estate Index, and the S&P 500 Index. We are optimistic that 2019 will result in a solid year for the Fund.

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

	Quarter End Market Cap (billions)	Percent Impact
American Tower Corp.	$69.7	0.58%
China Tower Corporation Limited	33.3	0.05
SBA Communications Corp.	18.3	0.03
Americold Realty Trust	3.8	0.01

We have a long history of investing in wireless cell tower companies. Cellular towers provide critical real estate infrastructure to the wireless industry. In the U.S., for example, wireless carriers, such as AT&T, Verizon, T-Mobile, and Sprint, rent space on towers to install their communications equipment that transmits and receives wireless signals from mobile phones and other devices.

In the most recent quarter, the Fund's investments in wireless cell tower companies (**American Tower Corp.**, **China Tower Corporation Limited**, and **SBA Communications Corp.)** performed well due to their strong business results and widespread expectations for continued strength in demand.

We remain bullish on the long-term prospects for wireless cell tower companies for the following reasons:

- **Secular Growth Prospects:** The long-term demand outlook for data-intensive devices, such as cellphones, remains strong. For example:
  - U.S. mobile data traffic is expected to grow more than 40% annually for at least the next five years according to data provided by: Cisco VNI 2016, Ericsson Mobility Report June 2018, and AV&Co. Research & Analytics. This dramatic growth in wireless data demand will lead to significantly greater leasing activity and equipment installations on wireless tower locations to maintain the quality of the wireless carriers' signals and support 4G network technology.
  - Looking forward, we expect emerging 5G technology, which will provide numerous benefits to mobile users, including faster video download speeds, to extend the growth trajectory for wireless cell tower companies many years into the future.
  - In addition to smartphones, the connected home, which enables the interconnection of multiple wireless devices, the connected car and wireless delivery of cable TV will also require increased wireless bandwidth that should contribute to strong secular demand growth for the wireless tower companies.
- **Unique Business Models:** Wireless towers have excellent cash flow and economic characteristics.
  - Tenants sign leases that provide long-term revenue and cash flow visibility for the tower companies. Leases are typically non-cancellable, and generally include an initial term of 5 to 10 years with multiple renewal terms at the option of the tenant. Rent increases are typically fixed at an average of 3% annually.
  - The economic characteristics of a wireless tower are fairly unique. Most towers have capacity for four tenants. Typically, the cash flow generated from the first tenant will cover the construction cost of the tower and generate a modest single-digit investment return. Adding tenants, wireless equipment, and upgrades results in significantly higher investment returns because revenue can be added at minimal incremental cost, so more than 90% of the additional revenue flows through to cash flow.

    According to American Tower, a U.S. tower with three tenants will generate a strong 24% return on its investment capital with more than an 80% cash flow margin, and requires minimal capital expenditure for annual maintenance. Outside the U.S., capital investment returns are also high, typically ranging from 25% to 32%.
- **High Barriers to Entry, Limited Competition, and Scale Advantages:**
  - High Barriers to Entry: Despite excellent cash flow and economic characteristics, there tend to be high barriers to entry and limited competition. Why? Most people do not want to see wireless towers in their backyard. As such, government zoning approvals for new towers are often difficult to obtain.
  - Limited Competition: Additionally, in most developed markets, there tend to be only a few large wireless carriers (in the U.S, there are four: AT&T, Verizon, Sprint, and T-Mobile). Most incumbent tower companies have two-to-three carriers on their towers which means that a new tower in the same area has limited opportunity to win new business. As such, competition tends to be limited.
  - Scale Advantages: The Fund has invested in wireless tower companies that own and operate large portfolios of towers. Large tower companies are often able to achieve superior terms and efficiencies in purchasing, construction, management, and other costs given scale advantages.

The shares of **Americold Realty Trust** continued to perform well in the fourth quarter after reporting strong business results. The company is the only REIT that focuses on owning and operating temperature-controlled warehouses. It has the largest portfolio of these warehouses in the U.S. and globally. We think Americold is well-positioned to deliver superior growth relative to most REITs due to strong demand trends, limited supply, and opportunities to improve occupancy and rents in its current portfolio.

We also anticipate that Americold will bolster its growth by developing additional warehouses and by making acquisitions of other temperature-controlled warehouses. We continue to believe the prospects for the company are strong, and its shares remain attractively valued relative to most REITs.

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

	Quarter End Market Cap (billions)	Percent Impact
Penn National Gaming, Inc.	$ 2.2	–1.33%
Equinix, Inc.	28.3	–1.21
InterXion Holding N.V.	3.9	–1.08
GDS Holdings Limited	2.9	–0.94
Marriott Vacations Worldwide Corp.	3.3	–0.85

In the most recent quarter, several of the Fund's investments corrected sharply (as did the broader market) despite generally solid business results and favorable outlooks. Hawkish commentary from Fed Chairman Powell in October and December and China trade-war fears were two of the key factors that contributed to a "sell now, ask questions later" mentality during this period.

In our opinion, the concerns that led to a sharp correction in the stock market and some of the Fund's investments in the last few months of 2018 are now largely discounted in their share prices, and we see prospects for higher share prices. Notably, the shares of the companies listed in Table III above have begun to rebound sharply early in 2019. For example, the shares of **Penn National Gaming, Inc.** have already gained 30% in the first few weeks of the new year!

The shares of Penn, the largest U.S. regional casino and gaming company, declined steeply in the fourth quarter primarily due to speculation that consumer spending at casinos will slow sharply and promotional activity will increase. Following our meeting with management late in the fourth quarter, our sense is that these concerns are worse than the reality. Business appears to be stable and the company is on track to achieve its targeted revenue and expense synergies from its acquisition of Pinnacle Entertainment. At its December 31, 2018 price of only $18.83/share, with close to a 20% free cash flow yield, we believe Penn's valuation is attractive.

Despite strong business results and positive outlooks, the shares of real estate data center companies **Equinix, Inc.**, **InterXion Holding N.V.**, and **GDS Holdings Limited** declined in the fourth quarter. The NASDAQ Composite declined approximately 17% in the fourth quarter, and we believe the key factor that contributed to the recent weakness of these technology-related real estate companies was their correlation to non-real estate technology companies.

We have met with and/or spoken to the management teams of each of these real estate data center companies in the fourth quarter. Our sense is that business conditions remain robust. We believe these lower stock valuations are well below intrinsic value.

Equinix, the leading data center company in the world, is currently valued at a discount to most REITs despite the fact that we anticipate it will grow cash flow at more than twice the growth rate of most REITs.

We met with InterXion's management team both in New York and in Europe while touring some of its European data center facilities and have confidence that the company can continue to grow its cash flow at a mid-teens rate annually for the next few years. Its current valuation is only approximately 15 times cash flow.

We have recently met with the management team of GDS, the leading developer and operator of data centers in China. They report that business conditions are strong and we remain bullish on the company's long-term prospects. The shares are valued at a modest cash flow multiple of only 18 times 2019 estimated cash flow despite expectations to grow its cash flow by more than 50% in 2019 and more than 100% in the next three years.

Marriott Vacations Worldwide Corp., a leading timeshare company with more than 100 resorts, recently completed its acquisition of timeshare operator ILG, Inc. In the last few months, we suspect that certain "event-driven" and "momentum" investors have exited their shares in Marriott Vacations Worldwide, thereby pressuring the company's share price. Further, we suspect profit-taking following strong share price performance, anxieties about the impact from hurricanes and Hawaiian volcanic eruptions, and concerns that consumers may be less likely to purchase vacation timeshares if economic growth slows, have also weighed on its shares.

We have continued to acquire shares in Marriott Vacations Worldwide. We are bullish about the company's long-term prospects. Our sense is that business fundamentals remain solid and its shares are valued at less than seven times 2019 estimated cash flow and only nine times estimated earnings per share. We also believe that the company's customer loyalty program, the Marriott Rewards loyalty program, with 110 million members serves as a key competitive advantage to source and maintain future growth. Finally, we note that insiders have been buying stock at higher prices than where the shares are currently trading–a bullish indicator, in our opinion.

PORTFOLIO STRUCTURE

We continue to maintain that our philosophy of structuring a more inclusive and unique real estate fund–one that includes REITs, but is more expansive, balanced, and diversified than a typical "REIT only" fund–is a compelling long-term strategy. We also believe that the Fund is complementary to our Baron Real Estate Income Fund and most other REIT funds.

Looking forward, regarding the structure of the portfolio, we are generally "staying the course", and have been implementing only a few strategic adjustments. For example, we have been taking advantage of 2018's largely indiscriminate sell-off in several real estate companies to upgrade some of the Fund's holdings and increase our commitment to these discounted real estate categories.

The Fund's portfolio structure and strategy are as follows:

1. Real estate-related categories

   The Baron Real Estate Fund currently has investments in REITs and nine other real estate-related categories (see Table IV below). The Fund's diversification is in stark contrast to most other real estate funds that limit their investments primarily to one real estate category – REITs.

2. REITs vs. non-REITs

   Currently, the Fund has approximately 35% of net assets invested in REITs and 65% in other real estate-related categories. In 2018, the Fund's smaller allocation to REITs weighed on relative performance as many investors piled into REITs in search of "safe haven" dividend-yielding securities. Currently, however, we believe that many of the Fund's non-REIT real estate investments now present superior return potential than most REITs, because of their discounted valuations and superior growth prospects. Over the long term, we remain committed to structuring this product as a diversified and more balanced Fund than most REIT funds.

3. Commercial and residential real estate categories exposure

   The Fund continues to invest in both commercial and residential real estate-related companies.

   Non-REIT residential-related companies that the Fund considers for investment include homebuilders, building product and services companies, land developers, construction material companies, home centers, and senior housing operators.

   A slowdown in the housing market negatively impacted the Fund's performance in 2018. We do not believe the 2018 slowdown in the housing market is the beginning of a major negative inflection point for the U.S. housing market. Instead, we suspect that the current housing market slowdown represents a pause in what will continue to be a multi-year housing recovery.

   In the fourth quarter, we took advantage of lower valuations to increase the Fund's investments in housing-related securities such as homebuilders, building product and services companies, which include home centers. These businesses represented 18.2% of the Fund's net assets as of 12/31/2018. We will continue to monitor the housing market closely, and may look to add additional housing-related investments should business prospects improve.

   We encourage you to read the "Top Net Purchases" section presented later in this letter. There we discuss in more detail the U.S. housing market and the Fund's recent investments in housing-related companies.

4. Emphasis on cyclical growth real estate-related companies

   We remain committed towards real estate-related categories that often perform well in a growing economic environment. Our research indicates that business conditions and prospects are stable for the Fund's most economically-sensitive companies. Examples include casino and gaming companies (approximately 11% of Fund's assets), hotels (approximately 5%), vacation timeshare companies (approximately 5%), and cruise lines (approximately 5%).

   Most of the Fund's cyclical growth investments performed poorly in 2018 despite generally solid business results. A multitude of factors contributed to poor share price performance, including concerns regarding slowing economic growth and technical selling pressures from hedge fund closures and fund redemptions.

   In our opinion, valuations for many of the Fund's investments in cyclical growth companies, such as casino and gaming, timeshare, and cruise line companies are at the lowest valuations we have witnessed since the Great Recession.

5. Emphasis on real estate secular and megatrend growth companies

   The Fund has a long track record of prioritizing companies that we believe are positioned to benefit from enduring megatrends and secular growth opportunities. In the real estate sector, wireless tower companies, data center companies, and Industrial REITs are examples of companies that, in our view, are well positioned to benefit for several years from the technological revolution in cloud computing, the Internet, artificial intelligence, autonomous vehicles, mobile data and cell phones, and wireless infrastructure. As of December 31, 2018, 29.9% of the Fund's total investments were invested in wireless tower (9.8%), data center (18.3%), and industrial REITs (1.8%).

6. Number of Fund holdings

   As of December 31, 2018, the Fund was invested in 41 companies. Our 10 largest holdings represented 47.4% of the Fund. Our 20 largest holdings represented 70.3% of the Fund.

7. Market Capitalization and Liquidity

   We continue to invest in companies of all market capitalizations. As of December 31, 2018, the median market capitalization of the Fund's investments was $9.3 billion. Companies with a market capitalization of less than $2.5 billion constitute only 8.3% of the Fund. The liquidity of the Fund is strong.

8. "Best-in-class" companies that are attractively valued*

   We remain confident about the quality, discounted valuations, and strong long-term prospects of the Fund's holdings. We encourage you to read the "Outlook" section presented later in this letter. There, we discuss in more detail the prospects for many of the Fund's holdings.

* Note that "**best-in-class**" represents the manager's opinion and is not based on a third-party ranking. In our opinion, characteristics of a "best-in-class" real estate company are:

- Owns unique and well-located real estate assets in markets with high barriers to entry combined with attractive long-term demand demographics;
- Enjoys strong long-term growth prospects together with a leading competitive position;
- Maintains a conservative and liquid balance sheet; and, importantly,
- Employs an intelligent and motivated management team whose interests are closely aligned with shareholders.

Table IV.
Fund investments in real estate-related categories as of December 31, 2018

		Percent of Total Investments
REITs		34.9%
Hotel & Leisure		15.1
Hotels & Timeshare/Leisure	10.1%	
Cruise Lines	5.0	
Building Products/Services		13.4
Casinos & Gaming Operators		11.0
Data Center Operating Companies[1]		8.4
Real Estate Service Companies		7.8
Homebuilders & Land Developers		4.8
Real Estate Operating Companies		3.7
Tower Operators		0.9
		100.0%

[1] Total would be 18.3% if included data center REITs Equinix, Inc., Digital Realty Trust, Inc., and CyrusOne Inc.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
American Tower Corp.	$ 69.7	$39.7	7.3%
CBRE Group, Inc.	13.6	34.7	6.4
Equinix, Inc.	28.3	34.6	6.3
InterXion Holding N.V.	3.9	28.5	5.2
MGM Resorts International	12.8	25.3	4.6
Lowe's Companies, Inc.	74.2	22.5	4.1
Brookfield Asset Management, Inc.	38.3	20.4	3.7
Home Depot, Inc.	194.1	19.9	3.6
D.R. Horton, Inc.	12.9	18.5	3.4
Americold Realty Trust	3.8	15.5	2.8

RECENT ACTIVITY

Table VI.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Lowe's Companies, Inc.	$74.2	$23.4
D.R. Horton, Inc.	12.9	19.0
CBRE Group, Inc.	13.6	17.1
Lennar Corporation	12.6	9.0
Caesars Entertainment Corporation	4.5	8.8

In the fourth quarter, we took advantage of the widespread and sharp correction in the shares of housing-related companies to acquire several companies at what we believe are compelling valuations. Examples of three recent housing-related purchases include:

Lowe's Companies, Inc. is the second largest home improvement center in the U.S. We recently attended a meeting with Lowe's newly appointed senior management team at their corporate headquarters in North Carolina. We believe the company has a credible plan to generate strong earnings growth in the next few years. Lowe's share price peaked in 2018 at $117 per share. We have acquired shares at an average cost of $96 per share, which represents a valuation of only 15 times estimated 2019 earnings per share or 16% growth.

D.R. Horton, Inc. is the largest homebuilder by volume in the U.S. We believe the company is positioned to perform well given its status as the largest and lowest-cost producer in the entry level home segment for first-time buyers and baby boomers looking for an affordable home. We are optimistic about the company's plans to transition to a stronger and more "asset light" balance sheet by outsourcing its land development spending needs to third-party developers such as Forestar Group Inc. D.R. Horton's shares reached $53 per share in 2018. We have acquired shares at an average cost of $36 per share, which represents a valuation of only 8.5 times estimated 2019 earnings per share and 1.5 times book value per share.

Lennar Corporation is a leading national home building company. Its management team has an excellent track record of delivering strong operating results, acquiring public and private companies, and creating shareholder value. It's share price peaked in 2018 at $72 per share. We have acquired shares at an average cost of $44 per share, which represents a valuation of only 6.3 times estimated 2019 earnings per share and 1.2 times book value.

Although we are cautious about near-term business prospects for many housing-related companies, we remain optimistic about the long-term prospects for the U.S. housing market and many housing-related securities.

Concerns regarding home price affordability, mortgage rates, tax reform's impact on real estate, and a slowing economy are largely discounted in the share price valuations of most housing-related companies. Further, we believe that the recent decline in mortgage rates, moderation in home price increases, and strong job and wage growth could encourage a reacceleration in home purchases and housing-related spending.

We believe the current housing market slowdown represents a pause in what will continue to be a multi-year housing recovery. Unlike the 2008/09 housing crisis, today's housing market presents a favorable imbalance between housing demand and supply. The residential annual construction rate of approximately 1.2 million new homes has remained 20% below the 60-year annual average of 1.5 million new homes. This is striking because the U.S. population of approximately 325 million is approximately 90% larger today) than the approximately 172 million it was 60 years ago (! We have maintained that this large imbalance between pent-up housing demand and low construction levels bodes very well for new single-family home purchases when these construction levels increase.

Home prices, despite recent increases, remain more affordable than they were in 2008/09. Additionally, U.S. consumer prospects appear to be improving as job growth remains strong and wage gains continue to improve.

We will continue to monitor the housing market closely, and may look to add additional housing-related investments as business prospects improve.

In the most recent quarter, we took advantage of the declining share price of **CBRE Group, Inc.**, the largest and leading commercial real estate services firm in the world, to acquire additional shares of this "best-in-class" company.

We have long admired CBRE, and continue to be quite optimistic about the company's prospects. It enjoys the #1 worldwide market share position in each of its key business lines–leasing, property sales, and outsourcing. Moreover, CBRE continues to pull away from its competition by growing its market share. Management, led by CEO Bob Sulentic, has, in our view, prudently improved the resilience of its business mix by increasing the percentage of CBRE's real estate businesses that generate recurring or contractual cash flows. The company boasts the strongest balance sheet in the commercial real estate services industry. Its ratio of net debt-to-cash flow is only 0.8 times, with zero debt maturing in the next three years. It also has more than $3 billion of available liquidity.

CBRE's current valuation is only 11.5 times estimated 2019 earnings per share versus its historical average valuation of approximately 16 times per share.

In the most recent quarter, the Fund acquired shares in **Caesars Entertainment Corporation**, a global casino-entertainment company that operates resorts primarily under the Harrah's, Caesars, and Horseshoe brand names. The Fund's cost basis in the shares is approximately $8.80 per share, a price that we believe is materially below the intrinsic value of the company.

In October 2018, news articles reported that Caesars had received an offer to merge with another company that values Caesars at $13 per share or approximately 50% higher than its recent price. Further, in early 2019, press reports indicated that famed activist investor Carl Icahn has been acquiring shares in Caesars. We believe the shares offer strong upside potential over the next few years.

Table VII.
Top net sales for the quarter ended December 31, 2018

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Vulcan Materials Company	$ 11.1	$20.7
American Tower Corp.	69.7	15.8
Glenveagh Properties PLC	0.5	12.2
Home Depot, Inc.	194.1	11.8
Extended Stay America, Inc.	2.9	11.3

In the fourth quarter, we trimmed some of the Fund's long-term holdings that have performed well. Examples include **American Tower Corp.** and **Home Depot, Inc.**

Additionally, we exited **Vulcan Materials Company**, **Glenveagh Properties PLC**, and **Extended Stay America, Inc.** as well as some other smaller positions, and we reallocated a portion of the proceeds to higher conviction investment opportunities.

OUTLOOK

We have consistently maintained that no one has a crystal ball regarding how macroeconomic changes, political events, and central bank actions may unfold, and what the market's reaction will be to those events. 2018 was certainly a case in point. It was a year that was replete with these influences, all of which contributed to excessive stock market volatility.

Though 2019 may also present some surprises, we continue to believe that the long-term prospects for the equity market, real estate, and the Fund are attractive. Below, we address several topics that we think are of interest.

Q. Since the launch of the Fund nine years ago, the S&P 500 Index has increased 11.73% on an annualized basis. What is our outlook for the equity market going forward?

A. We are mindful of influences and concerns that can affect market performance. These include:

- Slowing global economic growth
- Continued uncertainty regarding the Fed's future action on interest rates and quantitative tightening
- The possible continuation of the U.S.-China trade war
- High federal, corporate, and consumer debt levels
- Widening credit spreads
- Equity and credit market outflows
- Reduced market liquidity
- Continuing U.S. congressional gridlock from extreme partisan politics

Though mindful of these concerns, we are upbeat regarding the prospects for the stock market. Why?

1. Our research indicates that business fundamentals should remain positive and continue to grow (although we expect earnings growth to moderate relative to 2018, due, in part, to the absorption of the benefits derived from the broad tax reforms in 2018).

2. We believe the likelihood of a resolution to the U.S.-China trade war is high.

   The U.S. and China appear to be motivated to resolve differences. In the U.S., given that 2019 is a pre-election year to 2020, the current administration is likely determined to stabilize U.S. earnings growth, the economy, and the stock market.

3. Early in 2019, the Fed has begun to signal a more dovish tone.

   Recent commentary from Federal Reserve Chairman Powell and other Fed governors suggests that the Fed will be patient, and will not be fixated on a pre-determined course regarding future interest rate increases and quantitative tightening. Moderating economic growth and lowered inflation expectations may temper the pace of monetary policy tightening.

4. Company valuations are generally compelling.

   In 2018, the S&P 500 Index multiple compressed from around 18 times next twelve months estimated earnings to 14.4 times earnings, partly due to the acceleration in earnings growth and inflation, and the spike in interest rates. The U.S. 10-year Treasury increased from 2.44% at the beginning of the year to 3.24% at its peak, and the U.S. 30-year mortgage rate increased by approximately 100 basis points to almost 5% at its peak.

   We believe many of the above-mentioned concerns are reflected in current equity valuations. Valuations remain low in the context of interest rates, which declined from a peak of 3.24% to a recent 2.75%, and are meaningfully below the long-term average of 4% to 5%.

   The factors that contributed to the sharp correction in the broad equity market and most real estate-related stocks in the fourth quarter of 2018 have produced increasingly favorable valuations and buying opportunities. We have been identifying several companies to buy at some of the lowest prices we have seen in years! More on real estate valuations below.

Q. Real estate has performed well for most of the last nine years. What is the outlook for the real estate market going forward?

A. U.S. commercial and residential real estate have been recovering from the Great Recession for approximately nine years. As the historical length of a real estate cycle has averaged approximately seven years, some anxiety has arisen over the sheer longevity of the current real estate cycle.

We remain bullish about the outlook for real estate for a number of reasons. Principal among them are:

1. The factors that have fueled the resurgence in real estate largely remain in place:
   - Demand continues to outstrip supply in most U.S. markets and real estate categories. Supply has begun to peak for several categories of commercial real estate at relatively low levels due, in part, to elevated construction costs. In the single-family for-sale home segment of residential real estate, inventory levels remain cyclically depressed relative to historical standards and demographics.
   - Public real estate corporate balance sheets are generally in solid shape.
   - Credit remains available at historically low interest rates. As a case in point, one of the Fund's holdings, Digital Realty Trust, a leading data center REIT, early in 2019 raised $975 million of seven-year debt at an annual interest rate of only 2.50%!
2. Business conditions are generally reasonable, and the outlook does not portend a recession.

   Our ongoing discussions with most commercial and residential real estate companies suggest that business conditions are likely to remain solid, notwithstanding temporary slowdowns in some segments of real estate.
3. We anticipate that the length of the real estate cycle will persist for another few years.

   Real estate is clearly past the 1st or 2nd inning of its recovery – a period that is typically characterized by: (i) the opportunity to buy real estate at distressed prices or large discounts to replacement cost; (ii) low occupancy levels and home sales; (iii) an accommodative Federal Reserve and declining interest rates; and, (iv) the beginning of an economic cycle.

   We do not believe, however, that real estate is in the 9th inning of its recovery, because we are not witnessing the warning signs that typically signal the end of a cycle such as: (i) overheated economic and business growth; (ii) a number of spikes in construction activity (commercial and residential); (iii) exceedingly relaxed bank lending standards, accompanied by aggressive assumption of debt; (iv) overexuberance for acquisitions; and, (v) euphoric market sentiment (often a telltale sign that a cycle is coming to an end).

   In summation, our view is that the length of the current economic and real estate cycle will continue to last longer than most prior cycles because this cycle to-date has not exhibited the excesses that typically characterize most real estate cycles.
4. Substantial private capital is still in pursuit of real estate ownership, and it is encouraged by widely available debt capital at low interest rates.

   The share prices of many real estate companies corrected sharply in 2018 due to economic, interest rate, or other concerns. Large amounts of capital–from private equity investors such as Blackstone Real Estate, sovereign wealth funds, endowments, pension funds, and others–could step in and capitalize on the opportunity to buy quality real estate at depressed prices in the public markets. This "embedded put" scenario should offer protection against downside valuation and pricing, and we are identifying several beneficiaries of this scenario.
5. Any chinks in the armor are, in our opinion, manageable.

   Key warning signs that we consistently monitor include the level of increases in construction activity, deceleration in demand, increased restrictive lending policies, spikes in interest rates, and elevated valuations.

   While our antenna remains up, we maintain a favorable outlook as our research continues to confirm that the opportunities for real estate persist and outweigh the issues or possible chinks in the armor.
6. We continue to identify several real estate-related companies that are attractively valued.

Q. What are the prospects for the Fund over the next few years?

A. Taking into consideration our generally favorable view for commercial and residential real estate, we are likewise optimistic about the prospects for the Baron Real Estate Fund.

Our view is based on the following key factors:

1. The Fund is composed of best-in-class companies

   We believe the quality of the Fund's holdings is as solid as it has ever been. The businesses that we continue to emphasize: (a) are well managed; (b) are market leaders; (c) own well-located real estate; (d) grow cash flow at a faster rate than most peers; and (e) possess quality balance sheets. These special best-in-class companies should generate superior returns over the long term.

   A sampling of the Fund's best-in-class companies includes:
   - **American Tower Corp.**: A leading owner, operator, and developer of communications real estate (i.e., wireless towers).
   - **Equinix, Inc.**: The world's leading owner and operator of real estate data centers.
   - **Home Depot, Inc.**: The largest and leading home improvement center company in the world, with more than 2,200 stores.
   - **CBRE Group, Inc.**: The world's largest and leading commercial real estate services company.
   - **Hilton Worldwide Holdings, Inc.**: One of the largest hotel companies in the world with premier hotel brands including: Hilton, Waldorf Astoria, Double Tree, Embassy Suites, Hampton, Canopy, Conrad, and others.
   - **Marriott International, Inc.**: The largest hotel company in the world with several leading hotel brands including The Ritz Carlton, Westin, St. Regis, W Hotels, Le Meridien, Sheraton, JW Marriott, and others.
   - **Brookfield Asset Management, Inc.**: A premier global investor, operator, and asset manager of high quality real estate and infrastructure-related assets.
   - **The Sherwin-Williams Company**: Global leader in the manufacture, development, distribution, and sale of paint, coatings, and related products.
   - **D.R. Horton, Inc.**: The largest homebuilder by volume in the U.S.
   - **Alexandria Real Estate Equities, Inc.**: A REIT that is the premier landlord and developer to the life science industry.
   - **Douglas Emmett, Inc.**: This REIT is a leading landlord and developer of office and apartment buildings in the premier coastal submarkets of Los Angeles and Honolulu.

2. The Fund is composed of several companies trading a discounted valuations

   Regarding real estate valuations, large segments of real estate-related stocks declined sharply in 2018 in what felt like a "sell now, ask questions later" mentality. This broad-based and sharp price correction has left many real estate-related companies at valuations that we believe are at the lowest levels in several years.

   We are identifying several companies that are just too "cheap" today, and we have good prospects for strong returns over the next few years.

   Examples include:

   - Casino & Gaming Operators

     MGM Resorts International, **Penn National Gaming, Inc.**, **Boyd Gaming Corporation**, and **Red Rock Resorts, Inc.** were valued at the lowest cash flow multiples in several years. MGM, for example, a Las Vegas-focused hotel and casino company, at $24 per share, was valued at only 7.5 times 2019 estimated cash flow for MGM's domestic real estate assets. We estimate that the company would be worth $35 to $40 per share in the private market or 45%-to-65% above its December 31, 2018 price.

   - Timeshare Companies

     Hilton Grand Vacations Inc. and **Marriott Vacations Worldwide Corp.** were valued at only 6.5 times estimated 2019 cash flow, versus valuations of approximately 10 times cash flow just one year ago and now the lowest valuations in several years.

   - Cruise Line Companies

     Leading cruise line companies, **Norwegian Cruise Line Holdings, Ltd.** and **Royal Caribbean Cruises Ltd.**, were valued at only 8 to 9 times 2019 estimated earnings per share versus historical averages of approximately 14 times earnings per share!

   - Hotels

     Leading hotel companies **Hilton Worldwide Holdings, Inc.**, **Marriott International, Inc.**, and **Hyatt Hotels Corp.** were valued at the lowest valuations in several years and at significant discounts to the price that these businesses would be valued in the private market.

   - Commercial Real Estate Services Companies:

     CBRE Group, Inc., the world's number one commercial real estate services company, was valued at only 11.5 times 2019 estimated earnings versus its historical multiple of approximately 16 to 17 times earnings.

   - Real Estate Operating Companies

     Brookfield Asset Management, Inc., a premier owner and operator of real estate-related and other infrastructure assets, was valued at a 25% discount to our assessment of intrinsic value.

   - Homebuilders

     We purchased homebuilder companies, **Lennar Corporation** and **D.R. Horton, Inc.**, at the lowest valuations in several years. For example, we acquired shares in Lennar at only 6.3 times estimated 2019 earnings per share and 1.2 times book value per share, versus its average multiple of 1.9 times book value in the last five years and its prior five-year low multiple of 1.5 times book value.

   - Building Product/Services & Home Center Companies

     Following sharp corrections in the share prices of building product/services companies **Trex Company, Inc.** and **SiteOne Landscape Supply, Inc.** and retail home center company **Lowe's Companies, Inc.,** the Fund purchased shares in these companies at what we believe are compelling valuations.

   - REITs

     Several best-in-class REITs held by the Fund, including **Alexandria Real Estate Equities, Inc.** and **Douglas Emmett, Inc.**, were valued at 20% discounts to our assessment of intrinsic value. Casino and hotel gaming REIT, **Gaming and Leisure Properties, Inc.**, was valued at an 8.4% dividend yield versus many other triple net REITs with dividend yields of approximately 5% to 6%! Premier data center REIT, **Equinix, Inc.**, was valued at its lowest earnings multiple (AFFO) in several years and at a discount to most REITs despite our expectation that the company will grow its earnings at twice the rate of most REITs!

A Final Word on Real Estate and the Fund:

It is our sincere hope that you have found this letter informative.

The outlook for real estate may be more uncertain than in the early stages of the economic and real estate recovery. For example, economic growth is tempering, commercial real estate construction activity has increased, lenders are requiring wider credit spreads, and the Fed continues to monitor conditions that might lead to a pullback from 10 years of monetary accommodation.

We maintain a favorable outlook because our research continues to confirm that the opportunities for real estate and the Fund outweigh the concerns identified above. Absent a recession, our sense is that business prospects for many categories of real estate will remain positive.

Following the Fund's 2017 cumulative eight-year gain of 236.46%, and its one-year gain of 31.42% ending 2017, the Fund's performance in 2018 was disappointing to say the least. We assure you that our team is energized and motivated, with the goal of resuming our historical pattern of outperformance.

Thank you for your past and continuing support. I remain a major shareholder of the Baron Real Estate Fund, alongside you.

Sincerely,

Jeffrey Kolitch
Portfolio Manager
January 31, 2019

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: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition; increases in property taxes and operating expenses; declines in the value of real estate; lack of availability of equity and debt financing to refinance maturing debt; vacancies due to economic conditions and tenant bankruptcies; losses due to costs resulting from environmental contamination and its related cleanup; changes in interest rates; changes in zoning laws, casualty or condemnation losses; variations in rental income; changes in neighborhood values; and functional obsolescence and appeal of properties to tenants. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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 Real Estate Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

Baron Emerging Markets Fund

Dear Baron Emerging Markets Fund Shareholder:

Performance

Baron Emerging Markets Fund (the "Fund") declined 6.15% (Institutional Shares) for the final quarter of 2018, while its principal benchmark index, the MSCI EM Index, retreated 7.47% for the quarter and the MSCI EM IMI Growth Index declined 8.25%. For the full year of 2018, the Fund was down 18.49%, closely approximating the decline of the MSCI EM IMI Growth Index, while underperforming the principal benchmark MSCI EM Index, which declined 14.58%. In the fourth quarter, emerging market ("EM") equities notably outperformed U.S. and global indexes. In our view this was as a result of several factors outlined in our third quarter letter, in which we suggested a period of mean reversion in performance was a reasonable likelihood.

In last quarter's letter, we proposed that the principal catalysts driving poor EM equity returns were not related to company fundamentals, but rather macroeconomic and geopolitical forces; we also suggested that, while a legitimate agreement between the U.S. and China on trade or a change in U.S. Fed rhetoric would likely spark a reversal in EM relative and absolute performance, a subtle catalyst could be a perceived peak in President Trump's political currency, as any dilution to the more aggressive elements of his "America First" policy would likely trigger a mean reversion in the year-to-date divergence of performance between U.S. and EM equities. We also noted that the EM correction was well advanced, and that we did not believe the U.S. markets or economy could remain insulated from the global liquidity and protectionist squeeze indefinitely. Contagion to the U.S., which was likely in our view, could trigger a bottom in international and EM assets and currencies as these markets would begin to discount a change in the cadence of trade policy and/or Fed rhetoric. We would now suggest that the conditions outlined above are increasingly being anticipated and discounted by market developments worldwide.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BEXFX
Institutional Shares: BEXIX
R6 Shares: BEXUX

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Emerging Markets Fund Retail Shares[1,2]	Baron Emerging Markets Fund Institutional Shares[1,2]	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[3]	(6.19)%	(6.15)%	(7.47)%	(8.25)%
One Year	(18.67)%	(18.49)%	(14.58)%	(18.44)%
Three Years	5.80%	6.06%	9.25%	7.70%
Five Years	1.71%	1.96%	1.65%	2.22%
Since Inception (December 31, 2010)	3.05%	3.30%	0.24%	0.95%

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 1.36% and 1.10%, 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) 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 The indexes are unmanaged. The MSCI EM (Emerging Markets) Index Net USD is designed to measure equity market performance of large and mid-cap securities across 23 Emerging Markets countries. The MSCI EM (Emerging Markets) IMI Growth Index Net USD is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 23 Emerging Markets countries. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

For the final quarter of 2018, we outperformed both our primary benchmark MSCI EM Index as well as our all-cap EM growth proxy. While encouraged by our recent quarterly results, we were disappointed with our full-year performance, which closely tracked the all-cap EM growth proxy, but trailed the MSCI EM Index. While we would characterize the earnings results across the bulk of our portfolio as solid, many of our investments suffered material multiple contraction resulting from a rise in risk premium on EM equities, a concern over future regulatory or policy tightening, or additional risks related to future earnings growth for highly-profitable private sector companies, particularly relating to China. In this regard, as 2018 progressed we would characterize investor sentiment as increasingly hostile towards the equity values of private sector corporations and successful entrepreneurs, and more acutely so in the smaller, mid-cap and lower end of large-cap universe, which of course forms the core of our investment portfolio. While we believe a principal catalyst has been escalating pressure as a result of unconventional U.S. aggression in the form of foreign policy, trade protectionism, and threatened sanctions, the good news is that any de-escalation would likely relieve such pressure and allow risk premium on EM and international assets to normalize, and multiples on private sector companies in particular, to rise.

During the fourth quarter, our positive relative performance was led by strong stock selection effect in the Industrials, Consumer Discretionary, and Financials sectors; while positive performance was fairly broad based, returns were paced by strength following the positive election results in Brazil, with notable appreciation in **Rumo S.A.**, **Localiza Rent a Car S.A.**, **B3 S.A. – Brasil**, **Bolsa, Balcao**, and **Itaú Unibanco Holding S.A**., and a rebound in India from the third quarter liquidity crisis, where **Kotak Mahindra Bank Ltd.**, **SBI Life Insurance Company Limited**, **Max Financial Services Limited**, **Housing Development Finance Corporation Limited**, and **JM Financial Limited** all achieved solid double-digit returns. The largest single contributor to positive relative performance was **China Tower Corporation Limited**, a recent addition to the portfolio that we profiled in our third quarter letter. Our cash position in a weak market also contributed to fourth quarter relative performance. Offsetting a portion of the above, adverse stock selection effect in the Utilities sector was the principal detractor from relative performance, as **Infraestructura Energetica Nova S.A.B. de C.V.** suffered a material decline upon the decision by the newly elected Mexican president to cancel plans to complete an upgrade of the Mexico City airport, raising questions regarding the integrity of existing infrastructure-related contracts and related growth potential in the country.

For the full year 2018, our adverse performance relative to the benchmark EM Index was driven most by poor stock selection effect in India, where several of our theme-related investments retraced gains achieved in the prior year, and adverse allocation effect in Argentina, where our related reform theme suffered under an abrupt change in liquidity conditions. Partially offsetting the above was positive stock selection effect in Consumer Discretionary, paced by our thematic concentration in value-added Asian textile manufacturers **Shenzhou International Group Holdings Ltd.**, **Makalot Industrial Co., Ltd.**, and **Eclat Textile Co., Ltd.**, all seen as beneficiaries of a likely shift in manufacturing capacity from China to Vietnam and other Southeast Asian domiciles, as well as our cash position in a declining market.

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

	Percent Impact
China Tower Corporation Limited	0.51%
Rumo S.A.	0.26
Itaú Unibanco Holding S.A.	0.23
B3 S.A. – Brasil, Bolsa, Balcao	0.21
Housing Development Finance Corporation Limited	0.21

Shares of **China Tower Corporation Limited** appreciated in the quarter as fears of a merger between two important customers eased after the government announced a plan to distribute 5G spectrum. China Tower is the largest owner of wireless towers globally with dominant market share in China. We continue to believe that China Tower will be a significant beneficiary of the carrier 5G network build in China, and should be able to compound value in the double-digit range for more than five years.

Shares of **Rumo S.A.** rose during the quarter as the company continued to execute on its capacity enhancement strategy and its competitive advantages against the trading industry. Rumo is the leading industrial and agricultural rail operator in Brazil. We continue to believe that Rumo's capacity enhancement program will allow the company to take market share from inefficient truck operators, which we think could drive potential double-digit growth for several years to come.

Itaú Unibanco Holding S.A. is Brazil's largest private sector bank. Shares of Itaú rose along with Brazilian equities in general following the October election of Jair Bolsonaro as the country's next president. Mr. Bolsonaro's election marks a market-friendly swing to the right for Brazil, with promises to fix the country's main issues, including a broken social security system, rampant violence, and corruption. Itaú's shares rose on optimism the new administration's agenda will spur a new economic cycle for the country, driving better earnings for the banking sector.

B3 S.A. – Brasil, Bolsa, Balcao operates exchanges in Brazil for trading financial products and provides registration of non-standard derivatives contracts and bank funding instruments. The stock performed well after reporting good third quarter results with revenue growth of 14% and EBITDA growth of 17%. The election of Jair Bolsonaro as Brazil's new president was viewed positively by investors and contributed to market appreciation. We continue to own the stock because we believe B3 will benefit from the long-term development of the Brazilian capital markets.

Housing Development Finance Corporation Limited is India's premier housing finance company. Shares increased as liquidity conditions in the short-term funding market began to normalize following a squeeze triggered by a large credit downgrade in the system in September. In addition, a decline in oil prices and a lower inflation rate tempered the outlook for higher benchmark rates, which helped ease expectations for the company's funding costs. Lastly, the company reported results that showed continued steady earnings growth despite a difficult operating environment.

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

	Percent Impact
Tullow Oil plc	–0.50%
Alibaba Group Holding Limited	–0.46
Baidu, Inc.	–0.46
PagSeguro Digital Ltd.	–0.43
Kangde Xin Composite Material	–0.42

Tullow Oil plc is an international exploration and production company primarily focused on operations in West and East Africa. Shares declined in the quarter due to falling oil prices. We remain investors due to the company's operational improvements, ramp up of production at TEN field in Ghana, the deleveraging of its balance sheet, exploration upside in South America, and potential monetization of Kenya assets.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China, with shopping platforms Taobao and Tmall. Alibaba also owns 33% of Ant Financial, owner of Alipay, the largest third-party online payment provider in China. Shares of Alibaba were down in the quarter due to macro and trade war uncertainty and a postponement of incremental monetization on its China marketplaces. We believe Alibaba's core business remains highly profitable and continues to grow rapidly, with tailwinds to the overall company from strong mobile and advertising growth.

Baidu, Inc. is the dominant search engine company in China with leadership in online video, AI, and autonomous driving. Shares of Baidu were down in the quarter due to regulatory headwinds to the gaming and financial industries, trade war tensions, and cautious Q4 guidance. We maintain conviction as we believe Baidu continues to be focused on leveraging its cross-platform data to provide improved search experiences, with meaningful runway to improve monetization given its relatively small ad load and low levels of monetization vs. Google.

Shares of **PagSeguro Digital Ltd.** fell during the quarter because of Brazilian macroeconomic volatility and concerns over the competitive environment. PagSeguro is a Brazilian payment processor that exclusively serves the un-banked small customer segment. While we continue to monitor the competitive environment closely, we remain excited about the potential for PagSeguro to enable credit, debit, and other electronic payment mechanisms in a large portion of the economy that is significantly underserved by the traditional banking sector.

Kangde Xin Composite Material is a leading specialty film producer based in China. Shares fell as economic weakness pressured the company's downstream customers in consumer electronics and auto. In addition, negative sentiment around Kangde's pledged shares continued to weigh on share performance. Kangde continues to gain share in the domestic market and has received local government backing to ensure balance sheet liquidity. We continue to admire Kangde's long-term prospects as a leader in specialty and optical materials.

Portfolio Structure

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

	Percent of Net Assets
Tencent Holdings Limited	3.3%
Alibaba Group Holding Limited	2.4
Taiwan Semiconductor Manufacturing Company Ltd.	2.4
China Tower Corporation Limited	2.3
Samsung Electronics Co., Ltd.	2.3
Petróleo Brasileiro S.A. – Petrobras	2.1
China Mobile Ltd.	1.7
KIA Motors Corporation	1.7
Rumo S.A.	1.7
WH Group Limited	1.6

Exposure By Country

Table V.
Percentage of securities by country as of December 31, 2018

	Percent of Net Assets
China	28.3%
India	16.2
Brazil	10.2
Taiwan	8.8
Korea	7.5
Mexico	5.8
South Africa	5.4
Philippines	2.6
Thailand	2.2
Argentina	2.0
Russia	1.9
United Kingdom	1.1
Hong Kong	0.9
Panama	0.7
Finland	0.7
Hungary	0.5
Malaysia	0.3
Indonesia	0.3
Nigeria	0.1

Exposure by Market Cap: The Fund may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid- and small-cap companies, as we believe developing world companies of all sizes often exhibit attractive growth potential. At the end of the fourth quarter of 2018, the Fund's median market cap was $8.8 billion, and we were invested 78.0% in large- and giant-cap companies, 17.3% in mid-cap companies, and 0.2% in small- and micro-cap companies as defined by Morningstar, with the remainder in cash.

Recent Activity

During the recent quarter, we deployed a meaningful balance of our cash position in a declining market as we began to perceive attractive value, particularly in our quality growth arena. A new theme has materialized in recent months related to the impending rollout of 5G wireless networks. We currently have investments in **China Tower Corporation Limited, China Mobile Limited,** and **Nokia Corporation**, and hope to identify additional attractive opportunities in months ahead. More generally, we established several new beginning positions while also adding to several existing investments. **YY Inc.** is our second China-based live streaming investment that also holds a majority interest in HUYA Inc., a fast-growing and leading e-sports platform in China. Additionally, in China, we took initial positions in **KunLun Energy Company Limited**, a leading player in the generation, transportation, and storage of natural gas and LNG, which the government has targeted for high growth in coming years as a mechanism to shift energy content to more environmentally-friendly sources, and in **New Oriental Education & Technology Group Inc.**, a leading diversified educational services provider which is gaining share in a highly-fragmented market. We also took positions in **HDFC Bank Limited**, the leading high-quality private sector bank in India, and **Wizz Air Holdings Plc**, a fast growing and leading low-cost airline operator in Central and Eastern Europe. We have followed both companies for quite some time and viewed the recent corrections in the shares as an attractive entry point. Finally, we also made an investment in **Nokia Corporation**, a Finnish wireless communications equipment vendor which we believe will likely be a major beneficiary of the trade-related conflicts occurring between the U.S. and China. While not an emerging market domiciled company, we believe Nokia potentially stands to gain material market share and enhanced earnings power at the expense of Huawei Technologies, the current China-based global leader that we believe will be somewhat compromised in accordance with the trade negotiations playing out between the U.S. and China. Huawei increasingly appears a pawn in this drama due to a host of violations of international norms. Capital spending on 5G wireless networks is poised to accelerate worldwide beginning later this year, supporting our broader 5G theme. In addition to the above, we also added to several investments, most notably **China Tower Corporation Limited**, **Taiwan Semiconductor Manufacturing Company Ltd.**, **Delta Electronics, Inc.**, **Hangzhou Hikvision Digital Technology Co., Ltd.**, **Han's Laser Technology Co., Ltd.**, and **PagSeguro Digital Ltd.**, all of which are technology-related growth companies that have experienced significant selling pressure in recent months.

During the quarter, we sold our positions in **Titan Company Limited**, a leading jewelry manufacturer and retailer in India based on concerns related to India's recent liquidity crisis, and **TAL Education Group**, a fast-growing and high-multiple educational and tutoring services provider in China, as we had concerns over government regulatory tightening and earnings quality. Finally, we also reduced several positions, including **Tencent Holdings Limited**, **Amorepacific Corporation**, **Momo Inc.**, **Sberbank of Russia PJSC** and **Yandex N.V.**, also based on concerns over heightened government regulatory risk and policy aggression.

Outlook

In our third quarter letter, we suggested several potential catalysts that could likely trigger a mean reversion in leadership where EM equities would begin to outperform. In our view, such catalysts included indications of a credible truce between the U.S. and China on trade, market recognition that U.S. corporate profits and equities were exposed to disruption from escalating tariffs and foreign policy tensions, and finally, a peak in unconstrained executive privilege, or what we termed "peak Trump political currency." In our view, during the fourth quarter, the above catalysts have all come into play, and as a result, EM outperformed the U.S. and global indexes for the first time in several quarters. We believe such outperformance is a welcome precondition to forming a durable bottom and a return to positive absolute returns.

Our expectation was that the above conditions would increase the likelihood that the U.S. would seek a compromise in trade relations with China and perhaps a return to more conventional foreign policy, and/or help coerce Fed behavior to become less restrictive, either of which would also reduce risk premium associated with EM assets and equities. We now enter 2019 with various risks to U.S. corporate earnings increasingly priced in and speculative and leveraged positioning in equities, bonds, and oil having corrected and normalized. Our conclusion is that much that could go wrong has now been priced in, particularly in mid-cap growth stocks globally, which suffered an outsized correction during the fourth quarter. Consistent with the above conditions, as well as our view that the U.S. midterm elections might represent an important inflection point where going forward we begin to see constraints on U.S. executive privilege, during the quarter we became considerably less defensive and exited the quarter with a much-reduced cash position. Looking ahead, in the near term, we believe a rally in global equities is more likely than a further decline, as markets begin to anticipate a de-escalation of protectionist measures and improving global trading conditions, as well as a more flexible Fed mandate. Such a development would likely suggest a peak in the U.S. dollar and further outperformance by EM and international equities. While this is our base case expectation for now, we remain cautious because global capital markets remain exposed to the elevated risk of policy error: Will the U.S. and China reach a credible compromise by the imposed March 2nd deadline? Will the Fed follow through in tempering expectations of future tightening if trade relations improve? Could a shift to positive global economic surprises, in the aftermath of a large decline in oil and long-term government bond yields, force the Fed to return to a more restrictive bias? Lastly, and indicative of a market environment where non-economic risks may ultimately "overwhelm the fundamentals," what can we expect in the coming months from the ongoing Mueller investigation and what sort of unpredictable response could it provoke?

While we have written in recent quarters that we believe unconventional U.S. foreign policy initiatives have driven international and EM equity risk premium higher and earnings multiples lower in the short term, we nonetheless are encouraged by several emerging bright spots. Brazil, in particular, has demonstrated market leadership and material positive returns as the incoming Bolsonaro administration has articulated a market-friendly doctrine emphasizing material privatization activity and a commitment to enhanced fiscal orthodoxy. In addition, while certain Asian equity markets remain closely correlated to the outlook for China's economy and policy direction, many markets, such as Indonesia, Thailand, South Africa, and much of Latin America remain more sensitive to the outlook for the U.S. dollar and Treasury yields, where recent developments suggest we have already entered a bottoming phase. Should the outlook for foreign and trade policy reduce pressure on China, and Fed policy shift to a marginally more accommodative stance, we believe many of our existing investments offer material upside from current levels. As always, we remain confident that our forward-looking and bottom-up fundamental approach positions us to discover exciting long-term investment opportunities regardless of the market environment.

Thank you for investing in the Baron Emerging Markets Fund.

Sincerely,

Michael Kass
Portfolio Manager
January 31, 2019

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: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 manager 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 Emerging Markets Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Baron Energy and Resources Fund will be liquidated on or about April 29, 2019 ("Liquidation Date"). Effective at the close of market on February 8, 2019, the Fund has ceased accepting purchase orders from new or existing investors. The Fund reserves the right to change this policy at any time. Shareholders of the Fund may redeem their shares or exchange their shares for shares of another Baron Fund that they are eligible to purchase at any time prior to the Liquidation Date. If a shareholder has not redeemed his or her shares as of the Liquidation Date, the shareholder's account will be automatically redeemed and proceeds, subject to any required withholding, will be sent to the shareholder at the shareholder's address of record.

JAMES STONE
PORTFOLIO MANAGER

Retail Shares: BENFX
Institutional Shares: BENIX
R6 Shares: BENUX

Dear Baron Energy and Resources Fund Shareholder:

Performance

Table I.
Performance
Annualized for periods ended December 31, 2018

	Baron Energy and Resources Fund Retail Shares[1,2]	Baron Energy and Resources Fund Institutional Shares[1,2]	S&P North American Natural Resources Sector Index[1]	S&P 500 Index[1]
Three Months[3]	(29.82)%	(29.76)%	(23.47)%	(13.52)%
One Year	(25.27)%	(25.03)%	(21.07)%	(4.38)%
Three Years	(4.48)%	(4.23)%	1.50%	9.26%
Five Years	(12.33)%	(12.12)%	(6.50)%	8.49%
Since Inception (December 30, 2011)	(6.73)%	(6.51)%	(2.28)%	12.70%

The fourth quarter was extremely challenging for the overall stock market and for energy and resource-related shares. The S&P 500 Index posted a loss of 13.5%, which was the worst quarterly loss since the "taper tantrum"/credit rating downgrade driven losses in the third quarter of 2011. For the S&P 500 Energy Index and the S&P North American Natural Resources Sector Index, the declines of 23.8% and 23.5%, respectively, represented the sharpest losses since late in 2008. Oil prices also fell 38% in the fourth quarter, posting the steepest quarterly decline since 2014 (-41%). It is clear to us that a combination of fears surrounding slowing growth in the global economy that have been spurred by a combination of slowing growth in emerging markets and rising fears surrounding tariffs and trade wars had a significantly negative impact on the broad stock market, and this bled over into commodity markets and the market for commodity-related shares, such as energy shares.

In addition to fears that slowing economic growth would negatively impact the demand for oil, investors also became increasingly concerned once again about supply growth. U.S. oil production growth surprised to the upside growing in October at a rate of nearly 1.9 million barrels per day year-over-year. At the same time, it also became clear that "OPEC +" (OPEC plus Russia, and several other smaller oil exporting nations) had been easing off its prior production restraint to fill in for expected declines in Iranian crude volumes following the U.S. exit from the Iranian nuclear deal last spring. OPEC production alone had risen by 1.4 million barrels per day from April through October despite declines in Iranian production. News reports in early November that the U.S. would grant temporary waivers to some large buyers of Iranian crude for six more months was a negative surprise to a market that had expected the opposite, a more stringent application of U.S. sanctions, further contributing to price weakness. The oil market was already quite concerned that the inventory reduction progress that had been made in the oil market in 2017 and the first half of 2018 could quickly be reversed by a combination of rising production and slowing demand growth, so these data points on U.S. and OPEC production and a flattening of Iranian exports only added to these concerns. "OPEC +" acknowledged these fears and the attendant risks and managed after much discussion and negotiation (too much in our opinion) in early December to commit to another round of production cuts beginning in January 2019 to help bring the market back into balance. Initially, the decision to cut production again was not favorable for oil prices. It took several weeks to see data on actual reductions in tanker

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 1.66% and 1.42%, respectively, 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) 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 The indexes are unmanaged. The S&P North American Natural Resources Sector Index measures the performance of U.S.-traded natural resources related stocks and the S&P 500 Index of 500 widely held large cap U.S. companies. The S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector. The indexes and the Fund are with dividends, which positively impact the performance results.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

3 Not annualized.

loadings and export volumes, particularly loadings out of Saudi Arabia, to begin to stabilize the oil market. It also took nearly a month of data to see proof that production levels and inventories were declining. However, uncertainty and volatility in the oil market remain quite elevated. Production is only one side of the pricing equation as uncertainty regarding the economy and the demand outlook continue to be high and continue to create volatility in energy commodities and equities.

Baron Energy & Resources Fund (the "Fund") fell by 29.8% (Institutional Shares) during the quarter, which was more in line with the performance of indexes that are more weighted toward pure play oil & gas exploration and production companies or oilfield service & equipment stocks. Sub-industry indexes such as the S&P 500 Oil & Gas Exploration & Production Index or the S&P 500 Oil & Gas Equipment & Services Index lost 30.6% and 38.0%, respectively, during the fourth quarter. Our Fund has historically steered toward these sub-indexes of the energy market and steered away from the integrated oils such as Exxon Mobil Corp. and Chevron Corp., which combined comprised a substantial part of both the S&P 500 Energy Index (44.4%) and the S&P North American Natural Resources Sector Index (14.9%) at year end. Integrated oils such as these stocks generally outperform in down markets and did just that in the fourth quarter, with Exxon's stock price falling 19.0% and Chevron's declining by only 10.2%, both of which outperformed these benchmarks as well as indexes comprised of more pure play oil & gas exploration & production or oilfield service & equipment and drilling companies.

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

	Year Acquired	Percent Impact
Tesla, Inc.	2015	1.31%
Andeavor	2017	0.14

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

Andeavor is a U.S. refining company with midstream projects on the West Coast and in the Permian Basin in West Texas and access to cheap crude through its refiners. Marathon Petroleum's acquisition of Andeavor closed on October 1. Shares of Andeavor increased for the period held prior to the close of the acquisition.

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

	Year Acquired	Percent Impact
Concho Resources, Inc.	2012	–4.26%
Parsley Energy, Inc.	2014	–3.94
Encana Corp.	2016	–3.61
WPX Energy, Inc.	2016	–1.74
Halliburton Co.	2012	–1.41

Concho Resources, Inc. is an independent exploration and production ("E&P") company focused on the Permian Basin in West Texas and New Mexico. Concho's shares fell following sharp decline in oil prices as investors became increasingly concerned about its ability to grow volumes without outspending cash flow in 2019. Concho continues to be one of the best run E&P companies, and we expect the company to deliver its multi-year production growth plans while focusing on free cash flow generation, returning cash to shareholders, and improving capital efficiency.

Parsley Energy, Inc. is an independent E&P company focused on the Permian Basin in West Texas. Shares fell following a sharp decline in oil prices and concerns over Parsley's cash flow outspend next year. Shares were sold for tax loss reasons.

Encana Corp. is a Canadian-based E&P company with primary operations in Western Canada and Texas. Shares declined after the company announced the acquisition of Newfield Exploration, which has limited geographic overlap with Encana's core position in the U.S. Shares were sold for tax loss reasons.

WPX Energy, Inc. is an independent E&P company primarily focused on the Bakken Basin in North Dakota and the Delaware Basin in West Texas. Shares fell following sharp declines in oil prices and concerns over WPX's cash flow outspend next year. Shares were sold for tax loss reasons.

Halliburton Co. is a leading provider of oilfield services and equipment to the global energy industry. Shares declined after the company guided down earnings expectations for the fourth quarter due to softness in U.S. pressure pumping demand caused by a combination of budget exhaustion and Permian takeaway constraints. Although we think the softness is demand is transitory, we don't expect activity to recover until much later in 2019 given E&P capital budget constraints driven by lower oil prices. All of the shares we owned were sold.

Portfolio Structure

Table IV.
Fund investments in GICS sub-industries as of December 31, 2018

	Percent of Net Assets
Renewable Energy-Related (Tesla & TPI Composites)	19.6%
Oil & Gas Exploration & Production	17.7
Oil & Gas Storage & Transportation	14.7
Oil & Gas Equipment & Services	8.9
Oil & Gas Refining & Marketing	7.1
IT-Related (Aspen Technology)	6.0
Integrated Oil & Gas	3.4
Cash and Cash Equivalents	22.6
	100.0%

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Tesla, Inc.	2015	$30.3	$57.2	$4.7	13.8%
Concho Resources, Inc.	2012	10.1	20.6	4.3	12.6
Aspen Technology, Inc.	2015	3.3	5.8	2.0	6.0
TPI Composites, Inc.	2017	0.5	0.8	2.0	5.8
Golar LNG Ltd.	2012	3.5	2.2	1.9	5.6
Gravity Oilfield Services Inc.	2017	–	–	1.6	4.6
Marathon Petroleum Corporation	2018	59.7	40.8	1.5	4.5
Cactus, Inc.	2018	0.5	2.1	1.4	4.3
Petróleo Brasileiro S.A. – Petrobras	2018	66.1	80.9	1.1	3.4
Magnolia Oil & Gas Corp.	2018	3.0	2.8	1.0	2.8

Recent Activity

Table VI.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Anadarko Petroleum Corporation	21.7	0.2

Table VII.
Top net sales for the quarter ended December 31, 2018

	Amount Sold (millions)
Parsley Energy, Inc.	$2.1
Encana Corp.	1.4
Halliburton Co.	1.2
WPX Energy, Inc.	1.0
Siemens Gamesa Renewable Energy, S.A.	0.7

Outlook

The oil market and the direction of the oil price continue to be the dominant factors driving share price performance across the energy landscape and currently, the oil market remains quite volatile as investors find themselves dealing with a myriad of risks and uncertainties pertaining to both the demand and supply side of the oil market. On the demand side, a combination of macroeconomic and geopolitical factors has created greater uncertainty on the demand growth trajectory than in recent years. While current estimates for 2019 from forecasters at the International Energy Agency (IEA) and the Energy Information Administration (EIA) still show robust demand growth of between 1.4 million barrels per day and 1.55 million barrels per day, both of which are above the estimate for demand growth in 2018, there has been significant growing doubt among investors that these levels of demand can be achieved in the face of slowing economic growth across the U.S., Europe, and Asia. The fears on the growth side have been exacerbated by a combination of political factors such as the ongoing trade negotiations (i.e., tariff war) between the U.S. and China, the tightening of monetary policy in the U.S., and the impact of a rising dollar on emerging market economies. We believe that the growing fear in the fourth quarter that the global economy was slowing faster than expected and could potentially tip into recession was perhaps a more significant contributor to oil price weakness than any of the data points or concerns that emerged on the supply side of the market. While markets appear to have bounced back in the early part of 2019, many of the aforementioned factors remain unresolved and could easily bring back these concerns and add to volatility in the oil market. Therefore, it is our view that the outlook for the oil and the overall energy market this year will continue to hinge more on the factors that drive demand than those that are important to supply.

It is not that the outlook for oil supply growth is not important, it remains very important, but it is easier for the industry to manage supply than demand and the data on supply tends to be more accurate and more real time. In terms of the supply outlook for the coming year, we expect that supply will not have a problem keeping up with demand growth. While "OPEC +" cuts announced in December and taking effect this month should help to balance the market and prevent inventories from rising further, risks remain regarding the cohesion of the group. In addition, the politics surrounding OPEC and Russia remain complicated by factors such as President Trump's tweets, ongoing investigations involving Russia, conflicts that are still raging across the Middle East, and the U.S. Congress's interest in pursuing legislation against either OPEC or Saudi Arabia. The geopolitics of oil are always complicated, but the current slate of issues seems particularly full. Based on current information, we anticipate the current round of production restraint will be effective in limiting supply growth from "OPEC +" for at least the first half of the year, although the cuts could begin to be unwound in the second half of 2019 if demand forecasts prove to be correct and the "call on OPEC" is higher in the second half of 2019 than the first half. In contrast to "OPEC +" we continue to expect that U.S. oil growth will lead the world again in 2019, with most of that growth coming from unconventional reservoirs with leadership from the Permian Basin. However, much of the sequential growth in oil production in the U.S. could be more weighted to the back half of the year due to a recent slowdown in completion activity and the fact that there is limited spare pipeline and other infrastructure capacity in the first half. These constraints begin to ease with significant new pipeline capacity starting up in the third and fourth quarters of 2019, which could prompt an increase in well completion activity starting around midyear.

In addition, the fourth quarter plunge in oil prices is causing oil producers in the U.S. and around the world to reconsider investment levels for 2019, which are now likely to be lower than would have been the case had oil prices (WTI) held above $60 per barrel. However, we and other investors also continue to put significant pressure on oil producing companies to focus on living within cash flow, improving returns on capital and placing less emphasis on growth as the primary outcome. In our view, growth should be a byproduct of prudent investment and balance sheet management. In addition to those producers that are simply seeking to live within cash flow, there is a growing cadre of producers that are turning more attention to generating free cash flow and returning much of that free cash flow in the form of dividends and stock buybacks. Several companies either announced initial dividends in the second half of 2018 or announced increases to dividends and cash return initiatives. We think this is a positive step for the industry and, while it should result in lower production growth rates and perhaps lower peak earnings power for oilfield services & equipment companies, ultimately, we think this creates a more viable and investible industry.

The outlook for 2019 for the renewable energy industry appears to be solid, with growth in the installed base for wind and solar increasing modestly from 2018 levels according to forecasts from Bloomberg New Energy Finance ("BNEF"). However, while the growth rate in the installed base is pretty consistent globally, it is expected to rise faster in the U.S. According to BNEF's latest forecasts, new global wind installations are expected to be 23% higher in 2019 compared to estimated growth of 14% in 2018 and solar installation growth is estimated at 24% compared to a 5% decline in 2018's level of new installations. In the past several quarters, we have seen a pickup in order backlogs for turbines, wind blades, and solar panels for a number of publicly traded equipment suppliers, which helps corroborate the BNEF forecasts for improved volume growth. Pricing and margins in the renewable energy industry remain a challenge as competition for new projects remains fierce around the world.

Thank you for investing in the Baron Energy & Resources Fund.

Sincerely,

James Stone
Portfolio Manager
January 31, 2019

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: Energy companies can be affected by fluctuations in energy prices and supply and demand of energy fuels. Resources industries can be affected by international political and economic developments, the success of exploration projects, and meteorological events. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 manager 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 Energy and Resources Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Global Advantage Fund Shareholder:

Performance

It was a rough fourth quarter for global equity investors that changed the outcome of what was shaping up to be another good year. The broad-based declines turned global index returns negative, and we did not fare any better. Baron Global Advantage Fund (the "Fund") lost 14.4% (Institutional Shares) during the quarter, which was more or less in line with the MSCI ACWI Growth Index, down 14.7%. The MSCI ACWI Index was down 12.8%. The Fund ended 2018 down 3.7%, which compares favorably to losses of 8.1% and 9.4%, respectively, for the Fund's benchmarks.

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Growth Index[1]	MSCI ACWI Index[1]
Three Months[3]	(14.42)%	(14.37)%	(14.66)%	(12.75)%
One Year	(3.89)%	(3.66)%	(8.13)%	(9.42)%
Three Years	12.43%	12.66%	7.24%	6.60%
Five Years	7.98%	8.20%	5.72%	4.26%
Since Inception (April 30, 2012)	10.82%	11.05%	8.13%	7.19%

Surprisingly, we had a lot of winners for a quarter with a significant drawdown like this, as 13 of our holdings rose in value. **Argenx**, **Mellanox Technologies**, **HDFC Limited**, **Guardant Health**, **Kotak Mahindra Bank**, **Tesla**, and **HDFC Bank** contributed over 20 basis points each to returns. Unfortunately, we had 16 investments that detracted over 50 basis points each, with **Activision Blizzard**, **Amazon**, and **Aerie Pharmaceuticals** costing the Fund over 100 basis points each. We benefited from being overweight India, Brazil, South Africa, and China, generating approximately 250 basis points of relative outperformance, reversing some of the relative underperformance from last quarter, although India was the only one for which we had actual gains. We did well in Financials (actual gains) and Information Technology (lost less due to good stock picking), and poorly in Communication Services (bad stock picking) and Consumer Staples (by not being there).

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

2018 was a bit of a mixed bag. We do not know any investors who are happy when they lose money, us included. On the other hand, in a relative performance framework, we beat our benchmarks by over 5% on average, in a tough year, and that's pretty good. We did many things well and almost all of the relative outperformance came from stock selection. **Argenx** (+52% on the year), **Amazon** (+29%), **Mellanox Technologies** (+43%), **Okta** (+149%), **Veeva Systems** (+62%), **Illumina** (+37%), and **Splunk** (+27%) were the Fund's largest contributors, with impressive results in a down year. On the other side of the ledger, we made a number of mistakes, some painfully obvious, albeit with the benefit of hindsight. **Naspers** (-28%), **Activision Blizzard** (-33%), **Aerie Pharmaceuticals** (-39%), **Sage Therapeutics** (-42%), **Facebook** (-26%), **Ctrip.com** (-39%), **JD.com** (-37%), and **Bolsas y Mercados Argentinos** (-44%), were our largest detractors.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.95% and 1.59%, respectively, but the net annual expense ratio is 1.15% and 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current 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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The MSCI ACWI Growth Index Net USD measures the equity market performance of large- and mid-cap growth securities across developed and emerging markets. The MSCI ACWI Index Net USD measures the equity market performance of large- and mid-cap securities across developed and emerging markets. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

Baron Global Advantage Fund

According to Morningstar*, for the period ended December 31, 2018, Baron Global Advantage Fund ranked in the top 10% for 1-year, top 1% for 3-year, top 3% for 5-year, and top 3% for its since inception performance. The Fund has been awarded a 5-star Morningstar rating for its 3-year, 5-year, and overall performance.

Since its inception on April 30, 2012, the Baron Global Advantage Fund has returned 101.1% (Institutional Shares) cumulatively, compared to 68.4% for the MSCI ACWI Growth Index and 58.8% for the MSCI ACWI Index, the Fund's benchmarks. Over that same time period, the Fund has outperformed the Morningstar US Fund World Large Stock Category average, by 44.8% cumulatively.

Over the last five years, the Fund has outperformed the MSCI ACWI Growth Index by 2.5% per year, the MSCI ACWI Index by 3.9% per year, and its Morningstar US Fund World Large Stock Category average, by 4.5% per year.

As of 12/31/2018, the annualized returns of the Morningstar US Fund World Large Stock Category average were (9.64)%, 5.69%, 3.72%, and 6.90% for the 1-, 3-, 5-year, and since inception (4/30/2012) periods.

We have been spending a fair amount of time thinking about volatility. Stock volatility, sector volatility, market volatility, and the resultant impact on the Fund's volatility. Many investors we speak to seem to equate volatility to risk, which makes sense for short-term investors where timing the entry and exit points well can be the difference between a successful investment and a failed one. These investors tell us that volatility management techniques, such as raising significant levels of cash in times of increased uncertainty or tactically rotating into "safer" sectors (such as staples or gold), or safer geographies (away from emerging markets), would reduce the "riskiness" of this Fund and make it a more attractive investment for them. We get it. However, we cannot oblige. First of all, we are long-term investors. That long-term ownership mindset is fundamental to every capital allocation decision we make. Secondly, we believe that superior investment results can be achieved more consistently through bottom-up, company-specific research, rather than top-down, macro driven analysis. We do not view volatility as the same as risk. We define risk as a possibility/probability of a permanent loss of capital and manage it judiciously by understanding and monitoring our investments' uniqueness, sustainability of competitive advantages, and ability to reinvest capital at high rates of return. We also make sure valuations remain reasonable and in line with our estimates of companies' intrinsic values. On the other hand, we are not convinced that volatility needs to be (or even can be) managed. We try to use volatility as an opportunity to upgrade the quality of our portfolio and replace good investment ideas with even better ones.

Somewhat related to this, we think investment performance should be measured over longer periods of time as well. We think rolling 3- to 5-year returns provide the best measure of a long-term investment strategy's success. With the exception of Bernie Madoff, we are not aware of any investment strategy that produced consistently good investment returns every month, every quarter, and every year. Legg Mason's Bill Miller had a great run for a while in beating the S&P 500 Index for many calendar years in a row, but even he was quick to point out, that if years were measured from different months, there wouldn't be much of a streak to talk about. On a monthly basis, the Baron Global Advantage Fund beat its benchmarks on average 63% of the time since its inception on April 30, 2012. On rolling 3-month periods, we improve to 64%. Rolling 12-month results show a success rate of 73%, and rolling 36-month results improve it further to 87%. When measured over 5-year rolling periods, the Fund has outperformed both of its benchmarks 100% of the time.

Table II.
Percentage of time Fund outperformed benchmarks over different time periods from inception through December 31, 2018

Rolling Return Period	1 Month	3 Months	1 Year	3 Years	5 Years
Fund Outperformance vs. MSCI ACWI Growth Index	61%	63%	70%	82%	100%
Fund Outperformance vs. MSCI ACWI Index	65%	65%	75%	91%	100%

Unless otherwise noted, all performance and performance-related calculations are based on the Institutional Shares. Calculation is based on monthly returns.

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

	Quarter End Market Cap (billions)	Percent Impact
argenx SE	$ 3.5	0.95%
Mellanox Technologies Ltd.	4.9	0.79
Housing Development Finance Corporation Limited	48.5	0.48
Guardant Health, Inc.	3.2	0.28
Kotak Mahindra Bank Ltd.	34.3	0.27

* Morningstar calculates the **Morningstar US Fund World Large Stock Category** Average using the Morningstar Fractional Weighting methodology. 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 12/31/2018, the Category consisted of 901, 729, 618, and 494 share classes for the 1-, 3-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 10th, 1st, 3rd, and 3rd percentiles, respectively.

As of 12/31/2018, the Category consisted of 729, 618, and 729 share classes for the 3-year, 5-year, and overall periods, respectively. Morningstar has awarded **Baron Global Advantage Fund Institutional** Share Class 5 stars, 5 stars, and 5 stars for its 3-year, 5-year, and overall performance, respectively.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-endfunds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Based in Breda, Netherlands, **argenx SE** is a clinical-stage biotechnology company focused on research and development of human monoclonal antibodies for the treatment of cancer and oncological, autoimmune, and inflammatory diseases. Shares of argenx increased 27% during the quarter following the signing of a large licensing deal with Johnson & Johnson for its solution to treat acute myelogenous leukemia. Shares were also helped by the resolution of market confusion regarding a bleeding safety concern. Our research was validated late last year with a publication of a Phase 2 clinical trial for ARGX-113 for several autoimmune diseases, which showed efficacy for treating myasthenia gravis patients. Once commercialized, we believe the product will help patients manage their disease significantly better and spare them the burden of current treatment paradigms. We believe argenx's antibody platform is one of the most valuable assets in the biotech development space, offering significant long-term potential as the company proves its products' effectiveness in multiple autoantibody disorders. With a 52% gain in 2018, argenx was the Fund's top contributor to both absolute and relative returns.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Mellanox shares were up 26% in the quarter following the company's strong quarterly results, which exceeded its guidance on top-line and operating margins, as the company continued to benefit from the upgrade cycle to faster speeds in data center connectivity. In 2018, Mellanox has been able to accelerate growth while refocusing investments on the core business and cutting costs elsewhere. This has enabled Mellanox to grow operating margins much faster than the market expected (ending the year at over 25%), leading to a 43% increase in the stock price for the year, making it one of our top performers. We believe the opportunity ahead remains attractive due to Mellanox's technological leadership in high-speed interconnects, which are becoming increasingly relevant in a world of big data and AI.

Incorporated in 1977 as the first specialized mortgage company, **Housing Development Finance Corporation Limited** ("HDFC Ltd.") is India's largest and most reputable lender. Today, the company is a $48 billion financial conglomerate with prospering mortgage origination, asset management, life insurance, and real estate businesses. At roughly 20% of the market, it is the largest housing finance company in the country, with gross loans in excess of $45 billion. Shares of HDFC Ltd. increased 16% in the fourth quarter, as the company continued its strong growth in AUM (+17%) with stable spreads and consistent asset quality. We believe HDFC Ltd. has a significant opportunity to grow its business over time driven by rising incomes, a growing middle class, and several positive government initiatives to increase home ownership in the country, including tax incentives and private sector partnerships. HDFC Ltd.'s mortgage book has been growing consistently between 16% and 18% per year, and we expect this growth to persist for a long time. We think the backdrop is particularly favorable. At 9%, India's mortgage penetration as a percent of nominal GDP is one of the lowest in the world. The mortgage penetration rate is 20% in Thailand, 22% in China, 32% in Malaysia, in the mid 60s in the U.S. and U.K., and 90% in Denmark. As the only AAA-rated private mortgage issuer in India, HDFC Ltd. also has a significant funding advantage over its competitors, allowing it to issue loans at lower rates while enjoying higher profit margins.

Guardant Health, Inc., a new investment for the Fund, offers liquid biopsy tests for advanced-stage cancer as well as tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. The company went public in early October, with shares rising 42% during the quarter, reflecting investor excitement about its leading position in an attractive, and potentially very large new market. Guardant's first commercial product, 'Guardant 360' is a 73-gene test that supports treatment selection for advanced-stage cancer patients with solid tumors, and can identify clinically actionable mutations in almost twice as many patients as tissue biopsy alone. We estimate Guardant to have a multi-billion dollar market opportunity in the U.S. in three key areas: therapy selection for 700,000 metastatic patients with advanced cancers; recurrence detection for 15 million solid tumor cancer survivors; and early detection of cancer in a higher risk population of 35 million individuals. We also believe Guardant has significant competitive moats driven by its unique technology, demonstrated clinical utility, regulatory barriers, payor coverage, and the commercial adoption of its solutions.

Kotak Mahindra Bank Ltd. is a leading financial services group in India offering products across many verticals, including banking, securities, asset management, and life insurance. It has a diversified loan portfolio with a focus on retail, agribusiness, and small-to-medium enterprises. Shares of Kotak increased 14% during the fourth quarter after reporting solid financial results, with loan and earnings growth in excess of 20%. The shares also benefited from investor anticipation of a more lenient regulatory environment following the leadership changes at India's Central Bank. We retain high conviction in Kotak as a best-in-class risk manager and capital allocator in India, with exciting growth opportunities driven by the increasing penetration of consumer banking and significant cross-selling opportunities through its slate of complementary offerings in life insurance, stock brokering, and trust services.

Table IV.

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

	Quarter End Market Cap (billions)	Percent Impact
Activision Blizzard, Inc.	$ 35.5	–2.06%
Amazon.com, Inc.	734.4	–1.51
Aerie Pharmaceuticals, Inc.	1.6	–1.09
Alibaba Group Holding Limited	355.3	–0.74
Sage Therapeutics, Inc.	4.5	–0.72

Activision Blizzard, Inc. is a global leader in digital interactive entertainment. The company develops, markets, publishes, and distributes video games on consoles, PCs, and mobile. Key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. Shares of Activision declined 44% in the quarter as uncertainty regarding the launch slate for 2019, some management turnover, and the broad negative sentiment around the video game sector intensified. There is also continued concern that the popularity of Fortnite (a new video game from a different publisher) will impact near-term performance. We think 2019 may prove to be a transition year and hence have muted short-term expectations, despite the undemanding valuation. Longer term, we believe that Activision has the opportunity to significantly increase revenues, continue to expand margins, and effectively allocate capital for years to come. We believe the company still has a deep and competent management team and stands to be a major beneficiary from many tailwinds benefiting the video game industry, including the shift to higher-margin digital revenue, mobile gaming, in-game advertising, eSports, and international expansion.

Amazon.com, Inc. shares were down 25% in the quarter driven by the broader market decline, year-end profit-taking, and a general assault on high-multiple companies. In the meantime, Amazon continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com. Paid Prime membership has exceeded 100 million households globally with over 2 billion products ordered with one-day delivery or faster. While e-commerce is growing significantly faster than overall retail, Amazon continues to increase its total addressable market at an unprecedented pace. For instance, Solimo, Amazon's health care-related private label products are growing 70% *month-over-month*, while the company has applied for prescription filling licenses in 17 states. Then there was this "Festive Season Sale" in India where apparently 1 million Xiaomi devices were sold on Amazon in one day! In the next several years, Amazon will continue to build out its advertising business with the potential to reach $30 billion in revenues over the next few years. As the largest online retailer, Amazon can tap into the $1 trillion+ global advertising market, over a third of which is trade promotions, where brands spend to promote their products. Advertising is not only a large revenue opportunity, but it has the ability to substantially improve Amazon's core margins going forward. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market. This is a market that we believe is in the early innings of growth and can grow to be many multiples of its current size driven by the secular trend of digitization. Startups adopt AWS to reduce time to market and utilize a best-in-class PaaS (Platform as a Service) offering. Enterprises adopt AWS as they try to accelerate their innovation cycle and avoid being disrupted. Amazon remains one of our highest conviction investment ideas, and we think a good bet to become the most valuable company on earth sometime in the future.

Aerie Pharmaceuticals, Inc. is a clinical stage pharmaceutical company focused on discovery, development, and commercialization of therapies, such as its eye drops Rhopressa and Roclatan, for the treatment of glaucoma and diseases of the eye. Aerie shares declined 41% during the quarter driven by broader declines in biopharmaceutical stocks, which was exacerbated by recent prescription trends making it difficult to gauge the ultimate potential of Aerie's glaucoma franchise. Given the novel mechanism of the action and the large unmet need in this disease, we retain conviction in the market's ultimate potential and continue to monitor this investment closely.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China, operating the shopping platforms Taobao and Tmall. Alibaba also holds 33% of Ant Financial, whose brand, Alipay, is the largest third-party online payment provider in China. Shares of Alibaba declined 17% in the fourth quarter due to a macro-driven slowdown potentially weighing on consumer spending in China, and trade war driven uncertainties, prompting the company to reduce annual guidance. Additionally, Alibaba decided to postpone the monetization of incremental inventory from new recommendation feeds in order to help merchants who are being pressured by the deteriorating macro environment. This is a good example of management's long-term approach, willing to forgo short-term gains for the benefit of their customers, which we think could accrue in multiples to shareholders over time. Alibaba continues to be one of our highest conviction investments, and we expect many exciting growth opportunities to be realized by the company in the years to come.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. Recent developments have been numerous and include a near unanimous FDA advisory board vote in favor of Sage's first intravenous drug to treat postpartum depression, followed by the subsequent delay of the FDA approval that follows such a vote into the first quarter of 2019. Unrelated to this approval, Sage's oral follow-on drug to treat postpartum/major depression had a Phase 3 read out delayed into the first quarter of 2019 (this trial subsequently read out positively in January). These delays led to the fourth quarter's underperformance although we do not view them as particularly meaningful given Sage's strengthening investment case. This year we expect additional maturation of the pipeline with initial proof of concept studies into disease indications like bipolar depression, Parkinson's disease and essential tremor as the base business concomitantly builds a commercial footprint treating postpartum depression.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the most significant roles in determining the size of each individual investment. Sector or country weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

The top 10 positions represented 42.7% of the Fund, and the top 20 represented 69.6%. Our investments in the Information Technology, Consumer Discretionary, Communication Services, Health Care, and Financials sectors, as classified by GICS, represented 98.2% of the Fund's assets. Our investments in companies domiciled outside the U.S. represented 48.7% of assets.

The Fund's turnover was 19.8% in 2018, which compares to Fund turnover of 28.0% and 21.5% in the prior two years.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$734.4	$4.4	4.9%
Naspers Limited	88.4	4.4	4.9
Alphabet Inc.	723.2	4.3	4.8
argenx SE	3.5	4.2	4.7
Alibaba Group Holding Limited	355.3	4.2	4.7
Veeva Systems Inc.	13.0	3.5	4.0
Mellanox Technologies Ltd.	4.9	3.5	3.9
Housing Development Finance Corporation Limited	48.5	3.3	3.7
Constellation Software, Inc.	13.6	3.2	3.6
EPAM Systems, Inc.	6.3	3.2	3.5

Exposure By Country

Table VI.
Percentage of securities by country as of December 31, 2018

	Percent of Net Assets
United States	50.1%
China	9.4
India	8.4
Israel	6.5
Netherlands	6.3
South Africa	4.9
Argentina	4.7
Canada	3.6
Brazil	3.2
United Kingdom	1.5
Japan	0.2

Recent Activity

During the quarter, we initiated 6 new investments and added to 19 existing positions, as we put the Fund's inflows to work. We also closed out seven investments that were not able to graduate into "core" holdings, and reduced one other. We exited the fourth quarter with 48 holdings.

Table VII.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Worldpay, Inc.	$23.9	$1.1
RingCentral, Inc.	6.6	0.9
Yext, Inc.	1.5	0.8
Guardant Health, Inc.	3.2	0.8
Wix.com Ltd.	4.4	0.6

During the fourth quarter, we took advantage of market weakness to increase our investments in **Worldpay, Inc.**, **Yext, Inc.**, and **Wix.com Ltd.**, and initiate small positions in **RingCentral, Inc.** and **Guardant Health, Inc.**

RingCentral is a software as a service (SaaS) company focused on the unified communications as a service (UCaaS) market. RingCentral's software provides a unified solution across multiple locations and devices and allows for communication across multiple channels, including voice, video, messaging (collaboration) and online meetings. RingCentral is disrupting a large category of 300 million to 400 million knowledge workers, representing an addressable market of over $100 billion. It is the fastest growing UCaaS player, while also being almost two times larger than its closest competitor thanks to its high quality of service (controlling a larger percentage of the path a communications packet passes during its route), its differentiated strategy (offering an open platform, integrating best-of-breed partners instead of owning the entire stack) and robust execution (met or beaten expectations every quarter since its 2013 IPO). We believe RingCentral will continue showing accelerating growth rates driven by best-in-class unit economics with customer lifetime value representing over 10 times the customer acquisition cost. We also believe that RingCentral's co-founder CEO, Vlad Shmunis, is a savvy industry leader who is not afraid to invest in the business in the near term, penalizing margins in the short term, in order to grow the company's intrinsic value for the benefit of long-term shareholders. RingCentral is a beneficiary of the early stages of an industry migration to the cloud, and it is the leader in that industry with a multi-year opportunity for growth. We define "best-in-class" businesses as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital, and lower leverage that are leaders in their respective markets. Note that this statement represents our opinion and is not based on a third-party ranking.

Founded in 2012, by two Illumina alumni, Redwood City, California-based Guardant Health focuses on the provision of precision oncology testing and development services. The company's stated goal is to help the world conquer cancer through its liquid biopsy tests for advanced-stage cancer as well as tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. We acquired a small position in Guardant Health after the company went public in early October. We believe Guardant holds a leading position in an attractive and potentially very large new market. The company's first commercial product, 'Guardant 360' is a 73-gene test that supports treatment selection for advanced-stage cancer patients with solid tumors, and can identify clinically actionable mutations in almost twice as many patients as tissue biopsy alone. We estimate Guardant to have a multi-billion dollar market opportunity in the U.S. alone, in three key areas: therapy selection for 700,000 metastatic patients with advanced cancers; recurrence detection for 15 million solid tumor cancer survivors; and early detection of cancer in a higher risk population of 35 million individuals. We also believe Guardant has significant competitive moats driven by its unique technology, demonstrated clinical utility, regulatory barriers, payor coverage, and the commercial adoption of its solutions.

Table VIII.
Top net sales for the quarter ended December 31, 2018

	Market Cap When Sold (billions)	Amount Sold (millions)
Baidu, Inc.	$ 56.2	$1.5
KEYENCE CORPORATION	56.5	1.4
Taiwan Semiconductor Manufacturing Company Ltd.	190.2	1.2
Booking Holdings, Inc.	90.1	0.9
NEXTDC Limited	2.0	0.7

Unlike last quarter's exits, which were deemed to be mostly investment mistakes, we think the investment theses for the five companies above are still largely intact. However, a significant pullback in the prices of many of our higher conviction long-term investments caused us to take action and reallocate capital to what we believe are better risk/reward opportunities.

Outlook

Lao Tzu, the sixth century B.C. Chinese philosopher, said: "Those who have knowledge, don't predict. Those who predict, don't have knowledge." The latter part of this quote has always resonated with us, though we should warn you that our consistent lack of desire to issue any predictions does not necessarily signify that we possess any meaningful knowledge. Or does it…?

Every day we live and invest in a world full of uncertainty. Fed policy, potential trade wars, the health of emerging market economies, energy prices, global politics, terrorism–these are all serious challenges with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We believe that our process is the right one and that it will enable us to make good investment decisions over time.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital. We focus on identifying and investing in what we believe are unique companies with sustainable competitive advantages that have the ability to compound capital at high rates of return for extended periods of time. We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Sincerely,

Alex Umansky
Portfolio Manager
January 31, 2019

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: Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 Global Advantage Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Discovery Fund Shareholder:

Performance

Table I.
Performance†
Annualized for periods ended December 31, 2018

	Baron Discovery Fund Retail Shares[1,2]	Baron Discovery Fund Institutional Shares[1,2]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[3]	(23.39)%	(23.36)%	(21.65)%	(13.52)%
One Year	0.42%	0.64%	(9.31)%	(4.38)%
Three Years	18.22%	18.50%	7.24%	9.26%
Five Years	9.83%	10.11%	5.13%	8.49%
Since Inception (September 30, 2013) (Annualized)	12.61%	12.88%	6.47%	10.15%
Since Inception (September 30, 2013) (Cumulative)[3]	86.54%	88.87%	38.94%	66.13%

RANDY GWIRTZMAN AND LAIRD BIEGER
PORTFOLIO MANAGERS

Retail Shares: BDFFX
Institutional Shares: BDFIX
R6 Shares: BDFUX

We are very lucky guys. We are living at a time in human history when innovation is accelerating at a blistering pace. As investors in earlier stage growth companies, we are privileged to meet visionary people, be exposed to new technologies, and be part of the flow of new ideas transforming our world. Within the space of about 30 years, communications have morphed from the rotary-style phone that hurt your finger to voice activated hand-held computers that can practically read your mind. Medical imaging has gone from fuzzy images to high resolution, real-time maps that can electronically guide surgery. And in this time, innovators in medicine seem finally to have come to the threshold of unlocking the human genome to understand the hereditary and malfunctioning genetic codes that cause disease, so that we may find them and treat them.

The pace of innovation is relentless and will not be deterred by the tantrums of a colicky stock market. Those pioneers who take innovation and productize it for consumption tend to be richly rewarded in time (and we, as investors, strive to share in those rewards by investing in the best of these entrepreneurs). But, of course, the timing of reward capture is highly uncertain. That is why we believe in long-term investing, where we seek to achieve excess market returns by investing strategically rather than by trading tactically. That is our philosophy. We also actively manage our risk through our rigorous investment process, which combines balancing the portfolio among different industry groups and types of investments, along with a continuous daily focus on valuation and due diligence on our investments. That is our process.

If we didn't believe in our philosophy, and we didn't execute on our process on a daily basis, it would be extremely difficult to post the superior medium- and long-term returns shown in Table I above. The December quarter was certainly challenging, however we believe that our close relative performance in a tidal-wave style market wipeout was a quality result given that we invest in so many young, high-growth companies. We also believe that our portfolio of quality growth investments will outperform meaningfully over time, net of fees. This is why we each have significant personal investments in the Fund.

We thank you, our investors, for hanging in there with us. Net inflows have been meaningful in the quarter, which leads us to believe that we have communicated our process, philosophy, and composition of the investment portfolio well to you. It is our goal to always provide transparency into our investments and our mindset. And, we want our investors to understand why, despite the challenging current market conditions, we are fundamentally excited about our investments. Even though we look at our

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of September 30, 2018 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 which the Adviser has contractually agreed to for so long as it serves as the adviser to the Fund), 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) 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.*

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same.

1 The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS® 1987

investments over a three-to-five-year time horizon, we are mindful that near-term events are important to the performance of our investments in any given year. With that understanding, we would like to lay out some of the catalysts that we think could lead to significant reward capture for the Fund in 2019.

Health Care

This is a very important segment for us, constituting 27.5% of the portfolio at the end of 2018. We really like the space, as it has many innovative growth companies, provides meaningful opportunities to capture excess return, and tends to be less cyclical than many other industries. We invest in companies that can provide better patient outcomes for lower costs, and which have defensible product differentiation.

Pharmaceuticals and Biotechnology. Many of our companies have recently achieved major milestones and/or FDA approval of their drugs, which is the key prerequisite to future cash flow growth. These successes should lead to nice sales growth in 2019, and we expect solid share performance in 2019 versus the horrible industry backdrop we had in 2018. **TherapeuticsMD, Inc.** got approval for two key hormone therapy drugs, one for hot flashes (Bijuva) and one for vulvar vaginal atrophy, or VVA (Imvexxy). These are both multi-billion dollar market opportunities and will be generating revenues in 2019. **Sage Therapeutics, Inc.** gained approval in 2018 for its intravenous drug for postpartum depression (Zulresso). The company also produced positive clinical results in January 2019 for the pill version of this drug, which could also address the huge market for major depressive disorder (a multi-billion dollar opportunity). **Esperion Therapeutics, Inc.** put up a solid string of positive phase 3 clinical trial results in 2018 for its LDL cholesterol lowering drug (bempedoic acid or BA). It will submit new drug applications (NDAs) to the FDA in the first quarter of 2019, and to European Union regulators in the second quarter of 2019. It also just signed an important marketing agreement for European distribution of its BA drug (with $300 million in upfront milestone payments, additional potential milestones of $600 million and potential royalties of 15% to 25% of sales). The company estimates that the net present value of the EU deal is $1 billion (which is about what the market capitalization is for the entire company). Therefore, U.S. sales as well as additional marketing agreements are all upside. We anticipate U.S. approval of BA and a combination of BA with ezetimibe (a widely used, non-statin LDL lowering drug) in 2020, with significant cardiovascular outcomes study data coming in 2022.

Devices. **Cerus Corporation**, which sells devices that inactivate viruses and bacteria in donated blood, has made significant progress in the U.S. Its largest customers have started to gain regulatory approvals to sell Cerus treated platelets (a component of donated blood), which will lead to meaningful revenue growth in 2019. Also, Cerus is moving towards regulatory approval of big markets in red blood cells (RBC). It filed for EU approval of its RBC product in December 2018, and could be on the market in 2021 with this product (an opportunity worth over $1.5 billion). And RBC in the U.S. (a $1 billion market) could come a couple of years later. **Intersect ENT, Inc.**, which sells devices used to help the healing process for sinus surgery patients, gained approval in the second quarter of 2018 for a device called Sinuva, that can be used in a doctor's office, with the potential to avoid additional invasive sinus surgeries. This device has a recurring market opportunity of about $1.3 billion and should see growth accelerate in 2019. **Sientra, Inc.**, a medical aesthetics company that produces breast implants and has a device to stop underarm sweat and odor, should see solid growth in 2019 as its new outsourced manufacturing partner ramps up implant production. Sientra has suffered with unmet demand as the company waited for the plant to be approved.

Diagnostics. Accurately determining the presence of a disease and optimizing treatment is critical. We own **Myriad Genetics, Inc.**, which uses hereditary markers to determine the risks of cancer as well as to match the right antidepressants to patients. We believe the latter test, called GeneSight, will garner increased insurance coverage in 2019, driving significant growth in earnings. We recently bought **Accelerate Diagnostics, Inc.**, which has an automated analyzer that categorizes bacterial infections as well as the appropriate antibiotic treatment in the space of hours rather than days. No other company can do this, and placements of their analyzers are meaningfully accelerating (pardon the pun) in 2019. Finally, we own **CareDx, Inc.** a leader in transplant testing. Its new kidney transplant test, which helps to optimize anti-rejection medication post-transplant, is garnering significant share that we think will accelerate in 2019. The test generated about $23 million in 2018 revenue for CareDx by our estimates, a very small fraction of the market opportunity which could be $2 billion.

Information Technology ("IT")

Semiconductor Equipment. We are big believers that the overall secular trend in semiconductor capital spending is not over, but rather is just taking a pause. There are too many new themes driving demand for chip production for this to stop any time soon. Thus, despite the current softness in the cell phone market, which has led to weakness in the memory markets in particular, we see near- and medium-term drivers that will lead to increasing semiconductor volumes and a rebound in the sector later in 2019. These include artificial intelligence, machine learning, autonomous vehicles, 5G cellular and wireless broadband, the internet of things (connectivity of devices from cameras, to thermostats to all manner of consumer and industrial devices), chip-based storage (versus hard disk drives), the growth of massive server farms for cloud-based software delivery, China's need to establish its own semiconductor production capabilities, and the overall increase in semiconductor content into all devices. While it is not fashionable now to own the companies that produce sophisticated chip production equipment, we believe that compelling valuations combined with what we view as a looming bottom of the current down-cycle will lead to very good returns. We own **Ichor Holdings, Ltd.**, which is one of only two key suppliers of components that aid the delivery of chemicals into the circuit printing process. Ichor is profitable with secular growth even in the down cycle, and it has significant organic and acquisition-based growth opportunities going forward. We also own **Nova Measuring Instruments Ltd.**, which has sophisticated metrology equipment that ensures that semiconductors are being printed correctly. Nova's technology allows for measurement of even the smallest sizes of current circuit widths (down to 5 nanometers, or about two times the diameter of a strand of human DNA).

System Software. Cybersecurity will continue to be an important growth area. In 2018, the EU implemented the General Data Protection Regulation, protecting data and privacy for all EU and EC individuals. The legislation has stiff fines for non-compliance (20 million Euros or 4% of prior year revenues, whichever is greater). Similar legislation is being debated in the U.S. Along with continued large scale network hacks, penalizing legislation will continue to fuel growth for our portfolio companies, including **Qualys, Inc.** (vulnerability management and other products dealing with network endpoint equipment), **Varonis Systems, Inc.** (protection of critical files against theft and ransomware attacks) and **ForeScout Technologies, Inc.** (classification of all endpoint equipment operating off an IP address even if they are non-standard "internet of things" devices or even industrial equipment).

Application Software. The movement of application software from "on-premise" to the cloud continues to accelerate. Our investments in application software companies **QAD Inc.** (manufacturing ERP), **Anaplan, Inc.** (financial planning and analysis) and **Yext, Inc.** (digital knowledge management) all continue to benefit from this transition and, we believe, will see greater than 25% revenue growth in their cloud businesses. We also believe that **RIB Software SE** (construction design, management, and financial software) will see good growth as sales initiatives for its new subscription-based products take hold.

Industrials

Given the uncertainty of the global economy, our Industrials investments are generally geared toward strong secular growers and are a heterogenous group. **Mercury Systems, Inc.** is the leader in Tier 2 defense electronics outsourcing, and should benefit from increased share capture and modernization project flow in 2019 (particularly in missile defense and electronic warfare systems). **TPI Composites, Inc.** should benefit as it expands its production lines for fiberglass composite wind blades, improves production efficiencies in those lines, and ramps its business for producing fiberglass bodies and parts for electric buses and other vehicles. **Cubic Corporation** (detailed below in the Recent Activity section) will likely benefit from many new metropolitan transportation management contracts this year.

Consumer

Consumer Discretionary has been out of favor among investors in recent months despite what have been reasonably positive financial results from the sector and positive macroeconomic indicators (i.e., low unemployment and elevated wage inflation). We have used this weakness to initiate some new positions and to increase existing positions. We remain especially excited about some stock-specific catalysts. For example, **Red Rock Resorts, Inc.**, after undergoing two years of depressed profit growth due to major construction disruptions, will finally get its two renovated casinos opened and fully operating. This should lead to nice profit growth in the second half of 2019. In addition, the growth in digital restaurant ordering and restaurant delivery has been accelerating over the last couple of years. We expect this trend to continue and, in our opinion, will likely benefit companies such as **Wingstop Inc.** and **JUST EAT plc**.

Table II.

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

	Percent Impact
Corium International, Inc.	0.23%
Studio City International Holdings Limited	0.16
Anaplan, Inc.	0.14
PAR Technology Corporation	0.08
Guardant Health, Inc.	0.07

We had a handful of winners this quarter.

Corium International, Inc. is a specialty pharmaceutical company that is developing extended release transdermal patches to treat patients with Alzheimer's. It was acquired by a private equity firm during the quarter.

Studio City International Holdings Limited is a gaming and entertainment property located on the Cotai Strip in Macau, China that opened in October 2015. It is a mass market focused gaming property with 1,600 luxury rooms containing 250 mass market tables, 45 VIP tables and 970 slot machines. We purchased the stock during the quarter because of what we believe are strong fundamentals for mass market gaming in Macau and Studio City's appeal to these types of customers. Macau is benefitting from its close proximity to 3.5 billion people in nearby regions in Asia, the continuing development of the middle class within China, investments in infrastructure, including the new Taipa ferry terminal, the Hong Kong Zhuhai bridge, and the Macau light rapid transit line. Finally, there are tailwinds from increased diversification of non-gaming amenities such as shows and amusements. These attract a different group of tourists than have historically visited Macau such as non-gamblers and families. The company is starting construction on a $1.4 billion expansion this year that we expect to open in 2022. The stock was a contributor in the quarter as both Macau visitation and Macau mass market gross gaming revenues have recently come in better than expected.

Anaplan, Inc. offers a connected planning software platform that allows businesses to efficiently and effectively perform financial planning and analysis. We purchased the stock during the quarter because we are strong believers in the Anaplan solution because of the high return on investment it provides its customers. Its software has led to a four-to-six-week reduction in planning cycle time, a 50% increase in financial planning accuracy, a 15% reduction in operating expenditures, and an 8% increase in first-year sales due to acceleration in time to market. Anaplan's Hyperblock technology enables scaling to billions of spreadsheet cells, and we do not believe there is another competitor that has this scaling capability. The stock was an outperformer in the quarter as it delivered revenue growth and billings growth that came in better than expectations. We remain excited about Anaplan's long-term prospects.

PAR Technology Corporation provides professional services and enterprise intelligence software. The stock was a contributor in the quarter as the CEO stepped down and an activist investor pushed the company to seek strategic alternatives including a potential sale. We still believe the company's Brink division, which has a cloud-based restaurant point of sale platform, is worth significantly more than is implied in the overall company valuation. We are hopeful the company's board will take actions that will help highlight that value.

Guardant Health, Inc. offers liquid biopsy tests for advanced stage cancers. It is also developing recurrence detection for cancer survivors and early detection of cancer in higher risk individuals. Guardant had its IPO in the quarter, and while we are enthusiastic about the technology, we hold a small position given its high valuation. That said, the technology is exciting as it could allow detection of cancer with a simple blood draw without the risk, expense, and inconvenience of a solid tissue biopsy.

Table III.

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

	Percent Impact
IntriCon Corporation	–1.11%
Teladoc Health, Inc.	–1.08
Sientra, Inc.	–1.07
Myriad Genetics, Inc.	–0.98
TherapeuticsMD, Inc.	–0.93

A quarter like this one will inevitably produce detractors. We still like all of these companies and believe that their negative performance was more a reflection on market dynamics than any fundamental issues.

IntriCon Corporation is a medical device company which focuses on body-worn devices. The company has two businesses, one in components for medical devices and one in hearing aids. IntriCon manufactures Medtronic's wireless continuous glucose monitor (CGM), sensors, and accessories associated with Medtronic's insulin pump and CGM system for patients with diabetes. This business is accelerating as more of Medtronic's devices contain CGM capability. IntriCon's hearing business is on the verge of explosive growth driven by legislative and regulatory changes that will make it easier for consumers to obtain hearing aids over-the-counter at much lower cost than existing hearing aid products. Shares sold off in the quarter when the company slightly missed consensus estimates (margins were slightly lower due to product mix and new facility ramp inefficiencies). However, the business itself looks to be doing very well, and growth is particularly visible in the diabetes franchise. We believe shares will rebound as the company's valuation multiples are far too low for the revenue and cash flow growth it is likely to produce.

Shares of **Teladoc Health, Inc.**, the U.S.'s largest telehealth company, fell with the broader market retreat, which was particularly brutal for high-growth stocks. The sell-off also reflected news of the CFO/COO's resignation for violating the company's workplace relationship policy. We believe the incident will not stall Teledoc's substantial momentum in the rapidly expanding telehealth space where it is the dominant player. Guidance was reiterated and the CFO/COO's acting replacement is well known and respected by investors. We remain bullish on prospects for Teladoc. The lower cost, greater convenience, and broader access afforded by telemedicine is a powerful secular growth story; more insurers and large employers are providing telehealth benefits. With under 1% penetration of a $60 billion addressable telehealth market, the company should be able to build on its highly-scalable tech platform, driving high top-line growth for at least the next several years. In addition to adding new customers, growth will come through higher utilization and additional specialized services.

Sientra, Inc. is a medical aesthetics company. It has one of only three FDA approved silicone breast implant franchises in the U.S., and it recently purchased a company that uses a device to stop excessive sweating and odor in the underarms. In April 2018, it received FDA approval to restart U.S.-based implant production at a respected third-party manufacturer. Shares were down in the quarter after management said that production from its new outsourced plant would be delayed from one to two quarters due to its methodical ramp of volume. We are not concerned, as it is critical that the products be perfect before sold and the delay is minor. Also, Sientra's new Miradry product (underarm sweat/odor) seems to be performing above expectations.

Myriad Genetics, Inc. is a provider of high-end genetic testing for hereditary cancer, compatibility with anti-depressant drugs, and many other conditions. The company is a free cash flow machine, with a pristine balance sheet. We believe that Myriad's earnings potential is significantly masked, as it only has reimbursement on a small percentage of its new tests, particularly the depression drug-oriented test called GeneSight. Since Myriad already has a full sales and research infrastructure, we believe it will achieve significant cash flow and margin growth as it expands coverage and grows revenues for its new tests. Concerns in the quarter included: (1) an FDA communication warning against the use of many hereditary-based drug tests that have unapproved claims (Myriad's GeneSight test has the best and most extensive clinical data in the group); (2) a cut in fiscal year 2019 (June 30, 2019) revenue guidance by $25 million or 2.8% (due to some reimbursement timing issues, though earnings guidance remained the same due to offsetting cost cuts); and (3) the delay in publication of a key study needed to get insurance coverage (which was accepted in late December and published in January 2019). All of these issues will be or have been managed and we expect to see significant upside from here.

TherapeuticsMD, Inc. is developing drugs that address the multi-billion dollar hormone replacement market. Despite the fact that its first drug for Vulvar Vaginal Atrophy (Imvexxy) has been putting up very good prescription growth, and that its second drug for hot flashes in menopause (Bijuva) was approved in the quarter, shares were down as part of a larger overall market drop in the pharmaceutical sector. We believe that 2019 will be a very good year as revenue accelerates on the back of three approved drugs in the company's portfolio, including a new birth control product that it acquired in 2018.

Portfolio Structure

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

	Year Acquired	Quarter End Investment Value (millions)	Percent of Net Assets
Mercury Systems, Inc.	2015	$13.0	3.9%
Intersect ENT, Inc.	2018	11.0	3.2
Myriad Genetics, Inc.	2016	10.7	3.2
CareDx, Inc.	2018	10.0	3.0
TPI Composites, Inc.	2016	9.9	2.9
The Trade Desk	2016	9.0	2.7
Americold Realty Trust	2018	8.9	2.6
Yext, Inc.	2017	8.9	2.6
ViewRay Incorporated	2018	7.4	2.2
Qualys, Inc.	2013	7.3	2.2

Our key sector weightings, per the GICS methodology as of 12/31/2018, were 27.5% Health Care, 24.7% IT, 15.9% Industrials, and 10.6% Consumer Discretionary. Our cash was at 9.7%, which is on the high end of our single-digit percentage target. This was due to inflows at the end of the quarter as well as our measured investment process during an extremely volatile quarter.

Our top 10 holdings represented 28.5% of assets, and it is in line with our historical average of around 30%.

Recent Activity

Table V.
Top net purchases for the quarter ended December 31, 2018

	Year Acquired	Quarter End Market Cap (billions)	Amount Purchased (millions)
ViewRay Incorporated	2018	$0.6	$9.2
Boyd Gaming Corporation	2018	2.3	6.1
Potbelly Corporation	2018	0.2	5.5
Yext, Inc.	2017	1.5	4.3
Cubic Corporation	2018	1.7	4.2

We took advantage of the market turmoil to invest in some new ideas. As we had raised cash toward the end of the third quarter when valuations got extended, we were well positioned in this regard. We have found that there are always great long-term investment opportunities, even in markets perceived as unstable. We also increased our position in **Yext, Inc.** as we believe it is trading at far too great a discount to its fair value, and we think the market has not grasped the long-term competitive advantage it has in information management for its customers.

ViewRay Incorporated is one of our most exciting investments in recent years. Every year 1.6 million Americans are diagnosed with cancer and about 1 million (two-thirds of these) will be treated with radiation therapy. ViewRay designs and manufactures equipment used in such therapy. Its premier product, MRIdian combines a linear accelerator (a linac or radiation source) with a low-powered MRI (magnetic resonance imaging) machine, enabling real-time, accurate and faster radiation therapy. MRgRT (magnetic resonance guided radiation therapy) is a highly accurate treatment process because it uses real time imaging to guide the radiation dose. Because of the complexity of the technology, only two companies including ViewRay have been able to commercialize and gain regulatory approval of an MRgRT product. Further, ViewRay's design is unique in that it can automatically shut off the radiation if the tumor moves outside the planned treatment area. The accuracy of this new treatment modality allows higher doses to be given in fewer treatments (called fractions). Early studies have shown that MRgRT provides better outcomes with lower overall toxicity. It also allows treatment of anatomical areas such as the heart, lungs, colon, prostate and pancreas, that move during treatment and/or are very close to other vital organs that must not be harmed by stray radiation. We are particularly excited that in July 2018, the company named Scott Drake as CEO. Drake was the former CEO of The Spectranetics Corporation, a company that we owned and that was sold to Koninklijke Philips N.V. in 2017. We view Drake as a high-quality manager. He intends to improve production and client service, and will build a world-class sales force. There are 14,000 linacs installed worldwide as of September 2018 (of which only 27 are MRgRT). Each year 1,000 linacs are sold around the world. ViewRay believes that the available market per year for MRgRT is about 350 to 400 machines (representing about a $2 billion to $3 billion annual opportunity at $6 million to $8 million per machine).

Boyd Gaming Corporation is a broadly-diversified gaming operator with 36% of profits coming from the Las Vegas market and the remainder from "regional" gaming assets. The company owns 29 casinos in 10 states with 38,000 slot machines, 900 tables, 11,000 hotel rooms and 320 beverage outlets. The company owns the majority of its real estate, which gives it balance sheet flexibility for potential sale-leaseback transactions. We have followed Boyd for many years and purchased the stock when it fell to what we believe were extremely attractive valuations during recent market weakness. We like the quality of the company's assets, its geographic diversification, and its ability to generate significant free cash flow. We also respect the management team which has made opportunistic and accretive acquisitions historically. We believe the stock can double from these levels over the next two-to-three years.

Potbelly Corporation is an operator and franchisor of restaurants. We believe the company, which has seen a turnaround under new CEO Alan Johnson, is on the cusp of showing progress on new operational initiatives that will result in increased sales and a new strategy that will emphasize growth via franchising as opposed to company-owned restaurant growth. We believe as the company shows progress on these initiatives, we should see an upward re-rating in its stock valuation.

Cubic Corporation is a public transportation and aerospace & defense solution provider. In the transportation business, Cubic is the only system integrator to have successfully delivered a smartphone enabled fare collection solution (in London and Chicago). This has led to increased win rates in recent deals–the company has won all four of its most recent metro contract bids (New York City, Boston, San Francisco, and Brisbane). The company's competitive advantage in transportation has been further enhanced by recent acquisitions that will enable centralized, real-time, digital fare collection and transit management solutions, as opposed to today's legacy systems that are offline and disjointed among different modes of transit. In the defense business, the company's offerings are target combat modernization efforts, including those for the F-35 fighter aircraft and secure communication networks, that are strategic imperatives for the military. We are excited about the company's prospects going forward.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
QTS Realty Trust, Inc.	2018	$2.3	$1.9	$5.2
Corium International, Inc.	2018	0.4	0.3	3.6
LiveRamp Holdings, Inc.	2016	1.6	2.6	3.0
The Trade Desk	2016	1.2	5.0	2.8
CareDx, Inc.	2018	0.5	1.0	2.2

As mentioned before, we are cognizant of valuation, and when security prices extend toward and beyond our medium- and long-term targets, we are careful to trim positions to capture profits and to lower the risks of volatile downward movements. This helped us out in the quarter, as we had trimmed some holdings in the third quarter and into the fourth on extended valuations. Two of the larger valuation-based trims were **The Trade Desk** and **CareDx, Inc.** We still like the prospects of those companies very much.

We also had two companies involved in special situations in the quarter, which were **Corium International, Inc.**, a pharmaceutical company that was purchased by a private equity fund, and **LiveRamp Holdings, Inc.**, a digital-advertising oriented company that was spun out from **Acxiom Corporation**. LiveRamp was actually a "two-fer" because it was a special situation we trimmed after it ran up post-spin off.

We reduced the size of our position in **QTS Realty Trust, Inc.** While we remain excited by the demand drivers of QTS' data center business, we became concerned with the company's ability to fund its capital expenditure plan at costs of capital that would be accretive to shareholders.

Outlook

We are mindful of the pain that can be caused in down markets. That is why we continue to rely on the philosophy and daily process that we laid out above. It seems to us that we have a higher probability of a favorable return if we buy an investment that has fantastic prospects at a reasonable price, than if we try to time the mercurial moods of the market. We will continue this carefully reasoned process in both good and bad markets, as we strive to earn our targeted returns on capital.

Thank you for investing in the Fund.

Randy Gwirtzman & Laird Bieger
Portfolio Managers
January 31, 2019

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 smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities 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 portfolio 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 manager only through the end of the period stated in this report. The portfolio managers' 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 Discovery Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Dear Baron Durable Advantage Fund Shareholder:

Performance

Baron Durable Advantage Fund (the "Fund") returned -13.8% (Institutional Shares) during the quarter, essentially in line with the -13.5% return for the S&P 500 Index, the Fund's benchmark. For 2018, the Fund was down 7.3% compared to a 4.4% decline for the S&P 500 Index.

Table I.
Performance
For periods ended December 31, 2018

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	(13.85)%	(13.83)%	(13.52)%
One Year and Since Inception (December 29, 2017)	(7.48)%	(7.28)%	(4.38)%

The Fund did not perform nearly as well as we had expected during the period of heightened volatility. We have been avoiding the high-flying, super high-growth, high-multiple investments (such as Amazon, Netflix, Facebook or Alibaba) and expected the Fund to outperform during a period of multiple contraction. Unfortunately, our stock selection was poor enough over this period of time, to prevent that from happening. We anticipated weakness in our Industrials holdings given the trade tensions with China and the resultant trade tariffs, but were surprised by the violent reactions investors had to stocks in Consumer Staples (**Constellation Brands** down 25%) and Communication Services (**Activision Blizzard** and **Electronic Arts** down 44% and 35%, respectively). Even **Apple**, with its below market multiple AND almost a quarter of its market cap in cash, declined 30% during the quarter. But even more than the magnitude of the losses, it was lack of winners that contributed to disappointing overall results.

We lost approximately 200 basis points ("bps") of relative performance in Communication Services and another 90 bps in Consumer Staples mostly as a result of stock selection. This was partially offset by not owning Energy stocks that continued their decline during the quarter (~70 bps benefit) and owning the right stocks in Financials (~70 bps benefit), namely **CME Group**, which was up 12% in the quarter. Good stock selection also drove outperformance in Health Care, Industrials, and Information Technology ("IT") (~110 bps combined) thanks to defensive holdings such as **Danaher**, **UnitedHealthcare**, and **Microsoft** all of which declined less than the benchmark. Not owning Utilities stocks hurt relative results by 43 bps.

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

All in all, it was a rough first year out of the box. We entered the quarter a few hundred basis points behind as super high-growth stocks such as Amazon, Netflix, NVIDIA, etc., that we deem to be unsuitable for this Fund, did well, and then we failed to catch up or gain ground when the market went the other way. Poor stock selection was the main culprit, which was compounded by mistakes in position sizing. To put it differently, we did not own enough of our winners and had too many (and owned too much) of our losers. The only good thing is that we believe that for the most part, we did not suffer any permanent loss of capital.

We continue adding ideas to our list of high-quality businesses with wide moats and strong management teams, who are not only proven operators but also talented capital allocators. We believe that buying these businesses at a fair price and holding them for the long term will prove to be lucrative, as these businesses earn high returns on capital in their core operations while returning excess capital for us to deploy elsewhere. We don't spend any time trying to predict market volatility and instead try to use it to our advantage. As Warren Buffett's teacher, Benjamin Graham, famously said: "In the short run, the market is a voting machine…but in the long run, it is a weighing machine." We take advantage of the "voting" by buying great businesses when we believe their quoted prices are below our conservative estimates of intrinsic value, and then we patiently wait for the "weighing machine" dynamics to kick in.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2018 was 7.45% and 5.71%, respectively, but the net annual expense ratio was 0.95% and 0.70% (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) 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 The index is unmanaged. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index and the Fund are with dividends, which positively impact the performance results.
2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.
3 Not annualized.

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

	Quarter End Market Cap (billions)	Percent Impact
CME Group, Inc.	$67.3	0.36%

CME Group, Inc. is the world's largest and most diversified derivatives marketplace. Its exchanges support trading of futures and options across a variety of asset classes, including interest rates, equity indexes, energy, agricultural commodities, currencies, and metals. CME shares rose 12.0% during the fourth quarter benefiting from increased derivative trading volumes due to market volatility and a greater demand for hedging (over 80% of CME's revenues are tied to trading volumes). The increase in volumes also benefits CME's bottom line as most of its costs are fixed, resulting in extremely high margins on incremental volume. CME is an example of a business we like–it has a wide structural moat enabled by the network effects between buyers and sellers on its marketplaces (the value of a marketplace is a function of its liquidity, which rises with the number of participants), it is capital light, and has an experienced management team that allocates capital well. We believe CME will continue to benefit from higher volatility, interest rate normalization, and greater adoption of exchange-traded futures.

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

	Quarter End Market Cap (billions)	Percent Impact
Apple, Inc.	$748.5	–1.30%
Activision Blizzard, Inc.	35.5	–1.27
Electronic Arts Inc.	23.8	–1.19
Constellation Brands, Inc.	30.6	–0.76
Mastercard Incorporated	194.8	–0.70

Apple, Inc. is the largest consumer electronics company in the world with iconic products such as iPhone, iPad, Apple Watch, and Macs, and the world's most valuable brand (recently selected by Forbes for the 8th straight year). Apple is a platform company with rapidly growing, recurring revenue services businesses that benefit from network effects. The company's shares declined 29.9% during the quarter as iPhone sales came in below expectations driven by the weakening Chinese demand and increased competition from local players. Even though Apple is facing some near-term headwinds, the value of its brand name and the strength of its ecosystem should enable it to sustain its positioning in the long term. To quote Warren Buffett, a brand name is as valuable as the company's ability to have pricing power, and we believe Apple has proven its ability to raise prices over time. We believe Apple to be a good example of a company with durable competitive advantages and expect to be investors in the stock for years to come.

Activision Blizzard, Inc. is a global leader in digital interactive entertainment. The company develops, markets, publishes, and distributes video games on consoles, PCs, and mobile. Key game franchises include Call of Duty, Destiny, World of Warcraft, Overwatch, and Candy Crush. Shares of Activision declined 43.9% in the fourth quarter as uncertainty regarding the launch slate for 2019 and the broad negative sentiment around the video game sector intensified. While many investors might consider uncertainty synonymous with risk, we believe that risk is the probability of permanent loss of capital, and so the increased near-term uncertainty hasn't lead us to change our views on Activision. Our conviction is rooted in Activision's long track record of success with games that have grown to become franchises over the years (such as Call of Duty) driving revenue growth and margin expansion. Activision should also benefit over time from industry tailwinds including the shift to digital (leading to higher margins), in-game monetization, mobile gaming, advertising, eSports, and international expansion.

Electronic Arts, Inc. ("EA") is a global leader in digital interactive entertainment. The company develops, markets, publishes, and distributes games, content, and services consumers can use on a variety of platforms, such as game consoles, PCs, mobile phones, and tablets. Shares of EA declined 34.5% in the fourth quarter following the company's quarterly earnings report showing a deceleration in Live Services growth. Shares of EA were also hurt by the negativity surrounding the entire video game sector and the uncertainty around 2019's release slate. We retain long-term conviction in EA as it should continue benefiting from the shift to digital distribution, growth of in-game monetization (at very high incremental margins), mobile gaming, advertising, and eSports.

Constellation Brands, Inc. produces and markets alcoholic beverages across North America, Europe, and Australia. The company has one of the fastest growing alcohol brand portfolios, the result of savvy bets on Mexican import beer brands such as Corona and Grupo Modelo. Shares of Constellation declined 25.1% in the fourth quarter following the quarterly earnings miss by Canopy Growth, a cannabis company that Constellation invested in earlier last year, and mounting global trade concerns. Nevertheless, Constellation's core business had a strong quarter with double-digit revenue growth and record operating margins (over 41%), which we believe the company can sustain. Our conviction is driven by Constellation's strong positioning in the beverage sector, benefiting from several positive secular trends in the alcohol industry, including premiumization/trade-ups to better beer and imports, growth of the Hispanic population, and increased consumption across all three alcohol categories (beer, wine, and spirits).

Mastercard Incorporated is a leading global commerce payment solutions network. The stock underperformed in the fourth quarter, declining 15.1% even though the company reported solid quarterly results beating estimates on top and bottom lines with 15% revenue growth and 33% growth in EPS driven by continued share gains internationally, which represent 2/3 of revenues. We believe Mastercard is a great example of a business with an extremely wide moat with high barriers to entry, operating in a stable duopoly with Visa. We think Mastercard should benefit from global consumer spending growth and the secular shift from cash to electronic payments for years to come.

Portfolio Structure

We expect the Fund to consist of 30 to 50 investments with position sizes ranging from 1% to 5% at the time of initiation. The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark weights and sector composition) having the highest roles in determining the size of each individual investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view." The Fund's top 10 holdings represented 42.4% of the Fund, the top 20 holdings represented 68.1%, and we exited the fourth quarter with 37 investments.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
UnitedHealth Group Incorporated	$239.7	$182.6	5.2%
Microsoft Corporation	785.0	179.7	5.1
Mastercard Incorporated	194.8	164.5	4.7
Alphabet Inc.	723.2	152.2	4.3
CME Group, Inc.	67.3	144.9	4.1
S&P Global Inc.	42.6	140.4	4.0
Danaher Corporation	72.3	139.9	4.0
Apple, Inc.	748.5	138.2	3.9
Moody's Corporation	26.8	134.9	3.8
BlackRock Inc.	62.3	117.1	3.3

Recent Activity

We initiated new positions in **IHS Markit Ltd.** and **AstraZeneca PLC**, and we eliminated **Naspers Limited** during the quarter. We also added to 12 existing investments, while not reducing any.

Table V.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
IHS Markit Ltd.	$ 18.9	$87.8
AstraZeneca PLC	96.2	52.0
Danaher Corporation	72.3	31.8
Apple, Inc.	748.5	21.2
TE Connectivity Ltd.	25.9	16.9

IHS Markit ("INFO") provides critical information, analytics, and domain expertise across a variety of industries, including automotive, energy, and financial services. Customers use this insight to improve efficiency and make more informed decisions. The company employs more than 5,000 analysts, data scientists, financial experts, and industry specialists to generate proprietary content. INFO has a diverse customer base of over 50,000 businesses and governments, including 80% of the Fortune Global 500 and 70% of the Fortune U.S. 1000. The company was formed through the 2016 merger of IHS (founded in 1959) and Markit (founded in 2003).

The automotive business provides vehicle production and sales forecasts, marketing tools for car makers and dealers, and vehicle history reports for the used car market. The energy business provides technical and financial data for more than 23,000 oil and gas assets around the world as well as benchmark pricing for refined products. The financial services business provides pricing and reference data, indexes, valuation, and trading services, trade processing, enterprise software, and managed services. The company owns a number of well-known brands, including CARFAX, CERAWeek, the Purchasing Managers Index (PMI) series, and the iBoxx indices.

INFO has an attractive financial profile with significant recurring revenue (84% of total revenue), expanding margins, high cash generation, and capital flexibility. Many of the company's offerings are core to customers' business operations, resulting in high retention rates and long-term customer relationships. Low capital requirements lead to significant free cash flow that's being used for acquisitions, debt repayment, and share repurchases.

We believe the company is well positioned to achieve management's long-term targets of 5% to 7% organic revenue growth, 100 basis points of annual EBITDA margin expansion, and double-digit EPS growth. Organic growth is coming from new customers and selling more products and services to existing customers. Margins should expand across all four segments by leveraging fixed overhead, reallocating resources to lower cost areas, and using technology to improve efficiency. Management expects to reduce financial leverage below three times debt/EBITDA later this year, and then resume share repurchases. We also expect INFO to supplement growth by continuing to make accretive acquisitions of information services companies.

AstraZeneca is a global biopharmaceutical company focusing on pipeline-driven transformation around three main therapy areas: oncology; cardiovascular and metabolic diseases; and respiratory illnesses. We think AstraZeneca's focused strategy could potentially produce a best-in-class growth profile. The company is a leader in economically attractive markets, particularly oncology, and has an opportunity to participate in emerging transformative markets, such as Alzheimer's. After a trough in revenue and earnings caused by patent expiration of its blockbuster drugs in 2016, AstraZeneca has experienced strong growth. We forecast 2018 to 2022 revenue and EPS compound annual growth rates of 7% and 15%, respectively.

We added to our investments in **Danaher Corporation** and **TE Connectivity Ltd.** as we put some of the Fund's inflows to work. We also added to our position in **Apple, Inc.** as we took advantage of the stock's correction.

Table VI.
Top net sales for the quarter ended December 31, 2018

	Market Cap When Sold (billions)	Amount Sold (thousands)
Naspers Limited	$84.0	$85.3

We eliminated Naspers during the quarter after becoming less comfortable with the risk profile of this investment in the context of this Fund. While we believe the outsized potential reward makes it an attractive investment for some of our other Funds, we decided to move on and redeploy capital.

OUTLOOK

Our goal is to invest in large-cap companies with, in our view, strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free cash flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. We hope to maximize long-term returns without taking significant risks of permanent loss of capital. We are optimistic about the prospects of the companies in which we have invested and have a full pipeline of new ideas we are actively working on to add to the portfolio during the coming quarters.

Sincerely,

Alex Umansky
Portfolio Manager
January 31, 2019

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 Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 Fifth Avenue Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

DEAR BARON REAL ESTATE INCOME FUND SHAREHOLDER:

PERFORMANCE

Following the first nine months of 2018 when the Baron Real Estate Income Fund (the "Fund") generated a slight gain and modestly underperformed the REIT Index, the fourth quarter of 2018 was particularly challenging. The broad market corrected sharply in the period, precipitated by macroeconomic considerations such as concerns that the Federal Reserve was increasing interest rates faster than conditions warranted, growing fears of a global economic slowdown, and continued worries about U.S.-China trade tensions.

The vast majority of the Fund's underperformance in the quarter (and the entirety of its 2018 underperformance) was due to our non-REIT real estate investments, representing 16.2% of the Fund. A number of these growth companies did not offer the "shelter" that many dividend-paying REITs provided during 2018's turbulent market environment.

Many of these companies are now trading at bargain price levels. We have been taking advantage of opportunities to invest in, and add to the Fund's investments in a number of these growth companies, as we believe they currently offer solid growth and share price appreciation potential.

We encourage you to read the "Portfolio Structure" section presented later in this letter. There, we discuss our key observations regarding the portfolio's structure and strategy.

We also urge you to review our perspective on the outlook for the Fund in the "Outlook" section later in this letter.

Table I.
Performance
For periods ended December 31, 2018

	Baron Real Estate Income Fund Retail Shares[1,2]	Baron Real Estate Income Fund Institutional Shares[1,2]	MSCI US REIT Index[1]
Three Months[3]	(11.38)%	(11.26)%	(7.05)%
One Year and Since Inception (December 29, 2017)	(11.33)%	(11.03)%	(5.83)%

JEFFREY KOLITCH
PORTFOLIO MANAGER

Retail Shares: BRIFX
Institutional Shares: BRIIX
R6 Shares: BRIUX

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

	Quarter End Market Cap (billions)	Percent Impact
American Tower Corp.	$69.7	0.51%
Americold Realty Trust	3.8	0.11
Equity Lifestyle Properties, Inc.	8.7	0.02
Sun Communities, Inc.	8.8	0.02
Equity Residential	24.3	0.01

We have a long history of successful investing in wireless cell tower companies. Cellular towers provide critical real estate infrastructure to the wireless industry. In the U.S., for example, wireless carriers such as AT&T, Verizon, T-Mobile, and Sprint rent space from these tower companies to install their communications equipment that transmits and receives wireless signals from mobile phones and numerous other devices.

Performance listed in the above table is net of annual operating expenses. Annual estimated expense ratio for the Retail Shares and Institutional Shares is 1.96% and 1.71%, respectively, but the net annual estimated expense ratio is 1.05% and 0.80% (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) 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] The index is unmanaged. The MSCI US REIT Index is a free float-adjusted market capitalization index that measures the performance of all equity REITs in the US equity market, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index and the Fund include reinvestment of interest, capital gains and dividends, which positively impact the performance results.

[2] The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

[3] Not annualized.

BARON FUNDS 1987

The Fund's investment in wireless cell tower REIT, **American Tower Corp.**, performed well in the most recent quarter due to strong business results and expectations for continued strength in demand.

We remain bullish on the long-term prospects for American Tower and the Fund's other wireless cell tower REIT, **Crown Castle International Corp.**, for the following reasons:

- **Secular Growth Prospects:** The long-term demand outlook for data-intensive devices, such as mobile phones, remains strong, and we expect it will continue to increase.
  - U.S. mobile data traffic is forecasted to grow more than 40% annually for at least the next five years according to data provided by: Cisco VNI 2016, Ericsson Mobility Report June 2018, AV&Co. Research & Analytics. This dramatic growth in wireless data demand will lead to significantly greater leasing demand and equipment installations on wireless tower locations in order to maintain the quality of the wireless carriers' signals and to support 4G and 5G network technology.
  - Looking forward, we expect the emerging 5G technology (which will provide numerous benefits to the mobile user, including faster video download speeds) to further increase and extend the growth trajectory for wireless cell tower companies many years into the future.
  - In addition to smartphones, the "connected home" (which enables the interconnection of multiple wireless devices), the "connected car" (equipped with internet access), and wireless delivery of cable TV will also require increased wireless bandwidth that is also expected to contribute to strong secular demand growth for the wireless tower companies.
- **High ROIC Business Models:** Wireless towers have excellent cash flow and economic characteristics.
  - Tenants sign leases that provide long-term revenue and cash flow visibility for the tower companies. Leases are typically non-cancellable, and generally include an initial term of 5 to 10 years with multiple renewal terms at the option of the tenant. Rent increases are typically fixed at an average of 3% annually.
  - The economic characteristics of a wireless tower are fairly unique. Most towers have capacity for four tenants. Typically, the cash flow generated from the first tenant will cover the construction cost of the tower and generate a modest single-digit investment return. Adding tenants, wireless equipment, and upgrades results in significantly higher investment returns because revenue can be added with minimal incremental cost, so more than 90% of the additional revenue flows through to cash flow. According to American Tower, a U.S. tower with three tenants will generate a strong 24% return on its investment capital with more than an 80% cash flow margin and requires minimal capital expenditures for annual maintenance. Outside the U.S., capital investment returns are also high and typically range from 25% to 32%.
- **High Barriers to Entry, Limited Competition, and Scale Advantages:**
  - High Barriers to Entry: Despite excellent cash flow and economic characteristics, there are generally high barriers to entry that limit competition. Why? Many communities do not want to see wireless towers in their backyards. As such, government zoning approvals for new towers are often difficult to obtain.
  - Limited Competition: Additionally, in most domestic and international developed markets, there tend to be only a few large wireless carriers. For example, in the U.S., there are a total of four carriers: AT&T, Verizon, Sprint, and T-Mobile. Most tower companies already have leases with two to three of these carriers on their towers. Therefore, with fewer available tenants, a prospective new tower competitor in the same area has less opportunity to win new business. As such, competition tends to be limited.
  - Scale Advantages: The Fund has invested in those wireless tower companies that actually own and operate their towers. These tower companies are often able to achieve superior terms from their lessees. They also enjoy efficiencies in purchasing, construction, management, and other costs.

The shares of **Americold Realty Trust** continued to perform well in the fourth quarter after reporting strong business results. The company is the only REIT that focuses on owning and operating temperature-controlled warehouses, and it has the largest portfolio of these warehouses in the U.S. and globally. We think Americold is well positioned to deliver superior growth relative to most REITs due to strong demand, limited supply, and opportunities to improve occupancy and rents.

We also anticipate that Americold will bolster its growth by developing additional warehouses at high returns and through additional acquisitions of other temperature-controlled warehouses. We continue to believe the prospects for the company are strong. These shares remain attractively valued relative to most REITs.

The Fund's investments in manufactured housing REITs, **Equity Lifestyle Properties, Inc.** and **Sun Communities, Inc.**, performed well in the fourth quarter following solid business results. We are bullish regarding the long-term prospects for both companies.

Equity Lifestyle Properties and Sun Communities are part of a niche real estate category that we expect to continue to benefit from favorable demand/supply dynamics. Both companies are the beneficiaries of strong demand from budget-conscious home buyers such as retirees and millennials, and negligible new inventory due to high development barriers.

Equity Lifestyle Properties and Sun Communities have superior long-term cash flow growth prospects and lower capital expenditure needs, than other REIT categories such as office, mall, shopping center, and health care REITs.

The shares of apartment REIT, **Equity Residential**, performed well in the most recent quarter following solid business results and management expectations for a reasonable improvement in revenues in 2019. The company is the largest apartment REIT in the U.S. with investments in 306 properties consisting of more than 79,000 apartment units located primarily in urban and high density suburban locations in Southern California, San Francisco, Seattle, New York, Washington D.C., and Boston.

The company was founded by, and is currently chaired by Sam Zell, one of the leading commercial real estate investors globally. Equity Residential maintains one of the strongest balance sheets in the REIT sector. We believe the shares are reasonably valued and the long-term prospects for the company are appealing,

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

	Quarter End Market Cap (billions)	Percent Impact
Equinix, Inc.	$28.3	–1.23%
Penn National Gaming, Inc.	2.2	–1.22
GDS Holdings Limited	2.9	–0.89
Marriott Vacations Worldwide Corp.	3.3	–0.78
MGM Resorts International	12.8	–0.47

The shares of real estate data center REIT **Equinix, Inc.** and data center company **GDS Holdings Limited** declined in the fourth quarter despite strong business results and outlooks. We believe the key factor that contributed to the recent weakness of these technology-related real estate companies was their high correlation to non-real estate technology companies whose share prices came under pressure in the fourth quarter.

We have met with and/or spoken to the management teams of each of the Fund's real estate data center companies in the fourth quarter and early in 2019. Our sense is that business conditions remain robust. We believe valuations are well below intrinsic value.

Equinix, the leading data center company in the world, is currently valued at a discount to most REITs despite the fact that we anticipate cash flow will grow at more than twice the growth rate of most REITs.

We have recently met with the management team of GDS, the leading developer and operator of data centers in China. We believe business conditions are strong and we remain bullish on the company's long-term prospects. The shares are valued at a modest cash flow multiple of only 18 times 2019 estimated cash flow despite expectations to grow its cash flow by more than 50% in 2019 and more than 100% in the next three years.

The shares of **Penn National Gaming, Inc.**, the largest U.S. regional casino and gaming company, declined steeply in the fourth quarter primarily due to speculation that consumer spending at casinos will slow sharply and promotional activity (discounted pricing) will increase. We met with management late in the fourth quarter. Our sense is that the fears that have weighed on Penn's shares are worse than the reality.

Business appears to be stable, and the company is on track to achieve its targeted revenue and expense synergies from its acquisition of Pinnacle Entertainment. At its December 31, 2018 price of only $18.83 per share, with close to a 20% free cash flow yield, we believe Penn's valuation is cheap. The shares of **Penn National Gaming, Inc.** have already gained 30% in the first few weeks of 2019!

Marriott Vacations Worldwide Corp., a leading timeshare company with more than 100 resorts, recently completed its acquisition of timeshare operator ILG, Inc. We suspect that certain factors, such as a combination of profit taking following strong share price performance, concerns about the impact from hurricanes and Hawaiian volcanic eruptions, and some concerns that consumers may be less likely to purchase vacation timeshares if economic growth slows, have also weighed on its shares.

We are bullish about the company's long-term prospects, and have continued to acquire shares in Marriott Vacations Worldwide at what we believe are good prices. Our sense is that business fundamentals remain solid and its shares are valued at less than seven times 2019 estimated cash flow and only nine times estimated earnings per share. The company's customer loyalty program, the Marriott Rewards loyalty program with 110 million members, serves as a key competitive advantage to source future growth. Insiders have been buying stock at prices above the level where the shares are currently trading – a bullish indicator, in our opinion.

MGM Resorts International is a leading global hotel and casino company. MGM offers an appealing combination of high-quality real estate assets; a leading presence in Las Vegas, one of the stronger real estate markets in the U.S.; a solid growth outlook; improving free cash flow; and prospects of dividend growth. Further, we see value in the shares as its domestic assets are trading at less than eight times 2019 estimated cash flow. We estimate that the company would be worth $35 to $40 per share in the private market or 45% to 65% above its December 31, 2018 price.

PORTFOLIO STRUCTURE

Regarding the structure of the portfolio, we are generally "staying the course," and have been implementing only a few strategic adjustments. Given the more uncertain macroeconomic outlook, we have modestly rebalanced the portfolio. For example, we recently reduced the Fund's exposure to hotel REITs given slowing and limited growth expectations. Alternatively, we purchased shares in more "defensive-oriented" REITs that generate more predictable cash flows given longer-term leases, such as certain health care REITs.

The Fund is currently invested in 14 different real estate categories (see Table IV below). Roughly 10% or more of the Fund's net assets is invested in each of the following four real estate categories:

1. **Non-REIT Real Estate Companies (16.2% of net assets)**

   The Fund has the flexibility to invest 20% of net assets in non-REIT real estate companies. In 2018, the Fund's performance was negatively impacted by its investments in non-REIT real estate companies. Many of these companies did not offer the "shelter" that many dividend-paying REITs provided during 2018's turbulent market environment.

   In our opinion, what was a headwind to performance in 2018 may be a tailwind to performance in 2019. We believe that the Fund's non-REIT real estate investments (such as **MGM Resorts International**, **Penn National Gaming, Inc.**, **Red Rock Resorts, Inc.**, **GDS Holdings Limited**, and **Marriott Vacations Worldwide Corp.**) currently offer superior growth and share price appreciation potential than many REITs. Notably, the shares of the Fund's non-REIT investments have begun to rebound sharply early in 2019.

2. **Data Center REITs (14.3% of net assets)**

Data center REITs such as **Equinix, Inc.**, **Digital Realty Trust, Inc.**, and **QTS Realty Trust, Inc.** are, in our view, well positioned for long-term growth. These companies construct and provide technical real estate buildings to support the latest technological advances and innovations such as growth in cloud computing. An increasing number of companies are determining that it is beneficial and economical to outsource their technological needs to high-tech and state-of-the-art data center firms such as Equinix and Digital Realty Trust. This outsourcing is also propelled by the explosive growth in data and cloud computing. We believe the shares of the Fund's data centers are attractively valued and offer strong long-term growth potential.

3. **Multi-Family REITs (10.2% of net assets)**

There is a substantial and growing trend in which many new households are choosing to rent rather than buy a home. We expect multi-family REITs to continue to generate increases in occupancies and rents from solid job and wage growth. We believe the Fund's investments in multi-family REITs **AvalonBay Communities, Inc.**, **Equity Residential**, and **Essex Property Trust, Inc.** are valued at discounts to our assessment of intrinsic value.

4. **Wireless Tower REITs (9.9% of net assets)**

The Fund has approximately 10% of net assets invested in wireless Tower REITs, **American Tower Corp.** and **Crown Castle International Corp.**

As discussed earlier in this letter, we are bullish on the long-term prospects for our wireless cell tower companies due to secular growth prospects, high ROIC business models, high barriers to entry, limited competition, and scale advantages.

The Fund's Net Asset Allocation

At December 31, 2018, the Fund's net assets were comprised as follows:

REITs: 81.1%

Non-REIT Real Estate Companies: 16.2%

Cash: 2.7%

Table IV.
Fund investments in REIT categories as of December 31, 2018

	Percent of Net Assets
Non-REIT Real Estate Companies	16.2%
Data Center REITs	14.3
Multi-Family REITs	10.2
Wireless Tower REITs	9.9
Other REITs	8.9
Industrial REITs	7.7
Office REITs	7.3
Manufactured Housing REITs	5.9
Hotel REITs	4.2
Triple Net REITs	3.9
Health Care REITs	3.4
Mall REITs	2.8
Self-Storage REITs	1.6
Single-Family Rental REITs	1.0
	97.3
Cash and Cash Equivalents	2.7
	100.0%

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
American Tower Corp.	$69.7	$185.7	6.7%
Equinix, Inc.	28.3	177.3	6.4
Americold Realty Trust	3.8	151.5	5.5
Equity Residential	24.3	110.3	4.0
AvalonBay Communities, Inc.	24.1	107.4	3.9
MGM Resorts International	12.8	105.1	3.8
Digital Realty Trust, Inc.	22.9	103.5	3.7
Alexandria Real Estate Equities, Inc.	12.4	95.8	3.5
Prologis, Inc.	37.0	93.7	3.4
Crown Castle International Corp.	45.1	89.5	3.2

Recent Activity

Table VI.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Alexandria Real Estate Equities, Inc.	$12.4	$59.1
Essex Property Trust, Inc.	16.2	48.6
Public Storage	35.3	45.1
HCP, Inc.	13.3	41.3
Simon Property Group, Inc.	52.0	38.5

In the most recent quarter, the Fund acquired shares in several REITs that we would characterize as best-in-class (i.e., excellent management teams, solid balance sheets, premier real estate portfolios, strong long-term growth prospects). Note that this statement represents the manager's opinion and is not based on a third-party ranking.

Alexandria Real Estate Equities, Inc. has been a long-term holding at Baron. The Firm first began acquiring shares in 2009 at approximately $38 per share. Ten years later, the Firm still owns Alexandria's shares. They are currently valued at $120 per share (exclusive of dividends). The Baron Real Estate Fund has owned shares in Alexandria since its inception nine years ago. Additionally, our Baron Real Estate Income Fund acquired shares at its inception one year ago, and we added to our position in the fourth quarter. We remain bullish about the company's long-term prospects.

Alexandria is the only pure-play publicly-traded landlord and developer to the life science industry. The company designs and improves space for lease to pharmaceutical, biotechnology, life science product and service companies, not-for-profit scientific research institutions, universities, and related government agencies. Alexandria's real estate portfolio contains approximately 20 million square feet focused in the key "brain-trust" markets with high concentrations of research activity–Northern California, Boston, North Carolina, Seattle, and San Diego.

We recently attended the company's annual investor day, which confirmed our enthusiasm for the company's long-term growth prospects. Management believes it can grow its revenues 100% from 2017 levels by 2022. This is a far superior growth projection than just about every other publicly-traded REIT. This forecast is based on the strength it is witnessing in life science business fundamentals, its real estate development success, its healthy balance sheet, and its desirable real estate portfolio. The company maintains a leading position in its real estate markets with a 28% market share. Remarkably, demand is exceptionally strong, with requirements for about eight times the space that Alexandria has available from their 2019 lease expirations. We believe the shares are poised for meaningful appreciation.

Essex Property Trust, Inc. is a West Coast-focused apartment REIT dedicated exclusively to the Pacific coastal markets of California and Washington. Approximately 84% of its cash flow is generated in California and 16% of its cash flow generated in Seattle, Washington. The company's real estate portfolio is appealing due to favorable demand and supply dynamics. The West Coast is viewed as an appealing place to live, due in large part, to strong job growth opportunities and good weather.

Regarding supply, strong demand prospects and limited supply of homes for sale should support favorable long-term occupancy and rent growth. For example, there are high barriers to new housing construction in Essex's markets, particularly in California where it is costly to build, and zoning approvals are restrictive. Strong demand prospects and limited supply should support favorable long-term occupancy and rent growth. Particularly high home prices, partly due to the shortage of homes for sale and recent tax reform, has made renting a much more compelling option for shelter than purchasing a home. According to management, the premium to own a home versus renting an apartment has risen to 77% as compared to a historical average of 49%, which should support solid demand and rent growth for apartment rentals.

In the most recent quarter, the Fund initiated positions in two REITs. We are optimistic about the prospects for both companies. **Public Storage** is the world's largest owner and operator of self-storage facilities. The company's management team has an excellent long-term track record of creating shareholder value, and it maintains a pristine balance sheet with extremely low levels of debt. **HCP, Inc.** is a health care REIT that owns a high-quality, 95% private-pay real estate portfolio of senior housing, life science, and medical office buildings. HCP maintains an investment grade balance sheet to support its strong pipeline of future growth opportunities.

In the most recent quarter, we acquired additional shares in **Simon Property Group, Inc.**, the world's largest mall operator. The company has assembled a well-located portfolio of retail malls, outlets, and community centers. Led by CEO David Simon, its management team has a long track record of solid capital allocation decisions, while managing its portfolio especially well. We think Simon Property Group has opportunities to increase occupancy and rents, acquire new properties and assets at attractive prices relative to the company's cost of capital, while growing the company's dividend. We believe the shares continue to trade at a discount to our assessment of net asset value.

Table VII.
Top net sales for the quarter ended December 31, 2018

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
American Homes 4 Rent	$ 5.9	$53.5
Invitation Homes, Inc.	10.5	44.3
CyrusOne Inc.	5.6	36.6
Sunstone Hotel Investors, Inc.	3.0	36.2
Extended Stay America, Inc.	2.9	31.7

We have reduced the Fund's investment in single family REITs following a few quarters of disappointing results (negative expense surprises and other operational challenges). We exited the Fund's position in **American Homes 4 Rent** and reduced the Fund's position in **Invitation Homes, Inc.**

We have moderately lowered the Fund's investment in data center REITs by reducing the Fund's investment in **CyrusOne Inc.**

We lowered the Fund's investment in hotel REITs by exiting **Sunstone Hotel Investors, Inc.** and eliminated our position in non-REIT real estate hotel operator **Extended Stay America, Inc.**

Outlook

This past year, 2018, was replete with macroeconomic changes, political events, and central bank actions that contributed to excessive stock market volatility.

Though 2019 may also present some surprises, we begin the year with a bullish outlook for the Fund for the following reasons:

1. **We are optimistic about the prospects for REITs**

   These are some of the key positives that we believe will benefit REIT performance in 2019:

   - Generally steady and growing commercial real estate fundamentals;
   - New construction activity that has become tempered by high construction and labor costs;
   - Generally reasonable REIT valuations and, in some cases, "cheap" real estate securities;
   - Solid balance sheets and high dividend yields (4.3%, on average);
   - Compelling investment allocation if interest rates continue to stabilize or decline; and
   - Substantial private capital from Blackstone Real Estate and others who are pursuing real estate investments.

2. **We are quite bullish about the prospects for the Fund's non-REIT real estate investments**

   Following disappointing share price performance in 2018, we believe the Fund's non-REIT real estate investments now offer strong share price appreciation potential.

   Examples include investments in MGM Resorts International, Penn National Gaming, Inc., Red Rock Resorts, Inc., GDS Holdings Limited, and Marriott Vacations Worldwide Corp. We are encouraged that so far this year the shares of the Fund's non-REIT investments are performing strongly.

3. **The Fund is structured with best-in-class REITs and non-REITs that offer significant return potential**

   We believe the Fund is populated with quality companies with, in our view, excellent management teams, strong growth prospects, leading competitive positions, liquid balance sheets, and attractive valuations.

   Examples include:

   - Data Center REITs: Equinix, Inc. and Digital Realty Trust, Inc.
   - Wireless Tower REITs: American Tower Corp. and Crown Castle International Corp.
   - Multi-Family apartment REITs: AvalonBay Communities, Inc. and Equity Residential
   - Industrial REITs: Prologis, Inc., Duke Realty Corporation, and Rexford Industrial Realty, Inc.
   - Hotel REITs: Park Hotels & Resorts Inc. and Host Hotels & Resorts, Inc.
   - Single-Family Rental REITs: Invitation Homes, Inc.
   - West Coast-focused Office and Other REITs: Hudson Pacific Properties, Inc., Douglas Emmett, Inc., and Alexandria Real Estate Equities, Inc.
   - Manufactured Housing REITs: Sun Communities, Inc. and Equity Lifestyle Properties, Inc.
   - Triple Net gaming REITs: MGM Growth Properties LLC and Gaming and Leisure Properties, Inc.
   - Non-REIT Real Estate Companies: MGM Resorts International, Red Rock Resorts, Inc., and Marriott Vacations Worldwide Corp.

To Our Shareholders

We greatly appreciate your confidence by investing in the Baron Real Estate Income Fund.

I am proud to report that I am a major shareholder of the Baron Real Estate Income Fund, alongside you.

Thank you for your support.

Sincerely,

Jeffrey Kolitch

Jeffrey Kolitch
Portfolio Manager
January 31, 2019

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: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets as well as by interest rate fluctuations, credit risk, environmental issues and economic conditions. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. Prices of equity securities may decline significantly over short or extended period of time. Debt or fixed income securities such as those held by the Fund, are also subject to derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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 Real Estate Income Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such an offer or solicitation.

Dear Baron WealthBuilder Fund Shareholder:

Performance

The December quarter was a difficult one for equity markets. During the three-month period ended December 31, 2018, markets experienced significant and highly correlated declines. This was in response to the modest slowing of our economy's growth rate caused, in part, by rising interest rates and ongoing trade disputes with China. Baron WealthBuilder Fund's diversified portfolio of Baron mutual funds was not immune to this "correction." This is although most Baron Funds invest principally in domestic growth stocks.

Baron WealthBuilder Fund's net asset value per share fell 16.33% (Institutional Shares) in the quarter. The S&P 500 Index that measures the performance of large-cap domestic stocks fell 13.52% in the period and the MSCI ACWI Index that measures the performance of world markets, including the U.S., fell 12.75%.

Table I.
Performance
For periods ended December 31, 2018

	Baron WealthBuilder Fund Retail Shares[1,2]	Baron WealthBuilder Fund Institutional Shares[1,2]	Baron WealthBuilder Fund TA Shares[1,2]	S&P 500 Index[1]	MSCI ACWI Index[1]
Three Months[3]	(16.44)%	(16.33)%	(16.41)%	(13.52)%	(12.75)%
One Year and Since Inception (December 29, 2017)	(6.58)%	(6.38)%	(6.38)%	(4.38)%	(9.42)%

Following the steep share price declines in the fourth quarter, Baron WealthBuilder Fund and its benchmark indexes lost money during 2018. Baron WealthBuilder Fund declined 6.38%; the S&P 500 Index declined 4.38%; and the MSCI ACWI Index fell 9.42%.

Baron WealthBuilder Fund is comprised of 14 growth-oriented Baron mutual funds. The holdings of the underlying Baron Funds have significantly higher growth rates than their respective benchmark indexes. This is why, in our opinion, as of December 31, 2018, 11 Baron mutual funds, representing 98.1% of Baron Funds' AUM, have outperformed their benchmark indexes since those funds' inceptions. Further, 10 Baron mutual funds, representing 97.6% of Baron Funds' AUM, rank in the top 18% of their respective Morningstar categories…and 3 Baron mutual funds, representing 33.6% of Baron Funds' AUM, rank in the top 3% of their respective Morningstar categories since their inceptions.

MICHAEL BARON
ASSISTANT PORTFOLIO MANAGER

RONALD BARON
CEO AND PORTFOLIO MANAGER

Retail Shares: BWBFX
Institutional Shares: BWBIX
TA Shares: BWBTX

Because the businesses in which Baron Funds invests generally grow faster than their benchmark indexes, Baron Funds' holdings generally have higher valuations than their benchmarks based upon price to sales, price to cash flow and price to earnings metrics. Stock prices of many fast-growing domestic companies underperformed their benchmarks and were penalized in the fourth quarter and the year. This was because investors more heavily discounted future earnings streams (the result of higher interest rates) and attributed greater uncertainty to future growth projections (the result of a slowing economy).

Despite the unfavorable environment for U.S. growth stocks during the fourth quarter of 2018 and the entire year, 8 of the 10 Baron mutual funds that invest principally in domestic growth businesses *outperformed* their benchmarks for the year. Five achieved gains from 0.14% to 8.35%; three had losses of 1.75% to 7.13%. These eight funds represented 75% of Baron WealthBuilder Fund's net assets at year end.

Performance listed in the above table is net of annual operating expenses. Annual estimated expense ratio for the Retail Shares, Institutional Shares and TA Shares is 2.13%, 1.88% and 1.88%, respectively, but the net annual estimated expense ratio is 1.41%, 1.16% and 1.16% (includes acquired fund fees, net of the Adviser's fee waivers), respectively. The Adviser has agreed that for so long as it serves as the Adviser to the Fund, it will reimburse certain expenses of the Fund, limiting net annual operating expenses (portfolio transaction costs, interest, dividend, acquired fund fees and expenses and extraordinary expenses are not subject to the operating expense limitation) to 0.30% of average daily net assets of Retail Shares, 0.05% of average daily net assets of Institutional Shares and 0.05% of average daily net assets of TA Shares.

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 Baron Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) 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 The indexes are unmanaged. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The MSCI ACWI Index is an unmanaged, free float-adjusted market capitalization weighted index reflected in US dollars that measures the equity market performance of large- and mid-cap securities across developed and emerging markets. The indexes and the Fund are with dividends, which positively impact the performance results.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

BARON FUNDS 1987

Two new, and still very small, domestic Baron mutual funds, **Baron Durable Advantage Fund** and **Baron Health Care Fund**, together representing 1.3% of Baron WealthBuilder Fund's net assets at year end, had modest losses of 7.28% and 4.70%, respectively. These Funds have underperformed since their recent respective inception dates. Baron Durable Advantage Fund invests in competitively advantaged large-cap businesses that we think offer potential double-digit annualized returns. Baron Health Care Fund invests in fast growing health care businesses that offer even higher potential returns. Both funds were added to Baron WealthBuilder Fund during the year – Baron Durable Advantage Fund in March, Baron Health Care Fund in October.

Baron WealthBuilder Fund's returns were most significantly and negatively impacted by performance results of three funds, Baron Emerging Markets Fund, Baron Real Estate Fund and Baron International Growth Fund, that represent 20.7% of the Baron WealthBuilder Fund's net assets at year end. The three funds were all hurt by higher interest rates.

Baron Emerging Markets Fund, like virtually all emerging markets funds in 2018, had a very difficult year. The Fund represented 12.3% of Baron WealthBuilder Fund's net assets at year end and fell 18.49% for the year. Emerging markets offer significant growth opportunities. For example, discussions of income disparity within the U.S. pale when we compare per capita incomes in our prosperous nation to those of individuals in emerging markets. Annual GDP per person in the U.S. approximates $60,000; in China, $9,000; and in India, $2,000. It is no wonder that those nations' economies have been able to grow faster than ours. Baron Emerging Markets Fund has been among the top performing emerging markets mutual funds since its inception and we expect that to continue to be the case over the long term. Baron Emerging Markets Fund's relative performance improved significantly during the last two months of 2018.

Baron Real Estate Fund's performance was also disappointing in 2018. It represented 4.3% of Baron WealthBuilder Fund's net assets at year end. Baron Real Estate Fund fell in value by 22.04% for the year. This historically top performing real estate fund is off to a strong start in 2019 and we think its portfolio holdings are terrific. Real estate is, in our opinion, an excellent inflation hedge. When interest rates rise, income streams produced by real estate are valued for less. Further, higher rates don't reduce the replacement cost of unique and growing real estate assets. Baron Real Estate Fund's real estate-related businesses, such as gaming, lodging, and data services companies, offer inflation protection and growth.

Finally, Baron WealthBuilder Fund had 4.1% of its net assets at year end invested in **Baron International Growth Fund**. That fund, also a top performer since inception, also had a difficult 2018, falling 17.68%. We believe international markets were negatively impacted last year by political uncertainty in many countries. The businesses in which the Fund has invested are continuing to do well and due to this uncertainty are valued for less than U.S. domestic growth companies. The Fund has also been performing better of late.

Amidst the fourth quarter market "correction," stocks of larger companies outperformed small- and mid-sized companies. Baron WealthBuilder Fund has a greater allocation to small- and mid-sized businesses than the S&P 500 Index, its primary benchmark. 67.0% of Baron WealthBuilder Fund's net assets fall into this category, while they comprise 11.5% the S&P 500 Index. Small- and mid-sized businesses have historically grown faster and, we believe, have greater appreciation potential than many larger publicly held companies. Despite continuing strong growth of the businesses owned by the underlying Baron mutual funds, their shares, like the market indexes, in our opinion, did not reflect their favorable fundamentals in 2018.

The market multiple on earnings has fallen from more than 18 times to 14.4 times over the year. We believe this environment gives the underlying Baron mutual funds an opportunity to invest in what we believe are fast growing, competitively advantaged, well-managed businesses at attractive prices, thus offering our shareholders strong long-term growth potential.

We believe the underlying Baron Funds' diverse investment strategies will be critical to producing the attractive risk-adjusted returns we seek to achieve in Baron WealthBuilder Fund. Obviously, all businesses may not perform well at the same time. But, investments in a variety of non-correlated, fast growing businesses should hopefully offer consistent, above passive index returns over the long term.

We encourage you to read the various quarterly letters for our underlying Baron funds to gain a deeper understanding of the investments held within Baron WealthBuilder Fund.

Fund of Funds Structure and Investment Strategy

Baron WealthBuilder Fund closely mimics the way we would incrementally invest across our various funds and strategies. Baron WealthBuilder Fund allows investors to diversify across several Baron Funds and gain exposure to various market caps, sectors, and geographies. Each Fund abides by the same core investment process and philosophy, focused on proprietary research to discover what we believe are competitively advantaged businesses with immense opportunities led by smart and honorable executives.

Baron has had broad historical success. The unique investment approach and process has yielded outstanding results since the Firm's founding in 1982. Since their inceptions, as of December 31, 2018, 11 of 17 Baron mutual funds, representing **98.1%** of Baron Funds' AUM, have **outperformed**, net of fees and expenses, their respective benchmarks. 10 of these funds, representing **97.6%** of Baron Funds' AUM, rank in the **top 18%** of their respective Morningstar categories; and 3 of these funds, representing **33.6%** of Baron Funds' AUM, rank in the **top 3%** of their respective Morningstar categories. We have always strived to provide top performance in various asset categories. Baron WealthBuilder Fund allows individuals to gain access to a variety of these strategies in a single fund. While not satisfied with the first year's absolute results, we are very pleased with the portfolio's composition and anticipate improved returns in the future.

Table II.
Baron Funds Performance
As of December 31, 2018

Institutional Share Class Data

% of Net Assets of Fund			Performance: Fourth Quarter of 2018	Performance: Calendar Year 2018	Benchmark	Performance: Fourth Quarter of 2018	Performance: Calendar Year 2018
30.6%		**Small Cap**					
	3.9%	Baron Discovery Fund	-23.36%	**0.64%**	**Russell 2000 Growth Index**	-21.65%	**-9.31%**
	13.6%	Baron Growth Fund	-18.53%	**-2.67%**			
	13.1%	Baron Small Cap Fund	-22.01%	**-7.13%**			
3.8%		**Small/Mid Cap**					
	3.8%	Baron Focused Growth Fund	-11.21%	**4.07%**	**Russell 2500 Growth Index**	-20.08%	**-7.47%**
15.0%		**Mid Cap**					
	15.0%	Baron Asset Fund	-16.35%	**0.14%**	**Russell Midcap Growth Index**	-15.99%	**-4.75%**
6.3%		**Large Cap**					
	5.3%	Baron Fifth Avenue Growth Fund	-16.92%	**1.39%**	**Russell 1000 Growth Index**	-15.89%	**-1.51%**
	1.0%	Baron Durable Advantage Fund	-13.83%	**-7.28%**	**S&P 500 Index**	-13.52%	**-4.38%**
20.3%		**All Cap**					
	5.8%	Baron Opportunity Fund	-16.47%	**8.35%**	**Russell 3000 Growth Index**	-16.33%	**-2.12%**
	14.5%	Baron Partners Fund	-16.72%	**-1.75%**	**Russell Midcap Growth Index**	-15.99%	**-4.75%**
19.4%		**International**					
	12.3%	Baron Emerging Markets Fund	-6.15%	**-18.49%**	**MSCI EM Index**	-7.47%	**-14.58%**
	3.0%	Baron Global Advantage Fund	-14.37%	**-3.66%**	**MSCI ACWI Growth Index**	-14.66%	**-8.13%**
	4.1%	Baron International Growth Fund	-15.41%	**-17.68%**	**MSCI ACWI ex USA Index**	-11.46%	**-14.20%**
4.6%		**Specialty**					
	4.3%	Baron Real Estate Fund	-16.25%	**-22.04%**	**MSCI USA IMI Extended Real Estate Index**	-11.77%	**-10.73%**
	0.3%	Baron Health Care Fund	-17.84%	**-4.70%***	**Russell 3000 Health Care Index**	-10.73%	**4.85%***

* Performance is calculated from the Fund's inception date (4/30/2018).

Table III.
Sector exposures as of December 31, 2018

	Percent of Net Assets	S&P 500 Index	MSCI ACWI Index
Information Technology	21.4%	20.1%	14.8%
Consumer Discretionary	21.1	9.9	10.4
Health Care	13.6	15.5	12.1
Financials	13.6	13.3	17.2
Industrials	12.4	9.2	10.3
Communication Services	7.9	10.1	9.0
Real Estate	5.8	3.0	3.2
Consumer Staples	1.9	7.4	8.4
Materials	1.1	2.7	5.0
Energy	1.1	5.3	6.2
Utilities	0.1	3.3	3.4

Table IV.
Country exposures as of December 31, 2018

	Percent of Net Assets	S&P 500 Index	MSCI ACWI Index
United States	80.4%	100.0%	54.4%
China	4.5		3.6
India	2.3		1.1
Brazil	1.7		0.9
Israel	1.3		0.2
Taiwan	1.1		1.3
United Kingdom	1.0		5.2
Korea	1.0		1.6
South Africa	0.9		0.7
Netherlands	0.9		1.1
Other	4.9		29.8

Table V.
Fund of fund holdings as of December 31, 2018

	Percent of Net Assets
Baron Asset Fund	15.0%
Baron Partners Fund	14.5
Baron Growth Fund	13.6
Baron Small Cap Fund	13.1
Baron Emerging Markets Fund	12.3
Baron Opportunity Fund	5.8
Baron Fifth Avenue Growth Fund	5.3
Baron Real Estate Fund	4.3
Baron International Growth Fund	4.1
Baron Discovery Fund	3.9
Baron Focused Growth Fund	3.8
Baron Global Advantage Fund	3.0
Baron Durable Advantage Fund	1.0
Baron Health Care Fund	0.3

We have confidence that the businesses in which we have invested can achieve strong growth over the long term.

Thank you for investing in Baron WealthBuilder Fund.

Respectfully,

Ronald Baron
CEO and Portfolio Manager
January 31, 2019

Michael 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 Fund is a non-diversified fund because it invests, at any given time, in the securities of a select number of Baron mutual funds (the "Underlying Funds"), representing specific investment strategies. The Fund can invest in funds holding U.S. and international stocks; small-cap, small to mid-cap, large-cap, all-cap stocks; and specialty stocks. Each of the Underlying Funds has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Underlying Fund than in another, it will have greater exposure to the risks of that Underlying Fund. For further information regarding the investment risks of the Underlying Funds, please refer to the Underlying Funds' prospectus.

The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio 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 WealthBuilder Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Ranking information provided is calculated for Retail Share Class and is as of 12/31/2018.

The number of share classes in each category may vary depending on the date that Baron downloaded information from Morningstar Direct.

Morningstar calculates its category averages using its Fractional Weighting methodology. 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.

The **Morningstar US Fund Mid-Cap Growth Category** consisted of 605, 489, and 341 share classes for the 1-, 5-, and 10-year periods.

Morningstar ranked **Baron Asset Fund** in the 12th, 17th, 35th, and 18th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 6/12/1987 and the category consisted of 18 share classes for the since inception period.

Morningstar ranked **Baron Growth Fund** in the 22nd, 57th, 43rd, and 7th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 12/30/1994 and the category consisted of 56 share classes for the since inception period.

Morningstar ranked **Baron Partners Fund** in the 18th, 21st, 19th, and 3rd percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since conversion periods. The Fund was converted into a mutual Fund 4/30/2003 and the category consisted of 232 share classes for the since conversion period.

The **Morningstar US Fund Small Growth Category** consisted of 676, 516, and 391 share classes for the 1-, 5-, and 10-year time periods.

Morningstar ranked **Baron Small Cap Fund** in the 63rd, 62nd, 64th, and 14th percentiles, respectively, in the category for the 1-year, 5-year, 10-year, and since inception periods. The Fund was incepted 9/30/1997 and the category consisted of 112 share classes for the since inception period.

Morningstar ranked **Baron Discovery Fund** in the 17th, 4th, and 2nd percentiles, respectively, in the category for the 1-year, 5-year and since inception periods. The Fund was incepted 9/30/2013 and the category consisted of 507 share classes for the since inception period.

The **Morningstar US Fund Large Growth Category** consisted of 1,405, 1,107, 799 and 339 share classes for the 1-year, 5-year, 10-year, and since inception (2/29/2000) periods. Morningstar ranked **Baron Opportunity Fund** in the 3rd, 65th, 16th, and 16th percentiles, respectively, in the category.

The **Morningstar US Fund Foreign Large Growth Category** consisted of 439, 315, 228, and 228 share classes for the 1-year, 5-year, 10-year, and since inception (12/31/2008) periods. Morningstar ranked **Baron International Growth Fund** in the 89th, 26th, 12th, and 12th percentiles, respectively, in the category.

The **Morningstar US Fund Real Estate Category** consisted of 251, 193, and 144 share classes for the 1-year, 5-year, and since inception (12/31/2009) periods. Morningstar ranked **Baron Real Estate Fund** in the 100th, 99th, and 7th percentiles, respectively, in the category.

The **Morningstar US Fund Diversified Emerging Markets Category** consisted of 836, 533, and 299 share classes for the 1-year, 5-year, and since inception (12/31/2010) periods. Morningstar ranked **Baron Emerging Markets Fund** in the 75th, 25th, and 1st, percentiles, respectively, in the category.

The **Morningstar US Fund World Large Stock Category** consisted of 901, 618, and 494 share classes for the 1-year, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund** in the 11th, 3rd, and 4th percentiles, respectively, in the category.

Fund (Institutional Shares) and Benchmark Performance 12/31/2018

Fund	Benchmark	Annualized Return Since Fund Inception	Annualized Benchmark Return Since Fund Inception	Inception Date	Average Annualized Returns 1-Year	5-Year	10-Year	15-Year	Annual Expense Ratio	Net Assets
Small Cap										
Baron Growth Fund	Russell 2000 Growth Index	12.46%	7.35%	12/31/1994	-2.67%	5.76%	13.77%	9.00%	1.03%(3)	$5.40 billion
Baron Small Cap Fund	Russell 2000 Growth Index	9.29%	5.41%	9/30/1997	-7.13%	4.79%	13.07%	8.44%	1.04%(3)	$3.46 billion
Baron Discovery Fund†	Russell 2000 Growth Index	12.88%	6.47%	9/30/2013	0.64%	10.11%	N/A	N/A	1.12%/1.10%(3)(4)	$338.15 million
Small/Mid Cap										
Baron Focused Growth Fund(1)	Russell 2500 Growth Index	10.72%	7.30%	5/31/1996	4.07%	5.95%	12.50%	10.61%	1.12%/1.10%(5)(6)	$203.81 million
Mid Cap										
Baron Asset Fund†	Russell Midcap Growth Index	11.14%	9.64% (2)	6/12/1987	0.14%	8.21%	14.07%	9.66%	1.04%(3)	$3.06 billion
Large Cap										
Baron Fifth Avenue Growth Fund†	Russell 1000 Growth Index	8.27%	8.91%	4/30/2004	1.39%	10.15%	14.26%	N/A	0.82%/0.75%(3)(8)	$305.82 million
Baron Durable Advantage Fund	S&P 500 Index	-7.28%	-4.38%	12/29/2017	-7.28%	N/A	N/A	N/A	5.71%/0.70%(3)(9)	$3.52 million
All Cap										
Baron Partners Fund(1)	Russell Midcap Growth Index	12.35%	9.20%	1/31/1992	-1.75%	7.83%	14.96%	10.92%	1.53%(5)(7)	$1.96 billion
Baron Opportunity Fund†	Russell 3000 Growth Index	6.26%	3.76%	2/29/2000	8.35%	7.82%	15.95%	10.26%	1.11%(3)	$372.29 million
International										
Baron Emerging Markets Fund	MSCI EM Index	3.30%	0.24%	12/31/2010	-18.49%	1.96%	N/A	N/A	1.10%(5)	$4.61 billion
Baron Global Advantage Fund†	MSCI ACWI Growth Index	11.05%	8.13%	4/30/2012	-3.66%	8.20%	N/A	N/A	1.59%/0.90%(5)(10)	$89.16 million
Baron International Growth Fund†	MSCI ACWI ex USA Index	9.52%	6.57%	12/31/2008	-17.68%	2.63%	9.52%	N/A	1.13%/0.95%(5)(11)	$226.45 million
Specialty										
Baron Energy and Resources Fund	S&P North American Natural Resources Sector Index	-6.51%	-2.28%	12/30/2011	-25.03%	-12.12%	N/A	N/A	1.42%/1.10%(5)(12)	$33.92 million
Baron Real Estate Fund†	MSCI USA IMI Extended Real Estate Index	11.31%	10.74%	12/31/2009	-22.04%	2.38%	N/A	N/A	1.06%(5)	$543.20 million
Baron Real Estate Income Fund	MSCI US REIT Index	-11.03%	-5.83%	12/29/2017	-11.03%	N/A	N/A	N/A	1.71%/0.80%(13)	$2.78 million
Baron Health Care Fund	Russell 3000 Growth Index	-4.70% *	4.85% *	4/30/2018	N/A	N/A	N/A	N/A	1.71%/0.85%(13)	$8.02 million
Fund of Funds										
Baron WealthBuilder Fund	S&P 500 Index	-6.38%	-4.38%	12/29/2017	-6.38%	N/A	N/A	N/A	1.88%/1.16%(13)	$94.85 million

(1) Reflects the actual fees and expenses that were charged when the Funds were partnerships. The predecessor partnerships charged a 20% performance fee (Baron Partners Fund) or a 15% performance fee (Baron Focused Growth Fund) after reaching a certain performance benchmark. If the annual returns for the Funds did not reflect the performance fee for the years the predecessor partnerships charged a performance fee, returns would be higher. The Funds' shareholders are not charged a performance fee.
(2) For the period June 30, 1987 to December 31, 2018.
(3) As of 9/30/2018.
(4) Annual expense ratio was 1.12%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(5) As of 12/31/2017.
(6) Annual expense ratio was 1.12%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(7) Comprised of operating expenses of 1.08% and interest expenses of 0.45%.
(8) Annual expense ratio was 0.82%, but the net annual expense ratio was 0.75% (restated to reflect current fee waivers).
(9) Annual expense ratio was 5.71%, but the net annual expense ratio was 0.70% (net of Adviser's fee waivers).
(10) Annual expense ratio was 1.59%, but the net annual expense ratio was 0.90% (restated to reflect management fee reduction from 1.00% to 0.85% and current fee waivers).
(11) Annual expense ratio was 1.13%, but the net annual expense ratio was 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current fee waivers).
(12) Annual expense ratio was 1.42%, but the net annual expense ratio was 1.10% (net of the Adviser's fee waivers).
(13) Expense ratios are estimated for the current fiscal year.
* Not annualized.
† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

Baron Health Care Fund

Dear Baron Health Care Fund Shareholder:

Performance

In the quarter ended December 31, 2018, Baron Health Care Fund (the "Fund") declined 17.84% (Institutional Shares), compared with the 10.73% decline for the Russell 3000 Health Care Index (the "Benchmark") and the 13.52% decline for the S&P 500 Index. Since inception (4/30/2018), the Fund has declined 4.70% (Institutional Shares) compared with the 4.85% gain for the Benchmark and the 4.02% decline for the S&P 500 Index.

Table I.
Performance
For periods ended December 31, 2018

	Baron Health Care Fund Retail Shares[1,2]	Baron Health Care Fund Institutional Shares[1,2]	Russell 3000 Health Care Index[1]	S&P 500 Index[1]
Three Months[3]	(17.95)%	(17.84)%	(10.73)%	(13.52)%
Since Inception (April 30, 2018)[3]	(4.90)%	(4.70)%	4.85%	(4.02)%

NEAL KAUFMAN
PORTFOLIO MANAGER

Retail Shares: BHCFX
Institutional Shares: BHCHX
R6 Shares: BHCUX

The fourth quarter was a difficult one for the stock market. Investors became increasingly concerned about the economic impact of the trade war with China and slowing global growth. The market took a turn for the worse after the December meeting of the Federal Reserve, when it appeared the Fed would continue to raise interest rates in 2019 in the face of a slowing economy. Stock markets had one of the worst Decembers since the 1930s, with the S&P 500 Index down 9.0% in December, erasing 2018's gains and ending the year down 4.4%. Health Care fared better, with the Benchmark down less than the S&P 500 Index in the quarter due to relatively strong performance of large-cap pharmaceuticals stocks. Small- and mid-cap biotechnology stocks fared worse. The XBI, which is a small-midcap biotechnology ETF, was down over 12% in December and more than 25% in the fourth quarter, ending the year down over 15%.

The Fund underperformed in the fourth quarter due in part to its underweight position in large-cap pharmaceuticals stocks and in part due to weak performance of several holdings. The Fund is significantly underweight large-cap pharmaceuticals stocks relative to the Benchmark because we believe many of these stocks do not meet our investment objectives. We note that four stocks – Johnson & Johnson, Pfizer Inc., Merck & Co., Inc., and Eli Lilly and Company – represent close to 24% of the Benchmark and two of these stocks – Eli Lilly and Merck – were each up over 8% in the quarter, providing significant support for the Benchmark. However, while this did cost us over 235 basis points, we can't blame the Fund's underperformance entirely on the underweight position in large-cap pharmaceuticals stocks. Several of our stocks had steep declines, in many cases for reasons that we consider to be non-fundamental. We discuss why these stocks detracted from performance and why we retain conviction below.

We continue to think the Health Care sector offers attractive investment opportunities now and will continue to do so over the next decade and beyond. Health Care is one of the largest and most complex sectors in the U.S. economy, accounting for approximately 18% of GDP, growing faster than GDP, and encompassing a diverse array of sub-industries. Health Care is also a dynamic industry undergoing significant changes driven by legislation, regulation, and market forces.

The Fund's investment approach is consistent with the Baron investment philosophy. We take a long-term perspective, conduct independent research and analysis, and look for businesses that we believe have open-ended secular growth opportunities, durable competitive advantages, and strong management teams. We are particularly focused on businesses that solve problems in health care, whether by reducing costs, enhancing efficiency and/or improving patient outcomes.

Performance listed in the above table is net of annual operating expenses. Annual estimated expense ratio for the Retail Shares and Institutional Shares is 1.96% and 1.71%, respectively, but the net annual expense ratio is 1.10% and 0.85% (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) 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 The indexes are unmanaged. The Russell 3000® Health Care Index is an unmanaged index representative of companies involved in medical services or health care in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies as determined by total market capitalization. The S&P 500 Index measures the performance of 500 widely 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.

2 The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemptions of Fund shares.

3 Not annualized.

BARON FUNDS 1987

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

	Percent Impact
argenx SE	0.89%
Guardant Health, Inc.	0.32
Zai Lab Limited	0.08
Abbott Laboratories	0.06
The Cooper Companies, Inc.	0.05

argenx SE is a Dutch biotechnology company focused on developing antibodies to treat patients with cancer and severe autoimmune diseases. Recent positive performance comes from resolution of some confusion regarding a bleeding safety concern. This was amplified by a large licensing deal from Johnson & Johnson for argenx's asset to treat acute mylegenous leukemia. We believe argenx's antibody platform is one of the most valuable assets in the biotechnology development space.

Guardant Health, Inc. contributed to performance in the quarter. Guardant offers liquid biopsy tests for advanced stage cancer and is developing liquid biopsy tests for recurrence detection in cancer survivors and early detection of cancer in higher risk individuals. The company went public in early October, and the stock's strong post-IPO performance reflects investor excitement about its leading position in an attractive, large new market. We think Guardant has strong growth prospects.

Zai Lab Limited is a China-based biotechnology company focused on becoming a large player in the newly emerging Chinese health care system. Recent positive performance is attributed to China's quick regulatory acceptance of lead asset Zejula, whose Chinese rights are in-licensed from Tesaro, a company that was also acquired by GlaxoSmithKline for a hefty premium in the quarter. We expect continued strong performance as Zai becomes one of the go-to biotechnology companies in China to commercialize western medications.

Abbott Laboratories contributed to performance in the quarter. Abbott is a large-cap medical device company and a new addition to the Fund this quarter. The stock performed well since the Fund purchased it because of a solid fundamental outlook driven by the company's product pipeline in transcatheter mitral valves and diabetes, among other areas. We think the company is well positioned for top and bottom line growth.

The Cooper Companies, Inc. is a global medical device company specializing in contact lenses. Shares rose during the period held on reports of 10% organic growth for its CooperVision segment, led by 50% growth in SiH dailies. This was the strongest sales performance in two years as the company continues to gain share in the $8.5 billion global contact lens market. CooperSurgical also grew nicely, led by its Paraguard IUD product. We expect healthy multi-year growth for the contact lens market and Cooper, driven by trade-up to dailies and geographic expansion.

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

	Percent Impact
Align Technology, Inc.	–1.06%
Sage Therapeutics, Inc.	–1.04
Bio-Techne Corporation	–0.99
Neurocrine Biosciences, Inc.	–0.95
Aerie Pharmaceuticals, Inc.	–0.94

Shares of **Align Technology, Inc.**, maker of Invisalign clear aligners for straightening teeth, fell on concerns about new competition and pricing. Pricing was negatively impacted by a poorly designed sales promotion, which has since been pulled, and we think the quarter will mark the pricing trough. We remain positive on Align given the shift away from wires and brackets, vastly underpenetrated global market, and brand recognition. Continuing product innovation and expert marketing should keep Align in a dominant market position.

Sage Therapeutics, Inc. is developing novel drugs for central nervous system disorders with the lead indications focused on depression. Shares fell on mixed recent developments. While the FDA gave Sage's product Zulressa a favorable review, the agency also requested an additional three months to approve the drug, given the need to formalize its risk evaluation mitigation strategy. We expect strong performance in 2019 as data from Sage's second asset matures.

Bio-Techne Corporation is a leading developer and manufacturer of high-quality purified proteins that are sold to biomedical researchers and clinical research laboratories. Shares detracted in the quarter after management removed $30 million of revenue contribution from Exosome Diagnostics from fiscal year 2019 guidance because of timing of revenue recognition. We retain conviction. The company reported solid quarterly financial results highlighted by 10% organic revenue growth, and management still expects Exosome to contribute $150 million revenue in fiscal year 2023.

Neurocrine Biosciences, Inc. is a developer of neurology and endocrinology assets. Recent weak performance can be attributed to the failed readout from lead asset Ingrezza in its second indication, Tourette's syndrome. We expect the stock will bounce back as Ingrezza and Orlissa gain traction in their commercial markets of Tardive Dyskinesia and Uterine Fibroids/Endometriosis and the company realizes +$10/share EPS off of a base of breakeven.

Aerie Pharmaceuticals, Inc. is commercializing the eye drop Rhopressa for the treatment of glaucoma. Recent share weakness can be attributed to prescription trends that make it difficult to gauge the ultimate potential of Aerie's glaucoma franchise. Given the novel mechanism of the action and the large unmet need in this disease, we retain conviction in the market's ultimate potential and await updates through 2019.

Portfolio Structure

We build the portfolio from the bottom up, one stock at a time, using the Baron investment approach. We do not try to mimic an index, and we expect the Fund to look different from the Benchmark. The Fund may invest in stocks of any market capitalization and may hold both domestic and international stocks. As of December 31, 2018, the Fund held 43 positions. This compares with 500 positions in the Benchmark. International stocks represented 14.2% of the Fund's net assets. The Fund's 10 largest holdings represented 41.1% of net assets and the 20 largest holdings represented 65.1% of net assets. Compared with the Benchmark, the Fund was overweight in health care equipment and life sciences tools & services, and underweight in pharmaceuticals. The Fund includes a mix of stocks ranging from large, stable growth companies to small pre-commercial biotechnology companies. The market cap range of the investments in the Fund was $228 million to $240 billion with a weighted average market cap of $46.2 billion. This compared with the Benchmark's weighted average market cap of $118.5 billion.

We continue to invest in the following themes:

- **Genomics:** We have an investment in **Illumina, Inc.**, the market leader in DNA sequencing technology. As the cost and time to sequence a human genome have declined to less than $1,000 in under a day, the applications for DNA sequencing are expanding, most notably in cancer diagnosis and treatment, as well as in rare and undiagnosed genetic diseases, non-invasive pre-natal testing, population genomics, and consumer genomics. As the applications for DNA sequencing expand, we believe Illumina will benefit because its sequencers will be utilized more often, generating the potential for high-margin consumable revenue for the company. We also have an investment in **Guardant Health, Inc.**, which offers liquid biopsy tests for cancer therapy selection and is developing liquid biopsy tests for cancer recurrence monitoring and early detection of cancer.

- **Innovative New Drugs:** We have investments in companies developing innovative new drugs. **Sage Therapeutics, Inc.** is developing novel medications for depression, which have the potential to offer a faster onset of action (days vs. months) and a change in the treatment paradigm from chronic to acute. **Argenx SE**'s lead molecule has the potential to treat a long list of severe autoimmune diseases caused by pathogenic auto-antibodies. **Vertex Pharmaceuticals Incorporated**, the leader in the treatment of cystic fibrosis, has shown promising data for its "triple therapy," a cocktail of three drugs combined into one pill that would address an expanded group of patients with the disease, and has a promising new product pipeline for other diseases.

- **Minimally Invasive Surgery:** Less invasive surgery is less traumatic for the patient, enabling a faster recovery. We have investments in: **Intuitive Surgical, Inc.**, the pioneer in robotic surgery; **Edwards Lifesciences Corp.**, a leader in transcatheter heart valve replacement; and **Teleflex Incorporated**, which offers a new minimally invasive treatment for benign prostatic hyperplasia (BPH), also known as enlarged prostate.

- **Tools Providers to Life Sciences Companies:** We believe companies that provide products and services to biotechnology and pharmaceutical companies are attractive because they can benefit from the growth in those areas without the risk inherent in drug development. We have multiple investments in companies that supply equipment, analytical instruments, consumables, services, and software to research and commercial laboratories or that play a role in drug and food production as testers of quality, including **Bio-Techne Corporation**, **Eurofins Scientific SE**, and **Mettler-Toledo International, Inc.**, among others.

- **Integration between Payors and Providers:** Efforts to control health care costs are driving a shift towards value-based health care, which rewards health care providers for the quality of care they provide rather than the quantity of care. As a result, the lines between health care payors and providers are blurring as providers assume more insurance risk and payors acquire providers to control health care costs. We have investments in **UnitedHealth Group Incorporated**, a leading managed care organization that is the largest employer of physicians in the U.S., and **Humana Inc.**, a leading managed care organization that is the largest hospice operator in the U.S. Both of these companies are well positioned to potentially benefit from enrollment growth in Medicare Advantage, the value-based Medicare program which is growing more rapidly than traditional Medicare because of the more attractive value proposition to enrollees.

- **Animal Health:** We believe the animal health industry is attractive based on the trends toward greater pet ownership, increased spending on pets, increased consumption of animal protein, and increased focus on food safety. Further, compared with drug development for humans, the animal health industry is characterized by lower regulatory barriers, shorter and less costly R&D, less generic competition, and lower third-party reimbursement risks. We have investments in **Dechra Pharmaceuticals PLC**, which develops and sells medicines for pets and food producing animals; and **IDEXX Laboratories, Inc.**, the leading provider of diagnostic instruments and assays used for pet care in veterinarian offices.

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
UnitedHealth Group Incorporated	2018	$227.2	$239.7	$544.1	6.8%
argenx SE	2018	2.8	3.5	367.2	4.6
Teleflex Incorporated	2018	12.2	11.9	358.0	4.5
AstraZeneca PLC	2018	90.0	96.2	323.4	4.0
Vertex Pharmaceuticals Incorporated	2018	39.0	42.3	310.7	3.9
Humana Inc.	2018	40.6	39.3	310.3	3.9
Abbott Laboratories	2018	124.6	127.0	291.0	3.6
Intuitive Surgical, Inc.	2018	49.9	54.7	267.2	3.3
Bio-Techne Corporation	2018	5.7	5.5	266.0	3.3
Boston Scientific Corporation	2018	49.8	48.9	258.5	3.2

Table V.
Fund investments in GICS sub-industries as of December 31, 2018

	Percent of Net Assets
Health Care Equipment	31.0%
Biotechnology	16.2
Life Sciences Tools & Services	13.1
Managed Health Care	10.9
Pharmaceuticals	7.1
Health Care Supplies	4.1
Health Care Facilities	3.1
Specialized REITs	1.9
Health Care Technology	1.5
Health Care Services	1.0
Cash and Cash Equivalents	10.1
	100.0%

Recent Activity

Table VI.
Top net purchases for the quarter ended December 31, 2018

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Abbott Laboratories	$127.0	$286.8
Boston Scientific Corporation	48.9	268.8
IDEXX Laboratories, Inc.	16.0	192.6
Humana Inc.	39.3	169.7
Alexandria Real Estate Equities, Inc.	12.4	163.5

Abbott Laboratories is a global manufacturer and provider of diversified health care products and medical devices and equipment in the areas of nutritionals, diagnostics, vascular intervention, diabetes, coronary, endovascular, and structural heart. We believe Abbott has three strong growth drivers for its business. In diabetes, Abbott sells the Freestyle Libre, a wearable, low cost glucose monitoring device which helps people with diabetes monitor their blood glucose levels. The Freestyle Libre has been generating explosive growth over the past two years and we think the platform has a long runway. In structural heart, we think sales of Abbott's MitraClip transcatheter mitral repair device will accelerate after the positive results of a clinical trial called COAPT, which studied Abbott's MitraClip transcatheter mitral valve repair device in patients with secondary mitral valve regurgitation. The COAPT trial showed the device significantly reduced hospitalizations and mortality compared with medical therapy alone. We think this trial is a game changer for the treatment of secondary mitral valve regurgitation and significantly boosts the prospects for Abbott's device and the field of transcatheter mitral valve repair/replacement. Finally, Abbott is launching a new diagnostics platform called Alinity, which offers a smaller footprint, faster cycle time, greater automation and ease of use, and lower service costs.

Boston Scientific Corporation is a global medical device company that sells products in a broad range of interventional medical specialties. Management has shifted the company's portfolio into higher-growth markets, such as structural heart, peripheral interventions, endoscopy, and urology; and by 2021 expects the company's business to be serving markets generating 6% to 7% growth. In 2019 and 2020, management targets 7% to 10% operational revenue growth or 6% to 9% organic revenue growth with 50 to 100 basis points of operating margin expansion and double-digit earnings growth.

IDEXX Laboratories, Inc. dominates the veterinary diagnostics category, with best-in-class products, superior execution, and an outstanding management team, in our view. The company cements its competitive position through its R&D spend, which is five times more than all of its competitors combined. We expect the company to drive sustained double-digit organic growth, driven by productivity benefits from moving direct in the U.S., the company's persistent innovation pipeline, and returns on intensive investments in international markets. We believe that growth could exceed targeted levels due to a broader industry push around compliance and wellness plans, which both are diagnostic-intensive. Additionally, we view the potential to license IDEXX's SDMA (a test for early detection of chronic kidney disease) test for use in humans as an upside option. We expect faster top-line growth to lead to accelerated margin expansion, creating a virtuous cycle that should help sustain annual earnings growth around 20%.

Humana Inc. is one of the U.S.'s largest health insurers, offering a broad portfolio of managed care products and services to employer groups, government sponsored programs, and individuals. As the second largest provider and biggest pure play in the Medicare Advantage ("MA") market, we believe Humana should experience above market growth driven by the aging of the population and the popularity of these plans which currently cover about 35% of the eligible population. The Centers for Medicare and Medicaid Services projects this could grow to 50% over the next five to six years. Humana is also a leading player in the shift towards value-based care which rewards providers who deliver better health care outcomes at lower costs. Over 60% of its MA members are under this reimbursement model. The company's expertise in managing high cost, high risk patients in integrated care models positions the company to go after state-based Medicaid programs, another fertile growth area.

Alexandria Real Estate Equities, Inc. is the largest REIT focused on owning, operating, developing, redeveloping, and acquiring office buildings for the life science industry. Alexandria was the first REIT to identify and pursue the laboratory niche, which gave them first mover advantage in core life science cluster locations, including Greater Boston, the San Francisco Bay Area, San Diego, New York City, Seattle, suburban Washington, D.C., and Research Triangle Park. Tenants span the life science industry, including academic and medical institutions, multi-national pharmaceutical companies, public and private biotechnology entities, U.S. government agencies, medical device companies, industrial biotechnology companies, venture capital firms, and life science product and service companies. We believe the company's competitive advantages include irreplaceable locations near research institutions, strong relationships with health care tenants, expertise in building life sciences real estate, dominant market share positions, national footprint, and tenant credit underwriting expertise. We believe Alexandria's business fundamentals are strong with unprecedented and growing demand, limited supply, increasing rents, and manageable lease expirations. Management, for whom we have great respect, has a five-year growth plan to double revenues through organic growth and accretive development. We think the stock trades at a reasonable valuation and has scarcity value as the only pure play life sciences REIT.

Table VII.
Top net sales for the quarter ended December 31, 2018

	Amount Sold (thousands)
Agilent Technologies, Inc.	$151.9
Ra Medical Systems, Inc.	64.9
Myovant Sciences Ltd.	64.8
Aerie Pharmaceuticals, Inc.	60.5
AnaptysBio, Inc.	53.5

We sold our position in **Agilent Technologies, Inc.** and in **Ra Medical Systems, Inc.** after further due diligence lowered our conviction level in the theses. We sold our position in **Myovant Sciences Ltd.** and **AnaptysBio, Inc.** and reduced our position in **Aerie Pharmaceuticals, Inc.** to lower our early stage biotechnology exposure.

Outlook

I just returned from the J.P. Morgan Health Care Conference in San Francisco, the largest health care conference of the year. My key takeaways from the Conference are:

- In general, business fundamentals in the sector remain solid. Many companies, including several holdings in the Fund, pre-announced revenue and/or earnings that met or beat investor expectations. Many life sciences tools and medical technology companies commented that end-market trends remain favorable, including in China where these companies are seeing strong growth.
- Innovation is alive and well, and the regulatory and funding environment remains favorable. We came away enthusiastic about the new product pipelines of many of our companies. Sage Therapeutics, Inc. announced positive clinical trial results for the oral version of its drug for postpartum depression. The number of new drugs approved by the FDA reached an all-time high in 2018. Biotechnology companies raised $81 billion in 2018, the third highest level since 1996. We expect bipartisan support for NIH funding to continue. NIH funding for fiscal year 2019 increased 5.4%, following similar increases in fiscal years 2016 to 2018, which is positive for life sciences tools & services companies whose customers receive research funding from the NIH.
- Recent M&A activity in the biotechnology space could mark the start of a trend. Since the start of the new year, two deals were announced: (1) Bristol-Myers Squibb Company announced an agreement to acquire Celgene Corporation for an equity value of $74 billion; and (2) Eli Lilly and Company announced an agreement to acquire Loxo Oncology, Inc. at a 68% premium in a transaction valued at roughly $8 billion.

Despite the recent market volatility, our outlook on the Health Care sector is positive and we are optimistic about the growth prospects for our holdings. We believe the companies in which the Fund invests are unique, competitively advantaged, well-managed growth companies. Thank you for investing in Baron Health Care Fund. I am an investor in the Fund, alongside you.

Sincerely,

Neal Kaufman
Portfolio Manager
January 31, 2019

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: In addition to general market conditions, the value of the Fund will be affected by investments in health care companies which are subject to a number of risks, including the adverse impact of legislative actions and government regulations. The Fund is non-diversified, which means it may have a greater percentage of its assets in a single issuer than a diversified fund. The Fund invests in small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. Portfolio holdings are subject to change. Current and future portfolio 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 manager 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 Health Care Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Portfolio Market Capitalization (Unaudited)

Baron Asset Fund

Baron Asset Fund invests in mid-sized growth companies with market capitalizations above $2.5 billion or the smallest market cap stock in the Russell Midcap Growth Index at reconstitution, whichever is larger, and below the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
Booking Holdings, Inc.	$79,799	1.5%
The Charles Schwab Corp.	56,084	2.9
Illumina, Inc.	44,660	3.0
Equinix, Inc.	28,343	1.4
Roper Technologies Inc.	27,566	2.1
Worldpay, Inc.	23,854	1.9
T. Rowe Price Group, Inc.	22,217	1.0
Concho Resources, Inc.	20,584	0.3
Willis Towers Watson Public Limited Company	19,733	1.8
SBA Communications Corp.	18,346	2.4
Verisk Analytics, Inc.	17,950	4.4
Verisign, Inc.	17,927	3.1
Expedia Group, Inc.	16,782	1.1
Align Technology, Inc.	16,751	0.6
FleetCor Technologies, Inc.	16,464	1.2
IDEXX Laboratories, Inc.	16,041	5.9
IAC/InterActiveCorp	15,286	0.6
Fastenal Co.	15,010	0.4
First Republic Bank	14,308	1.3
Waters Corporation	14,289	0.6
Mettler-Toledo International, Inc.	14,165	4.3
CBRE Group, Inc.	13,649	1.5
Liberty Broadband Corporation	13,063	0.8
Veeva Systems Inc.	12,978	1.3
The Cooper Companies, Inc.	12,530	1.3
CoStar Group, Inc.	12,286	2.2
CDW Corporation	12,156	0.9
ANSYS, Inc.	11,944	2.6
Teleflex Incorporated	11,886	1.7
Rollins, Inc.	11,816	1.2
Gartner, Inc.	$11,610	6.4%
Elanco Animal Health Incorporated	11,528	0.0
SS&C Technologies Holdings, Inc.	11,308	1.4
Arch Capital Group Ltd.	10,814	2.1
CarMax, Inc.	10,776	0.4
TransUnion	10,525	2.3
Tiffany & Co.	9,814	0.8
IDEX Corporation	9,685	1.8
Vail Resorts, Inc.	8,506	4.4
MarketAxess Holdings Inc.	7,944	1.7
Ultimate Software Group, Inc.	7,657	0.9
FactSet Research Systems, Inc.	7,612	2.6
Hyatt Hotels Corp.	7,428	1.1
West Pharmaceutical Services, Inc.	7,262	1.9
A. O. Smith Corporation	7,257	0.7
Westinghouse Air Brake Technologies Corporation	6,787	0.7
Guidewire Software, Inc.	6,501	3.3
Zillow Group, Inc.	6,409	0.8
The Toro Company	5,914	1.0
Aspen Technology, Inc.	5,816	0.7
Bio-Techne Corporation	5,466	1.9
Ceridian HCM Holding Inc.	4,761	1.2
Sage Therapeutics, Inc.	4,491	0.5
Wix.com Ltd.	4,368	1.1
MAXIMUS, Inc.	4,174	0.8
Choice Hotels International, Inc.	4,007	1.2
BWX Technologies, Inc.	3,774	0.6
Alexander's, Inc.	1,556	0.5
		98.1%

Baron Growth Fund

Baron Growth Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Total Investments
Church & Dwight Co., Inc.	$16,192	0.8%
IDEXX Laboratories, Inc.	16,041	3.9
Mettler-Toledo International, Inc.	14,165	1.3
MSCI, Inc.	12,979	4.9
Alexandria Real Estate Equities, Inc.	12,391	1.6
CoStar Group, Inc.	12,286	5.3
ANSYS, Inc.	11,944	3.9
Gartner, Inc.	11,610	5.2
SS&C Technologies Holdings, Inc.	11,308	3.1
Arch Capital Group Ltd.	10,814	5.1
Vail Resorts, Inc.	8,506	8.1
FactSet Research Systems, Inc.	7,612	4.6
Under Armour, Inc.	7,557	0.4
West Pharmaceutical Services, Inc.	7,262	1.2
Gaming and Leisure Properties, Inc.	6,917	3.2
Guidewire Software, Inc.	6,501	1.7
Bright Horizons Family Solutions, Inc.	6,472	3.5
Douglas Emmett, Inc.	5,800	2.3
Bio-Techne Corporation	5,466	2.2
Morningstar, Inc.	4,686	2.3
Wix.com Ltd.	4,368	0.7
Littelfuse, Inc.	4,314	0.9
Primerica, Inc.	4,196	3.3
Ollie's Bargain Outlet Holdings, Inc.	4,182	0.4
MAXIMUS, Inc.	4,174	1.6
Choice Hotels International, Inc.	4,007	3.9
Pegasystems, Inc.	3,764	0.9
Trex Company, Inc.	3,488	1.6
Performance Food Group Company	3,394	0.6

Company	Equity Market Cap (in millions)	% of Total Investments
Essent Group Ltd.	$3,354	0.3%
Air Lease Corp.	3,351	0.4
Marriott Vacations Worldwide Corp.	3,317	2.1
Manchester United plc	3,123	1.8
Dick's Sporting Goods, Inc.	3,067	0.2
Neogen Corp.	2,969	0.5
2U, Inc.	2,880	0.8
Oaktree Capital Group, LLC	2,843	1.0
LendingTree, Inc.	2,817	0.4
Dechra Pharmaceuticals PLC	2,706	0.1
Houlihan Lokey, Inc.	2,420	0.3
Red Rock Resorts, Inc.	2,367	1.2
Boyd Gaming Corporation	2,332	0.3
Penn National Gaming, Inc.	2,238	1.8
Moelis & Company	2,184	0.5
Iridium Communications Inc.	2,054	3.0
Albany International Corp.	2,010	0.1
Denali Therapeutics Inc.	1,962	0.3
Altair Engineering Inc.	1,940	0.4
American Assets Trust, Inc.	1,897	0.3
The Carlyle Group	1,697	0.7
Cohen & Steers, Inc.	1,605	1.2
Alexander's, Inc.	1,556	0.5
Cision Ltd.	1,553	0.0
Benefitfocus, Inc.	1,461	1.8
Kinsale Capital Group, Inc.	1,179	1.0
Bloom Energy Corporation	1,092	0.4
BrightView Holdings, Inc.	1,067	0.0
		99.9%

Baron Small Cap Fund

Baron Small Cap Fund invests 80% of its net assets in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at reconstitution, or companies with market capitalizations up to $2.5 billion, whichever is larger.

Company	Equity Market Cap (in millions)	% of Net Assets
Waste Connections, Inc.	$19,565	3.5%
SBA Communications Corp.	18,346	2.7
TransDigm Group, Inc.	17,938	3.2
IDEXX Laboratories, Inc.	16,041	3.0
Mettler-Toledo International, Inc.	14,165	1.6
Liberty Broadband Corporation	13,063	0.8
Liberty SiriusXM Group	12,092	1.2
Gartner, Inc.	11,610	4.8
Cboe Global Markets, Inc.	10,977	0.6
DexCom, Inc.	10,644	1.0
Ultimate Software Group, Inc.	7,657	2.7
Liberty Media Corporation – Liberty Formula One	7,059	0.7
ICON plc	7,034	2.8
Gaming and Leisure Properties, Inc.	6,917	1.0
Nordson Corp.	6,914	0.5
SL Green Realty Corp.	6,824	0.2
Cognex Corporation	6,659	2.1
Guidewire Software, Inc.	6,501	4.1
Bright Horizons Family Solutions, Inc.	6,472	2.7
The Madison Square Garden Company	6,358	1.7
Berry Global Group, Inc.	6,236	1.1
WEX Inc.	6,037	1.8
PRA Health Sciences, Inc.	5,975	2.4
Aspen Technology, Inc.	5,816	1.9
Planet Fitness, Inc.	5,235	1.3
The Trade Desk	5,019	2.5
Ceridian HCM Holding Inc.	4,761	0.8
Wix.com Ltd.	4,368	2.1
Ollie's Bargain Outlet Holdings, Inc.	4,182	0.5
Americold Realty Trust	3,776	1.7
HealthEquity, Inc.	3,722	1.5
Ingevity Corporation	3,512	0.8
Teladoc Health, Inc.	3,475	2.0
RBC Bearings Incorporated	3,247	0.9
Guardant Health, Inc.	$3,224	0.5%
Cantel Medical Corp.	3,106	1.3
Qualys, Inc.	2,943	0.8
2U, Inc.	2,880	1.8
ASGN Incorporated	2,860	2.6
Abcam plc	2,854	0.6
Dechra Pharmaceuticals PLC	2,706	0.7
LiveRamp Holdings, Inc.	2,627	1.3
Floor & Decor Holdings, Inc.	2,521	1.5
Univar Inc.	2,513	1.3
Houlihan Lokey, Inc.	2,420	0.6
Red Rock Resorts, Inc.	2,367	1.6
Mercury Systems, Inc.	2,289	1.4
John Bean Technologies Corporation	2,270	1.7
SiteOne Landscape Supply, Inc.	2,257	2.1
Moelis & Company	2,184	0.7
Avalara, Inc.	2,072	0.3
The Cheesecake Factory, Inc.	1,973	1.0
Altair Engineering Inc.	1,940	0.8
Wingstop Inc.	1,881	0.6
Hudson Ltd.	1,587	1.5
Cision Ltd.	1,553	2.0
Orion Engineered Carbons S.A.	1,502	0.7
Yext, Inc.	1,498	0.6
Summit Materials, Inc.	1,427	0.9
Shutterfly, Inc.	1,353	1.2
Raven Industries Inc.	1,301	0.6
GTT Communications, Inc.	1,294	1.7
BJ's Restaurants, Inc.	1,077	0.5
Sun Hydraulics Corporation	1,061	0.6
Installed Building Products, Inc.	1,052	1.4
Camping World Holdings, Inc.	1,024	0.5
Party City Holdco Inc.	970	0.9
Emerald Expositions Events, Inc.	903	0.2
		98.7%

Baron Opportunity Fund

Baron Opportunity Fund invests in high growth businesses of any market capitalization selected for their capital appreciation potential.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$785,026	5.7%
Amazon.com, Inc.	734,416	6.0
Alphabet Inc.	723,246	5.4
Alibaba Group Holding Limited	355,311	1.4
Visa, Inc.	290,823	1.9
Mastercard Incorporated	194,837	2.1
Netflix, Inc.	116,723	1.2
Adobe Inc.	110,435	1.7
salesforce.com, inc.	104,782	1.1
NVIDIA Corporation	81,435	1.4
Tesla, Inc.	57,153	3.8
The Charles Schwab Corp.	56,084	1.9
Intuitive Surgical, Inc.	54,693	1.3
Illumina, Inc.	44,660	1.6
Vertex Pharmaceuticals Incorporated	42,349	1.8
Edwards Lifesciences Corp.	32,020	1.2
ServiceNow, Inc.	31,924	1.5
Equinix, Inc.	28,343	1.9
Electronic Arts Inc.	23,841	2.1
Concho Resources, Inc.	20,584	0.7
Spotify Technology S.A.	20,560	0.7
SBA Communications Corp.	18,346	0.5
Verisk Analytics, Inc.	17,950	0.9
Expedia Group, Inc.	16,782	1.7
Splunk, Inc.	15,495	1.1
IAC/InterActiveCorp	15,286	1.5
CoStar Group, Inc.	12,286	2.8
ANSYS, Inc.	11,944	0.7
Take-Two Interactive Software, Inc.	11,722	1.0
Gartner, Inc.	11,610	4.7
SS&C Technologies Holdings, Inc.	$11,308	1.9%
MarketAxess Holdings Inc.	7,944	1.2
RingCentral, Inc.	6,623	1.3
Guidewire Software, Inc.	6,501	5.2
Neurocrine Biosciences, Inc.	6,476	0.6
PagSeguro Digital Ltd.	6,119	0.7
The Trade Desk	5,019	1.8
Mellanox Technologies Ltd.	4,944	2.4
Ceridian HCM Holding Inc.	4,761	0.9
Proofpoint, Inc.	4,580	0.6
Sage Therapeutics, Inc.	4,491	1.7
Wix.com Ltd.	4,368	2.2
argenx SE	3,451	2.5
Anaplan, Inc.	3,317	0.6
Guardant Health, Inc.	3,224	0.8
Manchester United plc	3,123	1.0
2U, Inc.	2,880	1.1
Stamps.com Inc.	2,817	0.8
LiveRamp Holdings, Inc.	2,627	1.4
Acceleron Pharma Inc.	2,012	0.7
Varonis Systems, Inc.	1,559	0.6
Yext, Inc.	1,498	1.4
Benefitfocus, Inc.	1,461	1.4
Arrowhead Pharmaceuticals, Inc.	1,145	0.5
Arco Platform Limited	1,112	1.1
Bloom Energy Corporation	1,092	0.3
Opera Limited	612	0.5
Aquantia Corp.	306	1.1
		97.6%

Baron Partners Fund

Baron Partners Fund is a non-diversified fund that invests primarily in U.S. companies of any size with significant growth potential.

Company	Equity Market Cap (in millions)	% of Total Investments
NVIDIA Corporation	$81,435	0.2%
Tesla, Inc.	57,153	14.5
The Charles Schwab Corp.	56,084	4.7
Interactive Brokers Group, Inc.	22,698	0.1
Align Technology, Inc.	16,751	2.3
IDEXX Laboratories, Inc.	16,041	6.6
Fastenal Co.	15,010	1.3
MSCI, Inc.	12,979	0.3
CoStar Group, Inc.	12,286	11.6
Gartner, Inc.	11,610	4.3
Arch Capital Group Ltd.	10,814	7.4
Norwegian Cruise Line Holdings, Ltd.	9,325	0.8
HEICO Corporation	9,147	0.7
Vail Resorts, Inc.	8,506	7.6
FactSet Research Systems, Inc.	$7,612	6.0%
Hyatt Hotels Corp.	7,428	6.9
MGM Growth Properties LLC	7,026	0.4
Gaming and Leisure Properties, Inc.	6,917	2.5
Guidewire Software, Inc.	6,501	3.8
Zillow Group, Inc.	6,409	2.3
Douglas Emmett, Inc.	5,800	1.3
Air Lease Corp.	3,351	1.0
Marriott Vacations Worldwide Corp.	3,317	2.3
Manchester United plc	3,123	3.9
Red Rock Resorts, Inc.	2,367	0.7
Benefitfocus, Inc.	1,461	1.4
		94.9%

Baron Fifth Avenue Growth Fund

Baron Fifth Avenue Growth Fund invests in large-sized growth companies with market capitalizations no smaller than the top 85th percentile by total market capitalization of the Russell 1000 Growth Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Apple, Inc.	$748,539	2.4%
Amazon.com, Inc.	734,416	15.3
Alphabet Inc.	723,246	5.0
Facebook, Inc.	377,278	3.2
Alibaba Group Holding Limited	355,311	5.2
Visa, Inc.	290,823	4.5
Mastercard Incorporated	194,837	5.2
Naspers Limited	88,364	3.0
Booking Holdings, Inc.	79,799	3.1
CME Group, Inc.	67,302	4.2
ASML Holding N.V.	67,145	2.5
Biogen, Inc.	60,630	1.1
Tesla, Inc.	57,153	1.3
The Charles Schwab Corp.	56,084	2.5
Intuitive Surgical, Inc.	54,693	4.1
Illumina, Inc.	44,660	4.4
S&P Global Inc.	$42,638	1.9%
Vertex Pharmaceuticals Incorporated	42,349	2.6
Activision Blizzard, Inc.	35,535	3.4
Red Hat, Inc.	31,046	2.7
Meituan Dianping	30,790	0.0
Equinix, Inc.	28,343	2.8
Worldpay, Inc.	23,854	3.0
Splunk, Inc.	15,495	1.5
Ctrip.com International, Ltd.	14,754	1.3
Veeva Systems Inc.	12,978	3.7
RingCentral, Inc.	6,623	1.0
EPAM Systems, Inc.	6,266	2.3
PagSeguro Digital Ltd.	6,119	1.1
Sage Therapeutics, Inc.	4,491	1.6
Wix.com Ltd.	4,368	1.6
		97.5%

Baron Focused Growth Fund

Baron Focused Growth Fund is a non-diversified fund that invests in small and mid-sized growth companies with market capitalizations up to the largest market cap stock in the Russell Midcap Growth Index at reconstitution.

Company	Equity Market Cap (in millions)	% of Net Assets
Tesla, Inc.	$57,153	14.7%
CoStar Group, Inc.	12,286	11.6
Arch Capital Group Ltd.	10,814	3.9
Vail Resorts, Inc.	8,506	14.1
FactSet Research Systems, Inc.	7,612	7.4
Hyatt Hotels Corp.	7,428	11.3
Guidewire Software, Inc.	6,501	4.0
American Homes 4 Rent	5,886	2.2
Choice Hotels International, Inc.	$4,007	5.3%
Manchester United plc	3,123	5.1
Red Rock Resorts, Inc.	2,367	2.5
Iridium Communications Inc.	2,054	6.9
Benefitfocus, Inc.	1,461	5.0
Bloom Energy Corporation	1,092	0.5
		94.5%

Baron International Growth Fund

Baron International Growth Fund is a diversified fund that invests in non-U.S companies with significant growth potential. Investments may be made across all market capitalizations. The Fund invests principally in companies of developed countries and may invest up to 35% in companies of developing countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$381,759	0.8%
Alibaba Group Holding Limited	355,311	0.7
Nestle S.A.	248,680	0.5
LVMH Moet Hennessy Louis Vuitton SE	149,422	1.1
AstraZeneca PLC	96,227	2.9
Linde Public Limited Company	87,492	1.6
Itaú Unibanco Holding S.A.	82,829	0.6
HDFC Bank Limited	82,647	0.6
Petróleo Brasileiro S.A. – Petrobras	80,877	1.3
Industria de Diseño Textil, S.A.	79,810	1.4
SoftBank Group Corp.	73,357	0.6
Mitsubishi UFJ Financial Group, Inc.	67,341	1.1
KEYENCE CORPORATION	61,776	1.4
Sony Corporation	61,337	1.2
Sberbank of Russia PJSC	59,148	0.7
BNP Paribas S.A.	56,527	0.8
Baidu, Inc.	55,282	0.4
Housing Development Finance Corporation Limited	48,473	0.8
Danone SA	48,279	2.2
América Móvil, S.A.B. de C.V.	47,216	1.0
Suncor Energy Inc.	44,610	0.7
Recruit Holdings Co., Ltd.	41,198	1.5
Midea Group Co., Ltd.	35,578	0.4
Kotak Mahindra Bank Ltd.	34,327	0.7
China Tower Corporation Limited	33,266	1.5
Nokia Corporation	32,801	2.5
Vivendi SA	31,844	0.8
FANUC Corp.	31,033	0.7
KBC Group NV	27,009	1.2
Takeda Pharmaceutical Company Limited	26,864	1.5
Worldpay, Inc.	23,854	1.4
Aena SME, S.A.	23,330	1.6
Experian plc	22,097	1.4
Agilent Technologies, Inc.	21,488	1.0
Fresenius Medical Care AG & Co. KGaA	19,980	1.3
KB Financial Group, Inc.	17,424	0.8
Ryanair Holdings plc	16,171	1.3
Sodexo S.A.	15,121	1.1
Haitong Securities Co., Ltd.	13,619	0.4
Constellation Software, Inc.	13,565	2.2
KIA Motors Corporation	12,243	0.7
WH Group Limited	11,301	1.1
Arch Capital Group Ltd.	10,814	1.4
Britannia Industries Limited	10,724	0.6
Intertek Group plc	9,874	0.8
Symrise AG	9,593	0.7
KOSE Corporation	9,542	0.4
Yandex N.V.	8,872	0.2
Julius Bäer Group Ltd.	7,972	0.9
Rentokil Initial plc	7,923	1.2
Eurofins Scientific SE	$6,626	1.2%
MonotaRO Co., Ltd.	6,213	0.7
PagSeguro Digital Ltd.	6,119	1.0
Koninklijke Vopak N.V.	5,812	1.1
ZOZO, Inc.	5,715	0.7
Encana Corp.	5,497	0.9
YPF S.A.	5,267	1.0
Mellanox Technologies Ltd.	4,944	2.1
Momo Inc.	4,907	0.3
The Stars Group Inc.	4,510	0.9
Wix.com Ltd.	4,368	1.6
Kangde Xin Composite Material	3,940	0.3
InterXion Holding N.V.	3,882	0.5
BlackBerry Limited	3,844	0.5
YY Inc.	3,800	0.4
B&M European Value Retail Sa	3,590	0.8
argenx SE	3,451	2.6
Square Enix Holdings Co., Ltd.	3,339	1.0
Copa Holdings, S.A.	3,316	0.4
Cimpress N.V.	3,197	0.6
Tullow Oil plc	3,181	1.2
Kingdee International Software Group Co. Ltd.	2,916	0.3
Abcam plc	2,854	1.6
Dechra Pharmaceuticals PLC	2,706	1.4
Domino's Pizza Enterprises Ltd.	2,449	1.1
Mercari Inc.	2,417	0.3
Hua Hong Semiconductor Limited	2,377	0.3
Golar LNG Ltd.	2,200	1.8
Godrej Properties Limited	2,144	0.2
Tata Global Beverages Limited	1,983	0.4
Telesites, S.A.B. de C.V.	1,971	1.1
Landis+Gyr AG	1,656	0.7
TechnoPro Holdings, Inc.	1,499	0.9
NEXTDC Limited	1,483	0.6
Smiles Fidelidade S.A.	1,401	0.4
SMS CO., LTD.	1,373	0.5
Zai Lab Limited	1,349	1.1
Endava plc	1,281	0.8
PT Tower Bersama Infrastructure, Tbk.	1,134	0.3
JM Financial Limited	1,129	0.6
Arco Platform Limited	1,112	1.4
Bolsas y Mercados Argentinos S.A.	766	0.4
Glenveagh Properties PLC	705	1.0
RIB Software SE	701	1.0
Opera Limited	612	1.0
Adaptimmune Therapeutics plc	601	0.4
Horizon Discovery Group plc	335	0.9
WANdisco plc	261	0.6
Komplett Bank ASA	252	0.7
Lekoil, Ltd.	53	0.1
		95.4%

Baron Real Estate Fund

Baron Real Estate Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. real estate and real estate-related companies of any size. The Fund's investment in non-U.S. companies will not exceed 25%.

Company	Equity Market Cap (in millions)	% of Total Investments
Home Depot, Inc.	$194,076	3.6%
Lowe's Companies, Inc.	74,161	4.1
American Tower Corp.	69,681	7.3
Brookfield Asset Management, Inc.	38,298	3.7
Marriott International, Inc.	37,033	1.6
Prologis, Inc.	36,965	1.8
The Sherwin-Williams Company	36,838	1.4
China Tower Corporation Limited	33,266	0.9
Equinix, Inc.	28,343	6.3
Digital Realty Trust, Inc.	22,868	2.5
Hilton Worldwide Holdings, Inc.	21,294	1.7
Royal Caribbean Cruises Ltd.	20,438	2.4
SBA Communications Corp.	18,346	1.7
CBRE Group, Inc.	13,649	6.4
D.R. Horton, Inc.	12,948	3.4
MGM Resorts International	12,790	4.6
Lennar Corporation	12,636	1.4
Alexandria Real Estate Equities, Inc.	12,391	2.0
CoStar Group, Inc.	12,286	1.5
Invitation Homes, Inc.	10,453	0.6
Norwegian Cruise Line Holdings, Ltd.	9,325	2.6
Masco Corporation	$8,933	1.9%
Equity Lifestyle Properties, Inc.	8,717	1.3
Hyatt Hotels Corp.	7,428	2.2
MGM Growth Properties LLC	7,026	2.2
Gaming and Leisure Properties, Inc.	6,917	2.3
Douglas Emmett, Inc.	5,800	2.0
CyrusOne Inc.	5,597	1.1
Park Hotels & Resorts Inc.	5,228	1.0
Caesars Entertainment Corporation	4,548	0.6
InterXion Holding N.V.	3,882	5.2
Americold Realty Trust	3,776	2.8
Trex Company, Inc.	3,488	1.2
Marriott Vacations Worldwide Corp.	3,317	2.2
GDS Holdings Limited	2,907	1.8
Hilton Grand Vacations Inc.	2,558	2.4
Red Rock Resorts, Inc.	2,367	1.6
Boyd Gaming Corporation	2,332	2.0
SiteOne Landscape Supply, Inc.	2,257	1.2
Penn National Gaming, Inc.	2,238	2.1
NEXTDC Limited	1,483	1.4
		100.0%

Baron Emerging Markets Fund

Baron Emerging Markets Fund is a diversified fund that invests 80% of its net assets in non-U.S. companies of all sizes domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The Fund may invest up to 20% in companies in developed market countries and in Frontier Countries.

Company	Equity Market Cap (in millions)	% of Net Assets
Tencent Holdings Limited	$381,759	3.3%
Alibaba Group Holding Limited	355,311	2.4
Industrial and Commercial Bank of China Limited	269,316	0.3
China Construction Bank Corporation	207,224	1.1
Samsung Electronics Co., Ltd.	207,054	2.3
China Mobile Ltd.	197,028	1.7
Taiwan Semiconductor Manufacturing Company Ltd.	191,418	2.4
Itaú Unibanco Holding S.A.	82,829	1.3
HDFC Bank Limited	82,647	0.5
Petróleo Brasileiro S.A. – Petrobras	80,877	2.1
Sberbank of Russia PJSC	59,148	1.3
Baidu, Inc.	55,282	1.2
Housing Development Finance Corporation Limited	48,473	1.6
América Móvil, S.A.B. de C.V.	47,216	1.1
Wal-Mart de México, S.A.B. de C.V.	44,400	1.2
Midea Group Co., Ltd.	35,578	0.9
Hangzhou Hikvision Digital Technology Co., Ltd.	34,621	1.1
Banco do Brasil S.A.	34,371	0.4
Kotak Mahindra Bank Ltd.	34,327	1.5
China Tower Corporation Limited	33,266	2.3
Nokia Corporation	32,801	0.7
Fomento Económico Mexicano, S.A.B. de C.V.	25,978	1.3
FirstRand Limited	25,561	0.8
Pinduoduo Inc.	24,859	0.3
Bajaj Finance Limited	21,897	0.4
Tencent Music Entertainment Group	21,618	0.1
Coal India Ltd.	21,406	0.6
SK Telecom Co., Ltd.	19,503	1.2
CP All Plc.	18,968	1.1
Sasol Limited	18,450	1.2
KB Financial Group, Inc.	17,424	1.5
Shenzhou International Group Holdings Ltd.	17,037	1.3
Sun Pharmaceuticals Industries Limited	14,795	0.8
Samsung Life Insurance Co. Ltd.	14,626	0.5
B3 S.A. – Brasil, Bolsa, Balcao	14,244	1.5
Haitong Securities Co., Ltd.	13,619	0.5
Sinopharm Group Co. Ltd.	12,486	1.2
KIA Motors Corporation	12,243	1.7
China Mengniu Dairy Co. Ltd.	12,239	1.3
Bangkok Bank Public Co. Ltd.	12,136	1.0
Taiwan Mobile Co., Ltd.	11,853	1.4
Ayala Land, Inc.	11,377	1.2
WH Group Limited	11,301	1.6
Yunnan Baiyao Group Co., Ltd.	11,218	0.9
Amorepacific Corporation	10,976	0.3
Delta Electronics, Inc.	10,944	1.3
BDO Unibank, Inc.	10,880	1.2
Britannia Industries Limited	10,724	1.4
JSW STEEL Ltd.	10,621	0.4
Sunny Optical Technology Group	9,749	0.2
Techtronic Industries Co. Ltd.	9,714	0.9
CSPC Pharmaceutical Group Limited	9,000	0.5
Yandex N.V.	8,872	0.6
New Oriental Education & Technology Group Inc.	$8,698	0.5%
SBI Life Insurance Company Limited	8,563	1.0
KunLun Energy Company Limited	8,557	0.8
Sino Biopharmaceutical Ltd.	8,328	0.4
Far EasTone Telecommunications Co., Ltd.	8,099	1.4
Motherson Sumi Systems Limited	7,547	0.2
Rumo S.A.	6,838	1.7
Zee Entertainment Enterprises Ltd.	6,555	0.4
Piramal Enterprises Limited	6,385	0.5
Bid Corporation Ltd.	6,178	1.3
PagSeguro Digital Ltd.	6,119	1.0
Infraestructura Energetica Nova S.A.B. de C.V.	5,720	1.1
Divi's Laboratories Ltd.	5,638	1.0
YPF S.A.	5,267	1.2
StoneCo Ltd.	5,188	0.3
Localiza Rent a Car S.A.	5,121	0.5
Pepkor Holdings Limited	5,033	0.7
Momo Inc.	4,907	0.4
GRUMA, S.A.B. de C.V.	4,856	0.8
Bidvest Group Ltd.	4,856	1.4
Han's Laser Technology Co., Ltd.	4,719	0.4
Kangde Xin Composite Material	3,940	0.6
YY Inc.	3,800	0.5
Kroton Educacional SA	3,763	0.8
Wizz Air Holdings Plc	3,664	0.5
Sun TV Network Ltd.	3,431	0.5
Copa Holdings, S.A.	3,316	0.7
Exide Industries Ltd.	3,262	1.2
Tullow Oil plc	3,181	1.1
Eclat Textile Co., Ltd.	3,106	1.1
China Everbright Ltd.	2,987	0.6
Banco Macro S.A.	2,961	0.3
Kingdee International Software Group Co. Ltd.	2,916	0.5
Metro Pacific Investments Corp.	2,781	0.3
Grupo Lala, S.A.B. de C.V.	2,657	0.3
Tata Chemicals Limited	2,579	1.0
Edelweiss Financial Services Limited	2,432	0.3
Hua Hong Semiconductor Limited	2,377	0.3
Tata Communications Limited	2,140	0.5
Tata Global Beverages Limited	1,983	0.6
Max Financial Services Limited	1,715	1.0
Smiles Fidelidade S.A.	1,401	0.6
Zai Lab Limited	1,349	0.8
Loma Negra Compañía Industrial Argentina Sociedad Anónima	1,327	0.6
Makalot Industrial Co., Ltd.	1,158	0.7
PT Tower Bersama Infrastructure, Tbk.	1,134	0.3
JM Financial Limited	1,129	0.6
MyEG Services Berhad	826	0.3
Tongda Group Holdings Limited	645	0.3
Ginko International Co., Ltd.	636	0.5
Manpasand Beverages Ltd.	146	0.1
Lekoil, Ltd.	53	0.1
Tongda Hong Tai Holdings Limited	30	0.0
		95.5%

Baron Energy and Resources Fund

Baron Energy and Resources Fund is a diversified fund that invests 80% of its net assets in equity securities of U.S. and non-U.S. energy and resources companies and related companies of any size.

Company	Equity Market Cap (in millions)	% of Net Assets
Petróleo Brasileiro S.A. – Petrobras	$80,877	3.4%
Tesla, Inc.	57,153	13.8
EOG Resources, Inc.	50,573	1.8
Marathon Petroleum Corporation	40,767	4.5
Energy Transfer LP	34,572	2.7
Valero Energy Corporation	31,810	2.6
MPLX LP	24,061	1.9
Concho Resources, Inc.	20,584	12.6
Targa Resources Corp.	8,259	2.6
Aspen Technology, Inc.	$5,816	6.0%
Magnolia Oil & Gas Corporation	2,799	2.8
Golar LNG Ltd.	2,200	5.6
Cactus, Inc.	2,053	4.3
Noble Midstream Partners LP	1,144	1.9
TPI Composites, Inc.	848	5.8
Lekoil, Ltd.	53	0.5
		72.8

Baron Global Advantage Fund

Baron Global Advantage Fund is a diversified fund that invests primarily in established and emerging markets companies located throughout the world with capitalization within the range of companies included in the MSCI ACWI Growth Index Net.

Company	Equity Market Cap (in millions)	% of Net Assets
Amazon.com, Inc.	$734,416	4.9%
Alphabet Inc.	723,246	4.8
Facebook, Inc.	377,278	2.7
Alibaba Group Holding Limited	355,311	4.7
Naspers Limited	88,364	4.9
HDFC Bank Limited	82,647	2.2
ASML Holding N.V.	67,145	1.6
Tesla, Inc.	57,153	1.4
Housing Development Finance Corporation Limited	48,473	3.7
Illumina, Inc.	44,660	3.2
Activision Blizzard, Inc.	35,535	3.3
Kotak Mahindra Bank Ltd.	34,327	2.5
Meituan Dianping	30,790	0.3
Pinduoduo Inc.	24,859	1.4
Worldpay, Inc.	23,854	3.0
Adyen B.V.	16,085	0.0
Splunk, Inc.	15,495	2.7
TAL Education Group	15,135	1.6
Ctrip.com International, Ltd.	14,754	1.5
Constellation Software, Inc.	13,565	3.6
MercadoLibre, Inc.	13,238	1.5
Veeva Systems Inc.	12,978	4.0
Take-Two Interactive Software, Inc.	11,722	2.5
Okta, Inc.	7,046	1.3
RingCentral, Inc.	$6,623	1.0%
EPAM Systems, Inc.	6,266	3.5
PagSeguro Digital Ltd.	6,119	1.6
StoneCo Ltd.	5,188	0.5
Elastic N.V.	5,073	0.1
Mellanox Technologies Ltd.	4,944	3.9
Zscaler, Inc.	4,793	0.6
Sage Therapeutics, Inc.	4,491	1.7
Wix.com Ltd.	4,368	2.6
argenx SE	3,451	4.7
Anaplan, Inc.	3,317	0.7
Guardant Health, Inc.	3,224	1.2
Mercari Inc.	2,417	0.2
Tenable Holdings, Inc.	2,065	1.0
Globant, S.A.	2,022	2.2
Upwork Inc.	1,925	0.6
AnaptysBio, Inc.	1,707	0.5
Aerie Pharmaceuticals, Inc.	1,641	1.8
Varonis Systems, Inc.	1,559	0.8
Yext, Inc.	1,498	2.1
Endava plc	1,281	1.5
Arco Platform Limited	1,112	1.1
AxoGen, Inc.	790	0.6
Bolsas y Mercados Argentinos S.A.	766	1.0
		98.8%

Baron Discovery Fund

Effective January 14, 2019, Baron Discovery Fund invests in small-sized growth companies with market capitalizations up to the largest market cap stock in the Russell 2000 Growth Index at June 30, or companies with market capitalizations up to $2.5 billion, whichever is larger, so long as the purchase of those securities would not cause the Fund's weighted average market capitalization to exceed that of the Russell 2000 Growth Index. If at any time, the Fund's weighted average market capitalization exceeds that of the Russell 2000 Growth Index, the Fund may only purchase securities with market capitalizations up to the weighted average market capitalization of the Russell 2000 Growth Index.

Company	Equity Market Cap (in millions)	% of Net Assets
Liberty Media Corporation – Liberty Formula One	$7,059	1.6%
JUST EAT plc	5,094	0.7
The Trade Desk	5,019	2.7
Sage Therapeutics, Inc.	4,491	0.4
GCI Liberty, Inc.	4,450	1.1
Americold Realty Trust	3,776	2.6
Teladoc Health, Inc.	3,475	1.7
Anaplan, Inc.	3,317	0.5
Guardant Health, Inc.	3,224	0.2
Emergent BioSolutions Inc.	3,020	1.1
Qualys, Inc.	2,943	2.2
2U, Inc.	2,880	0.5
LiveRamp Holdings, Inc.	2,627	1.1
Coherent, Inc.	2,577	0.9
Red Rock Resorts, Inc.	2,367	1.5
Boyd Gaming Corporation	2,332	1.7
Mercury Systems, Inc.	2,289	3.9
SiteOne Landscape Supply, Inc.	2,257	1.5
Envestnet, Inc.	2,249	0.7
Novanta Inc.	2,199	1.0
Myriad Genetics, Inc.	2,173	3.2
Tenable Holdings, Inc.	2,065	0.3
QTS Realty Trust, Inc.	1,895	0.7
Brooks Automation, Inc.	1,884	0.9
Wingstop Inc.	1,881	0.9
ESCO Technologies, Inc.	1,709	1.4
Cubic Corporation	1,669	1.1
Hudson Ltd.	1,587	1.3
Varonis Systems, Inc.	1,559	1.0
Yext, Inc.	1,498	2.6
Alexander & Baldwin, Inc.	1,324	1.6
Studio City International Holdings Limited	1,314	0.9
Raven Industries Inc.	1,301	0.8
Endava plc	$1,281	1.4%
Esperion Therapeutics, Inc.	1,233	1.4
Kinsale Capital Group, Inc.	1,179	2.1
Myovant Sciences Ltd.	1,124	0.7
ForeScout Technologies, Inc.	1,114	1.6
Bloom Energy Corporation	1,092	0.3
Sun Hydraulics Corporation	1,061	1.7
CareDx, Inc.	1,033	3.0
Party City Holdco Inc.	970	1.8
TherapeuticsMD, Inc.	906	2.1
Intersect ENT, Inc.	861	3.2
TPI Composites, Inc.	848	2.9
AxoGen, Inc.	790	0.5
QAD Inc.	740	1.1
RIB Software SE	701	1.5
Cerus Corporation	688	2.0
Kornit Digital Ltd.	652	1.1
Nova Measuring Instruments Ltd.	639	0.9
Accelerate Diagnostics, Inc.	623	0.9
ViewRay Incorporated	581	2.2
Luxfer Holdings PLC	511	1.2
Flexion Therapeutics Inc.	429	1.3
Ichor Holdings, Ltd.	373	1.5
Sientra, Inc.	364	1.4
PAR Technology Corporation	353	1.0
Limoneira Company	345	1.7
IntriCon Corporation	228	1.2
Red Lion Hotels Corporation	201	0.7
Potbelly Corporation	200	1.1
Ra Medical Systems, Inc.	101	1.2
Everspin Technologies, Inc.	96	1.2
Barfresh Food Group, Inc.	76	0.1
		90.3%

Baron Durable Advantage Fund

Baron Durable Advantage Fund invests primarily in large-sized companies with market capitalizations no smaller than the top 90th percentile by market capitalization of the S&P 500 Index at June 30, or companies with market capitalizations above $10 billion, whichever is smaller.

Company	Equity Market Cap (in millions)	% of Net Assets
Microsoft Corporation	$785,026	5.1%
Apple, Inc.	748,539	3.9
Alphabet Inc.	723,246	4.3
UnitedHealth Group Incorporated	239,662	5.2
Mastercard Incorporated	194,837	4.7
Home Depot, Inc.	194,076	2.6
Taiwan Semiconductor Manufacturing Company Ltd.	191,418	1.5
LVMH Moet Hennessy Louis Vuitton SE	149,422	3.2
AbbVie Inc.	138,674	2.0
AstraZeneca PLC	96,227	1.5
Texas Instruments Incorporated	90,771	1.0
Accenture plc	90,022	2.4
Costco Wholesale Corporation	89,732	1.6
Booking Holdings, Inc.	79,799	2.2
Charter Communications, Inc.	72,590	2.3
Danaher Corporation	72,267	4.0
CME Group, Inc.	67,302	4.1
ASML Holding N.V.	67,145	2.0
BlackRock Inc.	62,332	3.3
KEYENCE CORPORATION	$61,776	1.4%
Biogen, Inc.	60,630	1.2
The Estée Lauder Companies Inc.	47,207	1.4
S&P Global Inc.	42,638	4.0
Illinois Tool Works Inc.	42,036	1.7
The Sherwin-Williams Company	36,838	1.8
Activision Blizzard, Inc.	35,535	2.0
Constellation Brands, Inc.	30,560	2.3
Equinix, Inc.	28,343	2.3
Moody's Corporation	26,832	3.8
TE Connectivity Ltd.	25,944	3.1
Electronic Arts Inc.	23,841	2.7
Agilent Technologies, Inc.	21,488	2.4
IHS Markit Ltd.	18,908	2.2
Fastenal Co.	15,010	1.4
Mettler-Toledo International, Inc.	14,165	2.4
Elanco Animal Health Incorporated	11,528	0.0
A. O. Smith Corporation	7,257	1.0
		94.0%

Baron Real Estate Income Fund

Baron Real Estate Income Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in real estate income-producing securities and other real estate securities of any market capitalization, including common stocks and equity securities, debt and preferred securities, non-U.S. real estate income-producing securities, and any other real estate-related yield securities.

Company	Equity Market Cap (in millions)	% of Net Assets
American Tower Corp.	$69,681	6.7%
Simon Property Group, Inc.	51,960	2.8
Crown Castle International Corp.	45,065	3.2
Prologis, Inc.	36,965	3.4
Public Storage	35,293	1.6
Equinix, Inc.	28,343	6.4
Welltower Inc.	26,074	1.0
Equity Residential	24,321	4.0
AvalonBay Communities, Inc.	24,058	3.9
Digital Realty Trust, Inc.	22,868	3.7
Boston Properties, Inc.	17,382	1.2
Essex Property Trust, Inc.	16,200	2.4
Brookfield Property Partners L.P.	15,745	0.5
HCP, Inc.	13,336	1.4
MGM Resorts International	12,790	3.8
Alexandria Real Estate Equities, Inc.	12,391	3.5
Host Hotels & Resorts, Inc.	12,370	1.6
Vornado Realty Trust	11,803	1.2
Invitation Homes, Inc.	10,453	1.0
Duke Realty Corporation	9,281	2.5
Sun Communities, Inc.	8,784	2.7
Equity Lifestyle Properties, Inc.	$8,717	3.2%
MGM Growth Properties LLC	7,026	1.4
Gaming and Leisure Properties, Inc.	6,917	2.4
SL Green Realty Corp.	6,824	0.5
Kilroy Realty Corporation	6,335	1.7
JCDecaux S.A.	5,978	0.8
Medical Properties Trust, Inc.	5,959	1.0
Douglas Emmett, Inc.	5,800	1.4
CyrusOne Inc.	5,597	1.2
Park Hotels & Resorts Inc.	5,228	1.5
Pebblebrook Hotel Trust	4,830	1.0
Hudson Pacific Properties, Inc.	4,554	1.2
Americold Realty Trust	3,776	5.5
Marriott Vacations Worldwide Corp.	3,317	2.5
GDS Holdings Limited	2,907	1.6
Rexford Industrial Realty, Inc.	2,735	1.9
Kennedy-Wilson Holdings, Inc.	2,620	2.0
Red Rock Resorts, Inc.	2,367	1.6
Penn National Gaming, Inc.	2,238	2.2
QTS Realty Trust, Inc.	1,895	3.0
NEXTDC Limited	1,483	1.2
		97.3%

Baron Health Care Fund

Baron Health Care Fund is a non-diversified fund that under normal circumstances, invests at least 80% of its net assets in equity securities in the form of common stock of companies engaged in the research, development, production, sale, delivery or distribution of products and services related to the health care industry.

Company	Equity Market Cap (in millions)	% of Net Assets
UnitedHealth Group Incorporated	$239,662	6.8%
Abbott Laboratories	127,036	3.6
Medtronic Public Limited Company	122,163	2.9
AstraZeneca PLC	96,227	4.0
Intuitive Surgical, Inc.	54,693	3.3
Boston Scientific Corporation	48,904	3.2
Illumina, Inc.	44,660	3.0
HCA Healthcare, Inc.	42,831	3.1
Vertex Pharmaceuticals Incorporated	42,349	3.9
Humana Inc.	39,301	3.9
Edwards Lifesciences Corp.	32,020	1.6
Align Technology, Inc.	16,751	1.4
IDEXX Laboratories, Inc.	16,041	3.0
Mettler-Toledo International, Inc.	14,165	1.9
Veeva Systems Inc.	12,978	1.5
The Cooper Companies, Inc.	12,530	2.1
Alexandria Real Estate Equities, Inc.	12,391	1.9
Teleflex Incorporated	11,886	4.5
DexCom, Inc.	10,644	1.5
West Pharmaceutical Services, Inc.	7,262	0.6
ICON plc	7,034	1.4
Eurofins Scientific SE	6,626	1.6

Company	Equity Market Cap (in millions)	% of Net Assets
Neurocrine Biosciences, Inc.	$6,476	1.5%
Bio-Techne Corporation	5,466	3.3
Insulet Corp.	4,686	1.5
Sage Therapeutics, Inc.	4,491	1.9
LivaNova PLC	4,453	1.2
HealthEquity, Inc.	3,722	0.3
argenx SE	3,451	4.6
Guardant Health, Inc.	3,224	1.0
Cantel Medical Corp.	3,106	1.3
Abcam plc	2,854	1.2
Dechra Pharmaceuticals PLC	2,706	2.2
Acceleron Pharma Inc.	2,012	1.8
Aerie Pharmaceuticals, Inc.	1,641	0.4
Zai Lab Limited	1,349	0.6
Arrowhead Pharmaceuticals, Inc.	1,145	0.7
CareDx, Inc.	1,033	1.8
Intersect ENT, Inc.	861	2.0
AxoGen, Inc.	790	0.3
ViewRay Incorporated	581	0.4
Assembly Biosciences, Inc.	576	0.5
IntriCon Corporation	228	0.7
		89.9%

Baron Asset Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (98.09%)			
Communication Services (2.22%)			
	Cable & Satellite (0.83%)		
354,000	Liberty Broadband Corporation, Cl C[1]	$ 25,461,926	$ 25,498,620
	Interactive Media & Services (1.39%)		
107,000	IAC/InterActiveCorp.[1]	22,338,665	19,585,280
724,374	Zillow Group, Inc., Cl C[1]	19,367,958	22,875,731
		41,706,623	42,461,011
Total Communication Services		67,168,549	67,959,631
Consumer Discretionary (10.36%)			
	Automotive Retail (0.37%)		
178,446	CarMax, Inc.[1]	2,023,599	11,193,918
	Hotels, Resorts & Cruise Lines (2.29%)		
507,442	Choice Hotels International, Inc.	2,173,983	36,322,698
496,233	Hyatt Hotels Corp., Cl A	13,413,212	33,545,351
		15,587,195	69,868,049
	Internet & Direct Marketing Retail (2.51%)		
25,759	Booking Holdings, Inc.[1]	4,113,567	44,367,817
288,627	Expedia Group, Inc.	35,637,276	32,513,831
		39,750,843	76,881,648
	Leisure Facilities (4.41%)		
639,538	Vail Resorts, Inc.	12,388,781	134,827,401
	Specialty Stores (0.78%)		
297,117	Tiffany & Co.	12,604,434	23,920,890
Total Consumer Discretionary		82,354,852	316,691,906
Energy (0.25%)			
	Oil & Gas Exploration & Production (0.25%)		
74,931	Concho Resources, Inc.[1]	3,203,300	7,702,157
Financials (13.35%)			
	Asset Management & Custody Banks (0.95%)		
314,514	T. Rowe Price Group, Inc.	11,151,766	29,035,932
	Financial Exchanges & Data (4.31%)		
401,723	FactSet Research Systems, Inc.	21,659,549	80,396,824
242,267	MarketAxess Holdings, Inc.	27,922,784	51,193,440
		49,582,333	131,590,264
	Insurance Brokers (1.77%)		
356,421	Willis Towers Watson plc[2]	43,878,570	54,126,093
	Investment Banking & Brokerage (2.89%)		
2,125,936	The Charles Schwab Corp.	1,921,092	88,290,122
	Property & Casualty Insurance (2.09%)		
2,393,444	Arch Capital Group Ltd.[1,2]	8,625,560	63,952,824
	Regional Banks (1.34%)		
471,421	First Republic Bank	14,958,209	40,966,485
Total Financials		130,117,530	407,961,720
Common Stocks (continued)			
Health Care (23.14%)			
	Biotechnology (0.54%)		
170,658	Sage Therapeutics, Inc.[1]	$ 27,223,281	$ 16,347,330
	Health Care Equipment (7.68%)		
976,630	IDEXX Laboratories, Inc.[1]	18,197,737	181,672,713
205,644	Teleflex, Inc.	41,408,216	53,154,861
		59,605,953	234,827,574
	Health Care Supplies (3.83%)		
84,360	Align Technology, Inc.[1]	12,821,265	17,667,515
157,418	The Cooper Companies, Inc.	19,849,960	40,062,881
605,404	West Pharmaceutical Services, Inc.	26,455,689	59,347,754
		59,126,914	117,078,150
	Health Care Technology (1.31%)		
448,386	Veeva Systems, Inc., Cl A[1]	25,739,022	40,049,837
	Life Sciences Tools & Services (9.77%)		
396,986	Bio-Techne Corporation	39,003,090	57,451,814
302,552	Illumina, Inc.[1]	13,002,071	90,744,421
234,117	Mettler-Toledo International, Inc.[1]	14,406,385	132,411,893
95,000	Waters Corp.[1]	19,337,869	17,921,750
		85,749,415	298,529,878
	Pharmaceuticals (0.01%)		
8,340	Elanco Animal Health, Inc.[1]	200,160	262,960
Total Health Care		257,644,745	707,095,729
Industrials (17.44%)			
	Aerospace & Defense (0.65%)		
516,082	BWX Technologies, Inc.	25,835,700	19,729,815
	Agricultural & Farm Machinery (1.01%)		
550,045	The Toro Co.	33,900,191	30,736,515
	Building Products (0.74%)		
526,158	AO Smith Corp.	27,577,969	22,466,947
	Construction Machinery & Heavy Trucks (0.66%)		
287,740	Wabtec Corp.	18,573,369	20,213,735
	Environmental & Facilities Services (1.16%)		
984,612	Rollins, Inc.	20,292,297	35,544,493
	Industrial Conglomerates (2.08%)		
238,192	Roper Technologies, Inc.	19,882,431	63,482,932
	Industrial Machinery (1.76%)		
426,760	IDEX Corporation	31,129,522	53,882,717
	Research & Consulting Services (8.96%)		
198,493	CoStar Group, Inc.[1]	34,240,614	66,959,629
1,262,500	TransUnion	61,989,415	71,710,000
1,240,206	Verisk Analytics, Inc.[1]	31,725,218	135,232,062
		127,955,247	273,901,691
	Trading Companies & Distributors (0.42%)		
248,117	Fastenal Co.	4,100,825	12,974,038
Total Industrials		309,247,551	532,932,883

Baron Asset Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (25.49%)			
	Application Software (10.04%)		
545,856	ANSYS, Inc.[1]	$ 14,655,945	$ 78,024,657
251,000	Aspen Technology, Inc.[1]	20,768,366	20,627,180
1,066,093	Ceridian HCM Holding, Inc.[1]	33,287,531	36,769,547
1,260,809	Guidewire Software, Inc.[1]	62,448,790	101,154,706
937,076	SS&C Technologies Holdings, Inc.	26,106,444	42,271,498
114,134	The Ultimate Software Group, Inc.[1]	22,104,684	27,947,993
		179,371,760	306,795,581
	Data Processing & Outsourced Services (3.87%)		
194,448	FleetCor Technologies, Inc.[1]	7,054,686	36,112,883
366,986	MAXIMUS, Inc.	18,343,053	23,887,119
764,350	Worldpay, Inc., Cl A[1]	42,389,369	58,419,270
		67,787,108	118,419,272
	Internet Services & Infrastructure (4.22%)		
637,103	Verisign, Inc.[1]	30,837,071	94,476,004
382,000	Wix.com Ltd.[1,2]	31,834,500	34,509,880
		62,671,571	128,985,884
	IT Consulting & Other Services (6.44%)		
1,538,323	Gartner, Inc.[1]	33,456,031	196,659,212
	Technology Distributors (0.92%)		
347,363	CDW Corp.	21,352,377	28,153,771
Total Information Technology		364,638,847	779,013,720
Real Estate (5.84%)			
	Office REITs (0.52%)		
52,548	Alexander's, Inc.[4]	2,289,269	16,013,477
	Real Estate Services (1.46%)		
1,116,323	CBRE Group, Inc., Cl A[1]	12,667,478	44,697,573
	Specialized REITs (3.86%)		
123,416	Equinix, Inc.	8,292,378	43,511,545
459,856	SBA Communications Corp.[1]	12,304,364	74,446,088
		20,596,742	117,957,633
Total Real Estate		35,553,489	178,668,683
TOTAL COMMON STOCKS		**1,249,928,863**	**2,998,026,429**

Shares		Cost	Value
Private Partnerships (0.01%)			
Financials (0.01%)			
	Asset Management & Custody Banks (0.01%)		
7,056,223	Windy City Investments Holdings, L.L.C.[1,3,4]	**$ 0**	**$ 183,462**

Principal Amount		Cost	Value
Short Term Investments (2.12%)			
$64,679,957	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $64,681,754; (Fully collateralized by $65,000,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $65,974,285)	**64,679,957**	**64,679,957**
TOTAL INVESTMENTS (100.22%)		**$1,314,608,820**	**3,062,889,848**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.22%)			**(6,722,933)**
NET ASSETS			**$3,056,166,915**
RETAIL SHARES (Equivalent to $63.81 per share based on 28,653,479 shares outstanding)			**$1,828,328,724**
INSTITUTIONAL SHARES (Equivalent to $66.31 per share based on 17,577,039 shares outstanding)			**$1,165,453,659**
R6 SHARES (Equivalent to $66.29 per share based on 941,020 shares outstanding)			**$ 62,384,532**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2018, the market value of restricted and fair valued securities amounted to $183,462 or 0.01% of net assets. This security is not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Growth Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (100.84%)			
Communication Services (4.37%)			
	Alternative Carriers (2.56%)		
7,488,437	Iridium Communications, Inc.[1,4]	$ 45,679,471	$ 138,161,663
	Movies & Entertainment (1.81%)		
5,148,400	Manchester United plc, Cl A[2]	72,550,034	97,716,632
Total Communication Services		118,229,505	235,878,295
Consumer Discretionary (22.09%)			
	Apparel, Accessories & Luxury Goods (0.41%)		
1,250,000	Under Armour, Inc., Cl A[1]	4,273,463	22,087,500
	Casinos & Gaming (3.30%)		
725,000	Boyd Gaming Corp.	18,479,841	15,065,500
5,289,000	Penn National Gaming, Inc.[1]	70,102,132	99,591,870
3,131,887	Red Rock Resorts, Inc., Cl A	66,868,263	63,608,625
		155,450,236	178,265,995
	Education Services (3.55%)		
1,720,000	Bright Horizons Family Solutions, Inc.[1]	55,142,790	191,694,000
	General Merchandise Stores (0.39%)		
316,228	Ollie's Bargain Outlet Holdings, Inc.[1]	14,933,905	21,032,324
	Hotels, Resorts & Cruise Lines (6.07%)		
3,000,000	Choice Hotels International, Inc.[4]	72,782,127	214,740,000
1,600,000	Marriott Vacations Worldwide Corp.	87,504,361	112,816,000
		160,286,488	327,556,000
	Leisure Facilities (8.20%)		
2,100,000	Vail Resorts, Inc.[4]	65,291,780	442,722,000
	Specialty Stores (0.17%)		
300,000	Dick's Sporting Goods, Inc.	4,330,276	9,360,000
Total Consumer Discretionary		459,708,938	1,192,717,819
Consumer Staples (1.39%)			
	Food Distributors (0.60%)		
1,000,000	Performance Food Group Co.[1]	19,000,000	32,270,000
	Household Products (0.79%)		
650,000	Church & Dwight Co., Inc.	5,858,187	42,744,000
Total Consumer Staples		24,858,187	75,014,000
Financials (26.00%)			
	Asset Management & Custody Banks (3.04%)		
2,400,000	The Carlyle Group	52,032,727	37,800,000
2,000,000	Cohen & Steers, Inc.	49,208,575	68,640,000
1,450,000	Oaktree Capital Group, LLC	65,375,827	57,637,500
		166,617,129	164,077,500
	Financial Exchanges & Data (11.90%)		
1,250,000	FactSet Research Systems, Inc.	62,536,096	250,162,500
1,150,000	Morningstar, Inc.	27,237,863	126,316,000
1,805,000	MSCI, Inc.	34,379,398	266,111,150
		124,153,357	642,589,650

Shares		Cost	Value
Common Stocks (continued)			
Financials (continued)			
	Investment Banking & Brokerage (0.78%)		
425,000	Houlihan Lokey, Inc.	$ 18,590,688	$ 15,640,000
775,000	Moelis & Co., Cl A	21,734,239	26,644,500
		40,324,927	42,284,500
	Life & Health Insurance (3.40%)		
1,875,000	Primerica, Inc.	40,103,890	183,206,250
	Property & Casualty Insurance (6.14%)		
10,370,000	Arch Capital Group Ltd.[1,2]	33,026,276	277,086,400
978,449	Kinsale Capital Group, Inc.	32,761,205	54,362,626
		65,787,481	331,449,026
	Thrifts & Mortgage Finance (0.74%)		
525,000	Essent Group Ltd.[1,2]	14,507,434	17,944,500
100,059	LendingTree, Inc.[1]	24,206,736	21,969,954
		38,714,170	39,914,454
Total Financials		475,700,954	1,403,521,380
Health Care (9.64%)			
	Biotechnology (0.26%)		
678,051	Denali Therapeutics, Inc.[1]	12,825,338	14,008,534
	Health Care Equipment (3.93%)		
1,140,000	IDEXX Laboratories, Inc.[1]	16,931,252	212,062,800
	Health Care Supplies (1.69%)		
486,717	Neogen Corp.[1]	8,075,672	27,742,869
650,000	West Pharmaceutical Services, Inc.	22,330,088	63,719,500
		30,405,760	91,462,369
	Life Sciences Tools & Services (3.64%)		
850,000	Bio-Techne Corporation	44,923,357	123,012,000
130,000	Mettler-Toledo International, Inc.[1]	5,954,392	73,525,400
		50,877,749	196,537,400
	Pharmaceuticals (0.12%)		
250,000	Dechra Pharmaceuticals plc (United Kingdom)[2]	7,036,921	6,605,275
Total Health Care		118,077,020	520,676,378
Industrials (7.89%)			
	Building Products (1.65%)		
1,500,000	Trex Company, Inc.[1]	27,317,721	89,040,000
	Electrical Components & Equipment (0.36%)		
1,948,375	Bloom Energy Corp., Cl A[1,5]	38,416,338	19,444,782
	Environmental & Facilities Services (0.04%)		
200,000	BrightView Holdings, Inc.[1]	2,184,499	2,042,000
	Industrial Machinery (0.08%)		
65,507	Albany International Corp., Cl A	4,417,079	4,089,602
	Research & Consulting Services (5.34%)		
855,000	CoStar Group, Inc.[1]	36,410,092	288,425,700
	Trading Companies & Distributors (0.42%)		
750,000	Air Lease Corp.	17,264,846	22,657,500
Total Industrials		126,010,575	425,699,584

Baron Growth Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (21.39%)			
	Application Software (12.85%)		
905,000	2U, Inc.[1]	$ 50,096,186	$ 44,996,600
725,000	Altair Engineering, Inc., Cl A[1]	11,330,019	19,995,500
1,500,000	ANSYS, Inc.[1]	35,363,292	214,410,000
2,200,000	Benefitfocus, Inc.[1,4]	83,233,571	100,584,000
100,000	Cision Ltd.[1,2]	1,517,355	1,170,000
1,190,000	Guidewire Software, Inc.[1]	38,711,926	95,473,700
1,000,000	Pegasystems, Inc.	13,997,009	47,830,000
3,750,000	SS&C Technologies Holdings, Inc.	29,603,660	169,162,500
		263,853,018	693,622,300
	Data Processing & Outsourced Services (1.59%)		
1,315,000	MAXIMUS, Inc.	24,215,538	85,593,350
	Electronic Components (0.89%)		
280,000	Littelfuse, Inc.	31,472,950	48,014,400
	Internet Services & Infrastructure (0.73%)		
438,207	Wix.com Ltd.[1,2]	28,664,771	39,587,620
	IT Consulting & Other Services (5.33%)		
2,250,000	Gartner, Inc.[1]	34,231,162	287,640,000
Total Information Technology		382,437,439	1,154,457,670
Real Estate (8.07%)			
	Diversified REITs (0.34%)		
460,135	American Assets Trust, Inc.	8,503,418	18,483,623
	Office REITs (2.89%)		
92,000	Alexander's, Inc.[5]	11,873,304	28,036,080
3,750,000	Douglas Emmett, Inc.	46,426,704	127,987,500
		58,300,008	156,023,580
	Specialized REITs (4.84%)		
750,000	Alexandria Real Estate Equities, Inc.[5]	26,517,362	86,430,000
5,400,000	Gaming and Leisure Properties, Inc.	118,252,553	174,474,000
		144,769,915	260,904,000
Total Real Estate		211,573,341	435,411,203
TOTAL COMMON STOCKS		**1,916,595,959**	**5,443,376,329**

Shares		Cost	Value
Preferred Stocks (0.48%)			
Communication Services (0.48%)			
	Alternative Carriers (0.48%)		
41,074	Iridium Communications, Inc., Series B, 6.75%[4]	**$ 10,095,219**	**$ 25,929,195**
Private Preferred Stocks (0.08%)			
Health Care (0.08%)			
	Health Care Technology (0.08%)		
3,354,353	Schrödinger, Inc., Series E[1,3,5]	**4,999,998**	**4,025,224**
Private Partnerships (0.00%)			
Financials (0.00%)			
	Asset Management & Custody Banks (0.00%)		
2,375,173	Windy City Investments Holdings, L.L.C.[1,3,5]	**0**	**61,755**

Principal Amount		Cost	Value
Short Term Investments (0.01%)			
$ 782,663	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $782,685; (Fully collateralized by $790,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $801,841)	**782,663**	**782,663**
TOTAL INVESTMENTS (101.41%)		**$1,932,473,839**	**5,474,175,166**
LIABILITIES LESS CASH AND OTHER ASSETS (-1.41%)			**(75,856,122)**
NET ASSETS			**$5,398,319,044**
RETAIL SHARES (Equivalent to $61.17 per share based on 34,503,234 shares outstanding)			**$2,110,575,385**
INSTITUTIONAL SHARES (Equivalent to $63.17 per share based on 50,629,853 shares outstanding)			**$3,198,397,755**
R6 SHARES (Equivalent to $63.18 per share based on 1,414,156 shares outstanding)			**$ 89,345,904**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2018, the market value of restricted and fair valued securities amounted to $4,086,979 or 0.08% of net assets. These securities are not deemed liquid.
4 An "Affiliated" investment may include any company in which the Fund owns 5% or more of its outstanding shares.
5 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Small Cap Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (98.74%)			
Communication Services (4.60%)			
	Advertising (0.18%)		
523,100	Emerald Expositions Events, Inc.	$ 8,892,700	$ 6,455,054
	Cable & Satellite (2.01%)		
100,000	Liberty Broadband Corporation, Cl A[1]	404,823	7,181,000
300,000	Liberty Broadband Corporation, Cl C[1]	1,184,602	21,609,000
1,100,000	Liberty Media Corp.-Liberty SiriusXM, Cl C[1]	2,399,372	40,678,000
		3,988,797	69,468,000
	Movies & Entertainment (2.41%)		
750,000	Liberty Media Corporation-Liberty Formula One, Cl C[1]	10,168,679	23,025,000
225,000	The Madison Square Garden Company, Cl A[1]	11,968,716	60,232,500
		22,137,395	83,257,500
Total Communication Services		35,018,892	159,180,554
Consumer Discretionary (14.99%)			
	Automotive Retail (0.46%)		
1,398,900	Camping World Holdings, Inc., Cl A	33,647,404	16,045,383
	Casinos & Gaming (1.62%)		
2,750,000	Red Rock Resorts, Inc., Cl A	60,336,496	55,852,500
	Education Services (2.66%)		
825,000	Bright Horizons Family Solutions, Inc.[1]	25,784,147	91,946,250
	General Merchandise Stores (0.48%)		
250,000	Ollie's Bargain Outlet Holdings, Inc.[1]	15,211,851	16,627,500
	Home Improvement Retail (1.50%)		
2,000,000	Floor & Decor Holdings, Inc., Cl A[1]	77,932,896	51,800,000
	Homebuilding (1.36%)		
1,400,000	Installed Building Products, Inc.[1]	83,812,869	47,166,000
	Internet & Direct Marketing Retail (1.17%)		
1,000,000	Shutterfly, Inc.[1]	52,116,854	40,260,000
	Leisure Facilities (1.28%)		
822,000	Planet Fitness, Inc., Cl A[1]	29,284,556	44,075,640
	Restaurants (2.11%)		
375,000	BJ's Restaurants, Inc.	12,212,887	18,963,750
800,000	The Cheesecake Factory, Inc.	21,568,144	34,808,000
300,000	Wingstop Inc.	6,245,578	19,257,000
		40,026,609	73,028,750
	Specialty Stores (2.35%)		
3,000,000	Hudson Ltd., Cl A[1,2]	54,314,533	51,450,000
3,000,000	Party City Holdco, Inc.[1]	43,021,808	29,940,000
		97,336,341	81,390,000
Total Consumer Discretionary		515,490,023	518,192,023
Financials (1.95%)			
	Financial Exchanges & Data (0.57%)		
200,000	Cboe Global Markets, Inc.	15,498,427	19,566,000
	Investment Banking & Brokerage (1.38%)		
600,000	Houlihan Lokey, Inc.	27,827,646	22,080,000
750,000	Moelis & Co., Cl A	17,797,031	25,785,000
		45,624,677	47,865,000
Total Financials		61,123,104	67,431,000

Shares		Cost	Value
Common Stocks (continued)			
Health Care (17.48%)			
	Biotechnology (0.60%)		
1,500,000	Abcam plc (United Kingdom)[2]	$ 14,075,553	$ 20,879,238
	Health Care Equipment (5.29%)		
600,000	Cantel Medical Corp.	29,637,826	44,670,000
300,000	DexCom, Inc.[1]	3,984,388	35,940,000
550,000	IDEXX Laboratories, Inc.[1]	8,450,778	102,311,000
		42,072,992	182,921,000
	Health Care Services (0.48%)		
439,217	Guardant Health, Inc.[1]	10,294,580	16,510,167
	Health Care Technology (2.04%)		
1,425,000	Teladoc Health, Inc.[1]	45,753,343	70,637,250
	Life Sciences Tools & Services (6.83%)		
750,000	ICON plc[1,2]	21,310,875	96,907,500
100,000	Mettler-Toledo International, Inc.[1]	5,044,069	56,558,000
900,000	PRA Health Sciences, Inc.[1]	16,553,917	82,764,000
		42,908,861	236,229,500
	Managed Health Care (1.55%)		
900,000	HealthEquity, Inc.[1]	15,080,649	53,685,000
	Pharmaceuticals (0.69%)		
900,000	Dechra Pharmaceuticals plc (United Kingdom)[2]	24,883,860	23,778,990
Total Health Care		195,069,838	604,641,145
Industrials (18.41%)			
	Aerospace & Defense (4.63%)		
1,050,000	Mercury Systems, Inc.[1]	27,591,526	49,654,500
325,000	TransDigm Group, Inc.[1]	0	110,519,500
		27,591,526	160,174,000
	Environmental & Facilities Services (3.49%)		
1,625,000	Waste Connections, Inc.[2]	70,958,333	120,656,250
	Human Resource & Employment Services (2.60%)		
1,650,000	ASGN, Inc.[1]	38,840,132	89,925,000
	Industrial Conglomerates (0.63%)		
600,000	Raven Industries, Inc.	21,713,675	21,714,000
	Industrial Machinery (3.70%)		
800,000	John Bean Technologies Corp.	70,318,359	57,448,000
150,000	Nordson Corp.	4,103,822	17,902,500
250,000	RBC Bearings, Incorporated[1]	15,921,126	32,775,000
600,000	Sun Hydraulics Corp.	30,492,020	19,914,000
		120,835,327	128,039,500
	Trading Companies & Distributors (3.36%)		
1,300,000	SiteOne Landscape Supply, Inc.[1]	38,519,369	71,851,000
2,500,000	Univar, Inc.[1]	56,006,026	44,350,000
		94,525,395	116,201,000
Total Industrials		374,464,388	636,709,750

Baron Small Cap Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (32.11%)			
	Application Software (17.54%)		
1,250,000	2U, Inc.[1]	$ 60,109,243	$ 62,150,000
1,050,000	Altair Engineering, Inc., Cl A[1]	17,162,705	28,959,000
800,000	Aspen Technology, Inc.[1]	29,983,938	65,744,000
300,000	Avalara, Inc.[1]	7,200,000	9,345,000
850,000	Ceridian HCM Holding, Inc.[1]	23,711,721	29,316,500
6,000,000	Cision Ltd.[1,2]	64,996,212	70,200,000
1,750,000	Guidewire Software, Inc.[1]	56,545,754	140,402,500
750,000	The Trade Desk, Inc., Cl A[1]	31,408,547	87,045,000
375,000	The Ultimate Software Group, Inc.[1]	10,480,696	91,826,250
1,450,000	Yext, Inc.[1]	19,421,005	21,532,500
		321,019,821	606,520,750
	Data Processing & Outsourced Services (1.82%)		
450,000	WEX, Inc.[1]	18,982,530	63,027,000
	Electronic Equipment & Instruments (2.07%)		
1,850,000	Cognex Corp.	14,811,234	71,539,500
	Internet Services & Infrastructure (3.80%)		
2,500,000	GTT Communications, Inc.[1]	77,310,807	59,150,000
800,000	Wix.com Ltd.[1,2]	46,089,878	72,272,000
		123,400,685	131,422,000
	IT Consulting & Other Services (6.12%)		
1,300,000	Gartner, Inc.[1]	21,268,349	166,192,000
1,178,446	LiveRamp Holdings, Inc. (formerly, Acxiom Corporation)[1]	25,943,360	45,523,369
		47,211,709	211,715,369
	Systems Software (0.76%)		
350,000	Qualys, Inc.[1]	12,310,703	26,159,000
Total Information Technology		537,736,682	1,110,383,619
Materials (3.59%)			
	Commodity Chemicals (0.73%)		
1,000,000	Orion Engineered Carbons SA[2]	28,618,002	25,280,000
	Construction Materials (0.91%)		
2,550,000	Summit Materials, Inc., Cl A[1]	53,071,791	31,620,000
	Metal & Glass Containers (1.10%)		
800,000	Berry Global Group, Inc.[1]	12,652,147	38,024,000
	Specialty Chemicals (0.85%)		
350,000	Ingevity Corp.[1]	31,058,811	29,291,500
Total Materials		125,400,751	124,215,500

Shares		Cost	Value
Common Stocks (continued)			
Real Estate (5.61%)			
	Office REITs (0.23%)		
100,000	SL Green Realty Corp.	$ 2,127,325	$ 7,908,000
	Specialized REITs (5.38%)		
2,250,000	Americold Realty Trust[3]	44,795,574	57,465,000
1,100,000	Gaming and Leisure Properties, Inc.	18,226,764	35,541,000
575,000	SBA Communications Corp.[1]	2,316,760	93,086,750
		65,339,098	186,092,750
Total Real Estate		67,466,423	194,000,750
TOTAL COMMON STOCKS		**1,911,770,101**	**3,414,754,341**

Principal Amount			
Short Term Investments (1.41%)			
$48,767,758	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $48,769,113; (Fully collateralized by $47,550,000 U.S. Treasury Bond, 3.00% due 2/15/2047; Market value - $47,743,671, $345,000 U.S. Treasury Note, 3.125% due 5/15/2048; Market value - $351,366 and $1,545,000 U.S. Treasury Note, 3.375% due 11/15/2048; Market value - $1,651,344)	**48,767,758**	**48,767,758**
TOTAL INVESTMENTS (100.15%)		**$1,960,537,859**	**3,463,522,099**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.15%)			**(5,090,242)**
NET ASSETS			**$3,458,431,857**
RETAIL SHARES (Equivalent to $23.94 per share based on 55,864,110 shares outstanding)			**$1,337,372,944**
INSTITUTIONAL SHARES (Equivalent to $24.95 per share based on 80,149,404 shares outstanding)			**$1,999,805,031**
R6 SHARES (Equivalent to $24.94 per share based on 4,860,976 shares outstanding)			**$ 121,253,882**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Opportunity Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (97.58%)			
Communication Services (12.86%)			
	Interactive Home Entertainment (3.08%)		
96,800	Electronic Arts, Inc.[1]	$ 10,509,914	$ 7,638,488
37,100	Take-Two Interactive Software, Inc.[1]	4,329,863	3,819,074
		14,839,777	11,457,562
	Interactive Media & Services (6.83%)		
19,350	Alphabet, Inc., Cl C[1]	15,931,280	20,039,054
29,500	IAC/InterActiveCorp.[1]	5,429,439	5,399,680
		21,360,719	25,438,734
	Movies & Entertainment (2.95%)		
206,014	Manchester United plc, Cl A[2]	3,264,749	3,910,146
17,325	Netflix, Inc.[1]	838,544	4,637,209
21,500	Spotify Technology SA[1,2]	3,221,728	2,440,250
		7,325,021	10,987,605
Total Communication Services		43,525,517	47,883,901
Consumer Discretionary (14.78%)			
	Automobile Manufacturers (3.77%)		
42,200	Tesla, Inc.[1]	8,953,652	14,044,160
	Education Services (1.12%)		
188,736	Arco Platform Ltd., Cl A[1,2]	3,471,822	4,174,841
	Internet & Direct Marketing Retail (9.89%)		
36,900	Alibaba Group Holding Limited, ADR[1,2]	2,789,515	5,057,883
14,975	Amazon.com, Inc.[1]	4,786,248	22,492,001
54,550	Expedia Group, Inc.	6,241,642	6,145,057
19,900	Stamps.com, Inc.[1]	3,815,221	3,097,236
		17,632,626	36,792,177
Total Consumer Discretionary		30,058,100	55,011,178
Energy (0.69%)			
	Oil & Gas Exploration & Production (0.69%)		
24,815	Concho Resources, Inc.[1]	2,557,949	2,550,734
Financials (3.05%)			
	Financial Exchanges & Data (1.15%)		
20,300	MarketAxess Holdings, Inc.	2,778,366	4,289,593
	Investment Banking & Brokerage (1.90%)		
170,200	The Charles Schwab Corp.	6,562,164	7,068,406
Total Financials		9,340,530	11,357,999
Health Care (12.72%)			
	Biotechnology (7.95%)		
61,300	Acceleron Pharma, Inc.[1]	2,045,685	2,669,615
98,202	argenx SE, ADR[1,2]	4,010,142	9,434,266
162,000	Arrowhead Pharmaceuticals, Inc.[1]	2,493,521	2,012,040
29,700	Neurocrine Biosciences, Inc.[1]	2,480,850	2,120,877
68,000	Sage Therapeutics, Inc.[1]	5,677,501	6,513,720
41,300	Vertex Pharmaceuticals, Inc.[1]	6,450,310	6,843,823
		23,158,009	29,594,341
	Health Care Equipment (2.45%)		
29,000	Edwards Lifesciences Corp.[1]	2,557,211	4,441,930
9,735	Intuitive Surgical, Inc.[1]	2,213,294	4,662,286
		4,770,505	9,104,216

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Health Care Services (0.76%)		
75,637	Guardant Health, Inc.[1]	$ 1,918,859	$ 2,843,195
	Life Sciences Tools & Services (1.56%)		
19,415	Illumina, Inc.[1]	1,838,580	5,823,141
Total Health Care		31,685,953	47,364,893
Industrials (3.93%)			
	Electrical Components & Equipment (0.27%)		
100,125	Bloom Energy Corp., Cl A[1,3]	1,844,270	999,247
	Research & Consulting Services (3.66%)		
30,533	CoStar Group, Inc.[1]	635,568	10,300,002
30,590	Verisk Analytics, Inc.[1]	1,652,699	3,335,534
		2,288,267	13,635,536
Total Industrials		4,132,537	14,634,783
Information Technology (47.15%)			
	Application Software (20.79%)		
85,160	2U, Inc.[1]	4,738,198	4,234,155
27,300	Adobe, Inc. (formerly, Adobe Systems, Inc.)[1]	5,047,272	6,176,352
79,053	Anaplan, Inc.[1]	1,385,090	2,098,067
19,475	ANSYS, Inc.[1]	1,820,101	2,783,756
116,214	Benefitfocus, Inc.[1]	3,237,786	5,313,304
98,570	Ceridian HCM Holding, Inc.[1]	2,974,654	3,399,679
242,500	Guidewire Software, Inc.[1]	9,488,566	19,455,775
342,000	Opera Ltd., ADR[1,2]	2,739,054	1,901,520
57,900	RingCentral, Inc., Cl A[1]	4,555,398	4,773,276
29,980	salesforce.com, Inc.[1]	1,902,086	4,106,361
40,500	Splunk, Inc.[1]	2,494,218	4,246,425
159,800	SS&C Technologies Holdings, Inc.	5,901,998	7,208,578
57,000	The Trade Desk, Inc., Cl A[1]	1,515,394	6,615,420
341,900	Yext, Inc.[1]	5,065,821	5,077,215
		52,865,636	77,389,883
	Data Processing & Outsourced Services (4.72%)		
42,000	MasterCard Incorporated, Cl A	3,610,011	7,923,300
133,500	Pagseguro Digital Ltd., Cl A[1,2]	4,205,022	2,500,455
54,200	Visa, Inc., Cl A	4,409,505	7,151,148
		12,224,538	17,574,903
	Internet Services & Infrastructure (2.22%)		
91,443	Wix.com Ltd.[1,2]	5,389,804	8,260,961
	IT Consulting & Other Services (6.06%)		
136,487	Gartner, Inc.[1]	5,997,133	17,448,498
132,383	LiveRamp Holdings, Inc. (formerly, Acxiom Corporation)[1]	3,377,705	5,113,955
		9,374,838	22,562,453
	Semiconductors (4.92%)		
465,900	Aquantia Corp.[1]	5,695,064	4,085,943
97,200	Mellanox Technologies Ltd.[1,2]	6,190,598	8,979,336
39,400	NVIDIA Corp.	8,380,119	5,259,900
		20,265,781	18,325,179

Baron Opportunity Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Systems Software (8.44%)		
208,100	Microsoft Corp.	$ 18,829,508	$ 21,136,717
28,800	Proofpoint, Inc.[1]	2,314,362	2,413,728
30,700	ServiceNow, Inc.[1]	1,980,542	5,466,135
45,500	Varonis Systems, Inc.[1]	1,258,508	2,406,950
		24,382,920	31,423,530
Total Information Technology		124,503,517	175,536,909
Real Estate (2.40%)			
	Specialized REITs (2.40%)		
20,025	Equinix, Inc.	4,415,656	7,060,014
11,600	SBA Communications Corp.[1]	38,797	1,877,924
Total Real Estate		4,454,453	8,937,938
TOTAL COMMON STOCKS		**250,258,556**	**363,278,335**

Principal Amount		Cost	Value
Short Term Investments (2.46%)			
$9,141,716	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $9,141,970; (Fully collateralized by $9,190,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $9,327,749)	**9,141,716**	**9,141,716**
TOTAL INVESTMENTS (100.04%)		**$259,400,272**	**372,420,051**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.04%)			**(134,627)**
NET ASSETS			**$372,285,424**
RETAIL SHARES (Equivalent to $17.52 per share based on 15,961,305 shares outstanding)			**$279,659,503**
INSTITUTIONAL SHARES (Equivalent to $18.22 per share based on 4,441,440 shares outstanding)			**$ 80,907,123**
R6 SHARES (Equivalent to $18.23 per share based on 642,673 shares outstanding)			**$ 11,718,798**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
[ADR] American Depositary Receipt.

Baron Partners Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (124.07%)			
Communication Services (8.22%)			
	Interactive Media & Services (3.07%)		
1,912,500	Zillow Group, Inc., Cl A[1]	$ 75,834,876	$ 60,109,875
	Movies & Entertainment (5.15%)		
5,300,000	Manchester United plc, Cl A[2]	90,320,699	100,594,000
Total Communication Services		166,155,575	160,703,875
Consumer Discretionary (42.87%)			
	Automobile Manufacturers (18.89%)		
1,110,000	Tesla, Inc.[1]	236,819,490	369,408,000
	Casinos & Gaming (0.86%)		
825,000	Red Rock Resorts, Inc., Cl A	19,726,484	16,755,750
	Hotels, Resorts & Cruise Lines (13.14%)		
2,600,000	Hyatt Hotels Corp., Cl A	72,054,423	175,760,000
850,000	Marriott Vacations Worldwide Corp.	94,527,425	59,933,500
500,000	Norwegian Cruise Line Holdings Ltd.[1,2]	23,556,905	21,195,000
		190,138,753	256,888,500
	Leisure Facilities (9.98%)		
925,800	Vail Resorts, Inc.	27,801,851	195,177,156
Total Consumer Discretionary		474,486,578	838,229,406
Financials (24.32%)			
	Financial Exchanges & Data (8.30%)		
770,000	FactSet Research Systems, Inc.	50,187,585	154,100,100
55,000	MSCI, Inc.	7,701,455	8,108,650
		57,889,040	162,208,750
	Investment Banking & Brokerage (6.32%)		
2,900,000	The Charles Schwab Corp.	50,169,842	120,437,000
55,701	Interactive Brokers Group, Inc., Cl A	3,086,946	3,044,060
		53,256,788	123,481,060
	Property & Casualty Insurance (9.70%)		
7,100,000	Arch Capital Group Ltd.[1,2]	31,667,350	189,712,000
Total Financials		142,813,178	475,401,810
Health Care (11.56%)			
	Health Care Equipment (8.56%)		
900,000	IDEXX Laboratories, Inc.[1]	39,330,858	167,418,000
	Health Care Supplies (3.00%)		
280,000	Align Technology, Inc.[1]	64,735,438	58,640,400
Total Health Care		104,066,296	226,058,400
Industrials (19.03%)			
	Aerospace & Defense (0.88%)		
125,625	HEICO Corp.	9,632,520	9,733,425
116,875	HEICO Corp., Cl A	7,586,429	7,363,125
		17,218,949	17,096,550
	Research & Consulting Services (15.10%)		
875,000	CoStar Group, Inc.[1]	104,342,327	295,172,500

Shares		Cost	Value
Common Stocks (continued)			
Industrials (continued)			
	Trading Companies & Distributors (3.05%)		
850,000	Air Lease Corp.	$ 27,229,908	$ 25,678,500
650,000	Fastenal Co.	28,501,411	33,988,500
		55,731,319	59,667,000
Total Industrials		177,292,595	371,936,050
Information Technology (12.53%)			
	Application Software (6.73%)		
774,629	Benefitfocus, Inc.[1]	25,012,214	35,416,038
1,200,000	Guidewire Software, Inc.[1]	94,569,830	96,276,000
		119,582,044	131,692,038
	IT Consulting & Other Services (5.56%)		
850,000	Gartner, Inc.[1]	94,205,471	108,664,000
	Semiconductors (0.24%)		
35,000	NVIDIA Corp.	6,864,000	4,672,500
Total Information Technology		220,651,515	245,028,538
Real Estate (5.54%)			
	Hotel & Resort REITs (0.52%)		
382,727	MGM Growth Properties LLC, Cl A	7,926,651	10,107,820
	Office REITs (1.72%)		
985,000	Douglas Emmett, Inc.	28,168,798	33,618,050
	Specialized REITs (3.30%)		
2,000,000	Gaming and Leisure Properties, Inc.	61,015,366	64,620,000
Total Real Estate		97,110,815	108,345,870
TOTAL COMMON STOCKS		**1,382,576,552**	**2,425,703,949**
Private Common Stocks (2.39%)			
Industrials (2.39%)			
	Aerospace & Defense (2.39%)		
221,631	Space Exploration Technologies Corp., Cl A[1,3,4]	29,920,185	41,116,983
30,221	Space Exploration Technologies Corp., Cl C[1,3,4]	4,079,835	5,606,600
TOTAL PRIVATE COMMON STOCKS		**34,000,020**	**46,723,583**
Private Preferred Stocks (4.20%)			
Industrials (4.20%)			
	Aerospace & Defense (4.20%)		
311,111	Space Exploration Technologies Corp., Cl H[1,3,4]	41,999,985	57,717,313
131,657	Space Exploration Technologies Corp., Cl I[1,3,4]	22,250,032	24,425,006
TOTAL PREFERRED STOCKS		**64,250,017**	**82,142,319**
Private Partnerships (0.01%)			
Financials (0.01%)			
	Asset Management & Custody Banks (0.01%)		
7,579,130	Windy City Investments Holdings, L.L.C.[1,3,4]	**0**	**197,058**

Baron Partners Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018

Principal Amount		Cost	Value
Short Term Investments (0.02%)			
$439,881	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $439,893; (Fully collateralized by $445,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $451,670)	439,881	439,881
TOTAL INVESTMENTS (130.69%)		$1,481,266,470	2,555,206,790
LIABILITIES LESS CASH AND OTHER ASSETS (-30.69%)			(600,049,217)
NET ASSETS			$1,955,157,573
RETAIL SHARES (Equivalent to $47.77 per share based on 21,274,807 shares outstanding)			$1,016,235,268
INSTITUTIONAL SHARES (Equivalent to $48.86 per share based on 16,693,599 shares outstanding)			$ 815,586,111
R6 SHARES (Equivalent to $48.86 per share based on 2,524,313 shares outstanding)			$ 123,336,194

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] At December 31, 2018, the market value of restricted and fair valued securities amounted to $129,062,960 or 6.60% of net assets. These securities are not deemed liquid.
[4] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron Fifth Avenue Growth Fund — PORTFOLIO HOLDINGS

DECEMBER 31, 2018 (UNAUDITED)

Shares		Cost	Value
Common Stocks (97.46%)			
Communication Services (14.60%)			
	Cable & Satellite (2.96%)		
36,250	Naspers Limited, Cl N (South Africa)[2]	$ 6,573,681	$ 7,257,846
	Interactive Home Entertainment (3.37%)		
176,932	Activision Blizzard, Inc.	11,883,837	8,239,723
	Interactive Media & Services (8.27%)		
1,948	Alphabet, Inc., Cl A[1]	280,365	2,035,582
10,046	Alphabet, Inc., Cl C[1]	4,142,964	10,403,738
59,639	Facebook, Inc., Cl A[1]	1,468,318	7,818,077
		5,891,647	20,257,397
Total Communication Services		24,349,165	35,754,966
Consumer Discretionary (26.24%)			
	Automobile Manufacturers (1.32%)		
9,741	Tesla, Inc.[1]	2,746,853	3,241,805
	Internet & Direct Marketing Retail (24.92%)		
92,830	Alibaba Group Holding Limited, ADR[1,2]	7,959,441	12,724,208
25,020	Amazon.com, Inc.[1]	6,139,601	37,579,289
4,337	Booking Holdings, Inc.[1]	2,941,040	7,470,136
120,389	Ctrip.com International Ltd., ADR[1,2]	4,281,276	3,257,726
482	Meituan Dianping (Hong Kong)[1,2]	4,280	2,702
		21,325,638	61,034,061
Total Consumer Discretionary		24,072,491	64,275,866
Financials (8.58%)			
	Financial Exchanges & Data (6.08%)		
54,208	CME Group, Inc.	5,248,889	10,197,609
27,643	S&P Global, Inc.	5,226,365	4,697,651
		10,475,254	14,895,260
	Investment Banking & Brokerage (2.50%)		
147,148	The Charles Schwab Corp.	5,308,760	6,111,057
Total Financials		15,784,014	21,006,317
Health Care (17.43%)			
	Biotechnology (5.27%)		
9,053	Biogen, Inc.[1]	2,533,665	2,724,229
40,621	Sage Therapeutics, Inc.[1]	6,350,907	3,891,086
37,971	Vertex Pharmaceuticals, Inc.[1]	5,909,493	6,292,174
		14,794,065	12,907,489
	Health Care Equipment (4.07%)		
20,817	Intuitive Surgical, Inc.[1]	6,555,838	9,969,677
	Health Care Technology (3.66%)		
100,453	Veeva Systems, Inc., Cl A[1]	7,493,347	8,972,462
	Life Sciences Tools & Services (4.43%)		
36,146	Illumina, Inc.[1]	2,755,776	10,841,270
Total Health Care		31,599,026	42,690,898
Information Technology (27.80%)			
	Application Software (2.56%)		
31,105	RingCentral, Inc., Cl A[1]	2,480,387	2,564,296
35,265	Splunk, Inc.[1]	4,025,807	3,697,535
		6,506,194	6,261,831

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (continued)			
	Data Processing & Outsourced Services (13.72%)		
66,851	MasterCard Incorporated, Cl A	$ 3,750,511	$ 12,611,441
140,702	Pagseguro Digital Ltd., Cl A[1,2]	3,735,316	2,635,349
83,299	Visa, Inc., Cl A	2,537,808	10,990,470
96,219	Worldpay, Inc., Cl A[1]	7,601,671	7,354,018
		17,625,306	33,591,278
	Internet Services & Infrastructure (1.63%)		
44,145	Wix.com Ltd.[1,2]	3,671,496	3,988,059
	IT Consulting & Other Services (2.31%)		
48,866	EPAM Systems, Inc.[1]	4,356,850	5,668,945
	Semiconductor Equipment (2.49%)		
39,157	ASML Holding N.V.[2]	4,042,938	6,093,612
	Systems Software (2.73%)		
38,097	Red Hat, Inc.[1]	1,910,187	6,691,357
	Technology Hardware, Storage & Peripherals (2.36%)		
36,662	Apple, Inc.	869,664	5,783,064
Total Information Technology		38,982,635	68,078,146
Real Estate (2.81%)			
	Specialized REITs (2.81%)		
19,555	Equinix, Inc.	3,178,515	6,894,311
TOTAL COMMON STOCKS		**137,965,846**	**238,700,504**

Principal Amount			
Short Term Investments (0.11%)			
$269,831	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $269,838; (Fully collateralized by $275,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $279,122)	**269,831**	**269,831**
TOTAL INVESTMENTS (97.57%)		**$138,235,677**	**238,970,335**
CASH AND OTHER ASSETS LESS LIABILITIES (2.43%)			**5,955,499**
NET ASSETS			**$244,925,834**
RETAIL SHARES (Equivalent to $25.75 per share based on 3,829,329 shares outstanding)			**$ 98,620,130**
INSTITUTIONAL SHARES (Equivalent to $26.27 per share based on 4,892,833 shares outstanding)			**$128,517,995**
R6 SHARES (Equivalent to $26.28 per share based on 676,970 shares outstanding)			**$ 17,787,709**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
ADR American Depositary Receipt.

Baron Focused Growth Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (87.64%)			
Communication Services (5.12%)			
	Movies & Entertainment (5.12%)		
550,000	Manchester United plc, Cl A[2]	$ 8,719,507	$ 10,439,000
Consumer Discretionary (47.87%)			
	Automobile Manufacturers (14.70%)		
90,000	Tesla, Inc.[1]	20,342,220	29,952,000
	Casinos & Gaming (2.54%)		
254,939	Red Rock Resorts, Inc., Cl A	5,783,325	5,177,811
	Hotels, Resorts & Cruise Lines (16.54%)		
150,000	Choice Hotels International, Inc.	5,080,139	10,737,000
340,000	Hyatt Hotels Corp., Cl A	12,201,302	22,984,000
		17,281,441	33,721,000
	Leisure Facilities (14.09%)		
136,230	Vail Resorts, Inc.	8,272,836	28,720,009
Total Consumer Discretionary		51,679,822	97,570,820
Financials (11.30%)			
	Financial Exchanges & Data (7.37%)		
75,000	FactSet Research Systems, Inc.	5,828,282	15,009,750
	Property & Casualty Insurance (3.93%)		
300,000	Arch Capital Group Ltd.[1,2]	1,800,056	8,016,000
Total Financials		7,628,338	23,025,750
Industrials (12.10%)			
	Electrical Components & Equipment (0.51%)		
105,000	Bloom Energy Corp., Cl A[1,4]	1,723,142	1,047,900
	Research & Consulting Services (11.59%)		
70,000	CoStar Group, Inc.[1]	12,744,374	23,613,800
Total Industrials		14,467,516	24,661,700
Information Technology (9.06%)			
	Application Software (9.06%)		
225,000	Benefitfocus, Inc.[1]	5,980,203	10,287,000
101,870	Guidewire Software, Inc.[1]	4,816,691	8,173,030
Total Information Technology		10,796,894	18,460,030
Real Estate (2.19%)			
	Residential REITs (2.19%)		
225,000	American Homes 4 Rent, Cl A	4,700,804	4,466,250
TOTAL COMMON STOCKS		**97,992,881**	**178,623,550**
Private Common Stocks (2.16%)			
Industrials (2.16%)			
	Aerospace & Defense (2.16%)		
20,859	Space Exploration Technologies Corp., Cl A[1,3,4]	2,815,965	3,869,761
2,844	Space Exploration Technologies Corp., Cl C[1,3,4]	383,940	527,619
TOTAL PRIVATE COMMON STOCKS		**3,199,905**	**4,397,380**

Shares		Cost	Value
Preferred Stocks (6.91%)			
Communication Services (6.91%)			
	Alternative Carriers (6.91%)		
22,300	Iridium Communications, Inc., Series B, 6.75%	**$ 5,720,004**	**$ 14,077,544**
Private Preferred Stocks (2.83%)			
Industrials (2.83%)			
	Aerospace & Defense (2.83%)		
29,630	Space Exploration Technologies Corp., Cl H[1,3,4]	4,000,050	5,496,958
1,479	Space Exploration Technologies Corp., Cl I[1,3,4]	249,951	274,384
TOTAL PRIVATE PREFERRED STOCKS		**4,250,001**	**5,771,342**

Principal Amount			
Short Term Investments (0.06%)			
$119,757	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $119,761; (Fully collateralized by $125,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $126,874)	**119,757**	**119,757**
TOTAL INVESTMENTS (99.60%)		**$111,282,548**	**202,989,573**
CASH AND OTHER ASSETS LESS LIABILITIES (0.40%)			**816,180**
NET ASSETS			**$203,805,753**
RETAIL SHARES (Equivalent to $15.81 per share based on 2,584,537 shares outstanding)			**$ 40,867,711**
INSTITUTIONAL SHARES (Equivalent to $16.15 per share based on 4,381,939 shares outstanding)			**$ 70,762,850**
R6 SHARES (Equivalent to $16.16 per share based on 5,705,546 shares outstanding)			**$ 92,175,192**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2018, the market value of restricted and fair valued securities amounted to $10,168,722 or 4.99% of net assets. These securities are not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

Baron International Growth Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (95.42%)			
Argentina (1.44%)			
100,117	Bolsas y Mercados Argentinos SA	$ 923,767	$ 993,189
170,109	YPF SA, ADR	3,325,666	2,277,760
Total Argentina		4,249,433	3,270,949
Australia (1.72%)			
88,108	Domino's Pizza Enterprises Ltd.	2,052,472	2,524,045
315,608	NEXTDC Ltd.[1]	1,496,997	1,359,823
Total Australia		3,549,469	3,883,868
Belgium (1.17%)			
41,131	KBC Group NV	3,196,985	2,646,323
Brazil (4.69%)			
142,966	Arco Platform Ltd., Cl A[1]	2,786,706	3,162,408
156,192	Itaú Unibanco Holding SA, ADR	1,256,447	1,427,595
123,537	Pagseguro Digital Ltd., Cl A[1]	2,953,746	2,313,848
218,000	Petróleo Brasileiro S.A. - Petrobras, ADR	3,338,469	2,836,180
78,119	Smiles Fidelidade SA	1,023,660	881,374
Total Brazil		11,359,028	10,621,405
Canada (5.21%)			
171,714	BlackBerry Limited[1]	1,854,674	1,220,887
7,775	Constellation Software, Inc.	2,245,621	4,976,752
344,653	Encana Corp.	3,568,925	1,992,094
128,070	The Stars Group, Inc.[1]	4,004,273	2,115,716
53,304	Suncor Energy, Inc.	1,771,901	1,490,913
Total Canada		13,445,394	11,796,362
China (7.95%)			
11,863	Alibaba Group Holding Limited, ADR[1]	1,210,593	1,626,061
5,338	Baidu, Inc., ADR[1]	974,551	846,607
17,402,000	China Tower Corporation Limited, Cl H, 144A[1]	2,593,762	3,290,739
1,011,371	Haitong Securities Co., Ltd., Cl H	1,506,781	965,666
367,517	Hua Hong Semiconductor Limited, 144A	762,509	679,567
660,390	Kangde Xin Composite Material Group Co. Ltd., Cl A	2,000,107	733,231
647,374	Kingdee International Software Group Co. Ltd.	127,078	572,338
172,194	Midea Group Co. Ltd., Cl A	1,290,425	930,053
25,197	Momo, Inc., ADR[1]	1,087,966	598,429
45,237	Tencent Holdings Ltd.	66,427	1,813,113
3,253,500	WH Group Limited, 144A	2,588,141	2,498,840
16,200	YY, Inc., ADR[1]	1,155,256	969,732
106,554	Zai Lab Ltd., ADR[1]	2,391,984	2,474,184
Total China		17,755,580	17,998,560
Finland (2.54%)			
987,335	Nokia Corporation, ADR	5,932,556	5,746,290
France (7.24%)			
41,251	BNP Paribas SA	2,522,152	1,862,925
71,401	Danone SA	5,683,146	5,032,528
7,330	Eurofins Scientific SE	852,055	2,737,609
8,587	LVMH Moet Hennessy Louis Vuitton SE	2,187,513	2,514,065
23,500	Sodexo SA	2,503,247	2,410,051
75,582	Vivendi SA	1,797,212	1,831,904
Total France		15,545,325	16,389,082

Shares		Cost	Value
Common Stocks (continued)			
Germany (4.57%)			
43,801	Fresenius Medical Care Ag & Co.	$ 4,048,917	$ 2,839,234
22,674	Linde PLC	3,302,413	3,599,353
170,925	RIB Software SE	1,707,159	2,330,178
21,419	Symrise AG	802,001	1,586,999
Total Germany		9,860,490	10,355,764
India (3.82%)			
28,000	Britannia Industries Ltd.	1,167,051	1,248,390
50,000	Godrej Properties Ltd.[1]	632,253	467,116
41,000	HDFC Bank Ltd.	1,245,351	1,247,213
60,669	Housing Development Finance Corp. Ltd.	1,741,868	1,709,306
1,027,162	JM Financial Ltd.	1,388,419	1,379,026
88,551	Kotak Mahindra Bank Ltd.	1,578,501	1,592,955
320,408	Tata Global Beverages Ltd.	1,434,666	1,005,901
Total India		9,188,109	8,649,907
Indonesia (0.26%)			
2,357,500	PT Tower Bersama Infrastructure Tbk	1,003,085	589,201
Ireland (2.28%)			
2,852,170	Glenveagh Properties PLC, 144A[1]	3,740,669	2,307,118
40,025	Ryanair Holdings plc, ADR[1]	2,731,479	2,855,384
Total Ireland		6,472,148	5,162,502
Israel (3.68%)			
52,066	Mellanox Technologies Ltd.[1]	2,468,634	4,809,857
38,904	Wix.com Ltd.[1]	2,052,823	3,514,587
Total Israel		4,521,457	8,324,444
Japan (12.60%)			
10,900	FANUC Corp.	1,461,013	1,654,179
6,274	KEYENCE CORPORATION	3,350,583	3,171,166
6,000	KOSE Corporation	642,144	942,467
43,493	Mercari, Inc.[1]	1,323,017	726,066
533,145	Mitsubishi UFJ Financial Group, Inc., ADR	3,538,457	2,596,416
67,200	MonotaRO Co. Ltd.	503,069	1,656,570
140,400	Recruit Holdings Co. Ltd.	2,768,693	3,391,886
71,600	SMS Co. Ltd.	884,612	1,133,630
19,600	SoftBank Group Corp.	1,770,766	1,283,783
56,223	Sony Corp., ADR	2,158,828	2,714,446
82,900	Square Enix Holdings Co. Ltd.	2,874,949	2,256,776
97,100	Takeda Pharmaceutical Co. Ltd.	4,591,603	3,291,153
52,300	TechnoPro Holdings, Inc.	2,127,107	2,148,599
86,020	ZOZO, Inc. (formerly, START TODAY CO., LTD.)	2,892,612	1,575,978
Total Japan		30,887,453	28,543,115
Korea, Republic of (1.53%)			
42,094	KB Financial Group, Inc.	2,034,172	1,756,027
56,386	KIA Motors Corp.[1]	1,623,096	1,699,580
Total Korea, Republic of		3,657,268	3,455,607
Mexico (2.03%)			
153,114	America Movil S.A.B. de C.V., Cl L, ADR	2,768,425	2,181,875
4,041,932	Telesites SAB de CV[1]	2,953,177	2,404,375
Total Mexico		5,721,602	4,586,250
Netherlands (4.82%)			
60,905	argenx SE, ADR[1]	2,682,646	5,851,143
13,707	Cimpress NV[1]	1,331,640	1,417,578
20,634	InterXion Holding N.V.[1]	682,420	1,117,538
56,000	Koninklijke Vopak NV	2,835,740	2,539,506
Total Netherlands		7,532,446	10,925,765

Baron International Growth Fund — PORTFOLIO HOLDINGS (Continued)

DECEMBER 31, 2018

Shares		Cost	Value
Common Stocks (continued)			
Nigeria (0.07%)			
1,672,685	Lekoil Ltd.[1]	$ 571,534	$ 165,017
Norway (3.50%)			
183,500	Golar LNG Ltd.	4,588,932	3,992,960
1,069,535	Komplett Bank ASA[1]	2,410,678	1,558,566
427,777	Opera Ltd., ADR[1]	3,935,487	2,378,440
Total Norway		10,935,097	7,929,966
Panama (0.43%)			
12,477	Copa Holdings, S.A., Cl A	930,163	982,065
Russia (0.91%)			
146,106	Sberbank of Russia PJSC, ADR	1,806,245	1,600,031
17,130	Yandex N.V., Cl A[1]	512,077	468,506
Total Russia		2,318,322	2,068,537
Spain (3.03%)			
23,163	Aena SME SA, 144A	3,511,216	3,598,872
127,745	Industria de Diseño Textil SA	3,951,253	3,260,648
Total Spain		7,462,469	6,859,520
Switzerland (2.13%)			
55,982	Julius Bäer Group Ltd.	2,300,928	1,995,003
28,753	Landis & Gyr Group AG	2,309,898	1,619,262
15,000	Nestle SA	1,264,405	1,217,441
Total Switzerland		5,875,231	4,831,706
United Kingdom (13.99%)			
256,721	Abcam plc	2,516,467	3,573,426
162,669	Adaptimmune Therapeutics PLC, ADR[1]	1,657,261	935,347
173,500	AstraZeneca PLC, ADR	6,226,877	6,589,530
534,000	B&M European Value Retail SA	2,642,952	1,916,324
116,500	Dechra Pharmaceuticals plc	4,120,163	3,078,058
76,252	Endava plc, ADR[1]	1,565,280	1,848,348
132,158	Experian plc	2,381,629	3,203,762
883,049	Horizon Discovery Group plc[1]	2,095,042	1,969,685
29,537	Intertek Group plc	1,087,552	1,807,747
650,000	Rentokil Initial PLC	2,766,779	2,796,297
1,148,151	Tullow Oil plc[1]	3,189,936	2,610,314
220,000	WANdisco PLC[1]	2,234,167	1,351,586
Total United Kingdom		32,484,105	31,680,424
United States (3.81%)			
35,103	Agilent Technologies, Inc.	1,106,817	2,368,048
119,567	Arch Capital Group Ltd.[1]	2,128,700	3,194,830
39,504	Worldpay, Inc., Cl A[1]	3,191,888	3,061,789
Total United States		6,427,405	8,624,667
TOTAL COMMON STOCKS		**220,882,154**	**216,087,296**

Principal Amount		Cost	Value
Short Term Investments (3.30%)			
$7,467,184	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $7,467,391; (Fully collateralized by $7,505,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $7,617,492)	**$ 7,467,184**	**$ 7,467,184**
TOTAL INVESTMENTS (98.72%)		**$228,349,338**	**223,554,480**
CASH AND OTHER ASSETS LESS LIABILITIES (1.28%)			**2,893,774**
NET ASSETS			**$226,448,254**
RETAIL SHARES (Equivalent to $19.00 per share based on 3,147,974 shares outstanding)			**$ 59,815,169**
INSTITUTIONAL SHARES (Equivalent to $19.29 per share based on 7,992,969 shares outstanding)			**$154,187,750**
R6 SHARES (Equivalent to $19.29 per share based on 645,114 shares outstanding)			**$ 12,445,335**

% Represents percentage of net assets.
[1] Non-income producing securities.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the market value of Rule 144A securities amounted to $12,375,136 or 5.46% of net assets. These securities have been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted.

Summary of Investments by Sector as of December 31, 2018	Percentage of Net Assets
Information Technology	18.6%
Health Care	15.8%
Consumer Discretionary	13.0%
Industrials	11.7%
Financials	11.7%
Communication Services	8.6%
Energy	7.9%
Consumer Staples	5.3%
Materials	2.6%
Real Estate	0.2%
Cash and Cash Equivalents*	4.6%
	100.0%

* Includes short term investments.

Baron Real Estate Fund — PORTFOLIO HOLDINGS

DECEMBER 31, 2018

Shares		Cost	Value
Common Stocks (100.43%)			
Communication Services (0.87%)			
	Integrated Telecommunication Services (0.87%)		
25,128,728	China Tower Corporation Limited, Cl H, 144A (Hong Kong)[1,2]	$ 4,477,605	$ 4,751,873
Consumer Discretionary (38.79%)			
	Casinos & Gaming (11.00%)		
532,700	Boyd Gaming Corp.	11,714,912	11,069,506
494,554	Caesars Entertainment Corp.[1]	4,359,884	3,358,022
1,041,700	MGM Resorts International	21,941,664	25,271,642
608,405	Penn National Gaming, Inc.[1]	16,572,424	11,456,266
423,051	Red Rock Resorts, Inc., Cl A	9,774,155	8,592,166
		64,363,039	59,747,602
	Home Improvement Retail (7.81%)		
115,600	Home Depot, Inc.	9,013,941	19,862,392
244,150	Lowe's Companies, Inc.	23,434,843	22,549,694
		32,448,784	42,412,086
	Homebuilding (4.84%)		
534,500	D.R. Horton, Inc.	18,954,658	18,525,770
198,750	Lennar Corp., Cl A	8,760,359	7,781,062
		27,715,017	26,306,832
	Hotels, Resorts & Cruise Lines (15.14%)		
490,687	Hilton Grand Vacations, Inc.[1]	13,013,938	12,949,230
127,975	Hilton Worldwide Holdings, Inc.	6,171,281	9,188,605
176,500	Hyatt Hotels Corp., Cl A	13,857,832	11,931,400
82,100	Marriott International, Inc., Cl A	6,003,694	8,912,776
170,800	Marriott Vacations Worldwide Corp.	17,282,813	12,043,108
331,090	Norwegian Cruise Line Holdings Ltd.[1,2]	10,343,920	14,034,905
134,800	Royal Caribbean Cruises Ltd.[2]	11,567,601	13,182,092
		78,241,079	82,242,116
Total Consumer Discretionary		202,767,919	210,708,636
Financials (3.75%)			
	Asset Management & Custody Banks (3.75%)		
531,700	Brookfield Asset Management, Inc., Cl A[2]	12,821,554	20,390,695
Industrials (5.76%)			
	Building Products (3.10%)		
348,550	Masco Corp.	10,946,290	10,191,602
112,283	Trex Co., Inc.[1]	6,864,819	6,665,119
		17,811,109	16,856,721
	Research & Consulting Services (1.46%)		
23,550	CoStar Group, Inc.[1]	4,303,421	7,944,357
	Trading Companies & Distributors (1.20%)		
117,601	SiteOne Landscape Supply, Inc.[1]	6,065,380	6,499,807
Total Industrials		28,179,910	31,300,885
Information Technology (8.46%)			
	Internet Services & Infrastructure (8.46%)		
429,225	GDS Holdings Ltd., ADR[1,2,3]	11,410,220	9,910,805
526,150	InterXion Holding N.V.[1,2,3]	15,223,378	28,496,284
1,746,246	NEXTDC Ltd. (Australia)[1,2]	6,079,603	7,523,844
Total Information Technology		**32,713,201**	**45,930,933**

Shares		Cost	Value
Common Stocks (continued)			
Materials (1.40%)			
	Specialty Chemicals (1.40%)		
19,300	The Sherwin-Williams Co.	$ 4,773,183	$ 7,593,778
Real Estate (41.40%)			
	Hotel & Resort REITs (3.18%)		
451,000	MGM Growth Properties LLC, Cl A	9,305,222	11,910,910
206,650	Park Hotels & Resorts, Inc.	5,876,449	5,368,767
		15,181,671	17,279,677
	Industrial REITs (1.80%)		
166,050	Prologis, Inc.	8,270,867	9,750,456
	Office REITs (1.98%)		
314,950	Douglas Emmett, Inc.	6,726,878	10,749,243
	Real Estate Services (6.39%)		
866,600	CBRE Group, Inc., Cl A[1]	25,934,836	34,698,664
	Residential REITs (1.85%)		
70,650	Equity LifeStyle Properties, Inc.	7,006,874	6,862,235
159,950	Invitation Homes, Inc.	3,184,254	3,211,796
		10,191,128	10,074,031
	Specialized REITs (26.20%)		
94,000	Alexandria Real Estate Equities, Inc.[3]	6,192,451	10,832,560
251,200	American Tower Corp.	20,337,015	39,737,328
605,140	Americold Realty Trust[3]	15,061,169	15,455,276
109,400	CyrusOne, Inc.	7,181,305	5,785,072
130,294	Digital Realty Trust, Inc.	14,405,764	13,882,826
98,041	Equinix, Inc.	19,048,828	34,565,335
392,369	Gaming and Leisure Properties, Inc.	10,610,256	12,677,442
57,900	SBA Communications Corp.[1]	3,415,994	9,373,431
		96,252,782	142,309,270
Total Real Estate		**162,558,162**	**224,861,341**
TOTAL INVESTMENTS (100.43%)		**$448,291,534**	**545,538,141**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.43%)			**(2,342,882)**
NET ASSETS			**$543,195,259**
RETAIL SHARES (Equivalent to $20.77 per share based on 10,257,307 shares outstanding)			**$213,014,931**
INSTITUTIONAL SHARES (Equivalent to $21.10 per share based on 15,208,894 shares outstanding)			**$320,849,321**
R6 SHARES (Equivalent to $21.10 per share based on 442,266 shares outstanding)			**$ 9,331,007**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the market value of Rule 144A securities amounted to $4,751,873 or 0.87% of net assets. This security has been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted.

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (95.50%)			
Argentina (1.99%)			
284,034	Banco Macro SA, ADR	$ 25,072,115	$ 12,559,983
2,296,280	Loma Negra Cia Industrial Argentina SA, ADR[1]	45,062,984	25,557,596
4,013,686	YPF SA, ADR	80,410,178	53,743,256
Total Argentina		150,545,277	91,860,835
Brazil (10.16%)			
9,979,864	B3 SA - Brasil Bolsa Balcao	51,611,754	68,954,960
1,684,568	Banco do Brasil SA	19,659,069	20,166,589
6,328,443	Itaú Unibanco Holding SA, ADR	51,546,640	57,841,969
15,238,224	Kroton Educacional SA	46,472,357	34,811,994
3,333,160	Localiza Rent a Car SA	21,722,132	25,504,369
2,494,705	Pagseguro Digital Ltd., Cl A[1]	65,170,618	46,725,825
7,419,383	Petróleo Brasileiro S.A. - Petrobras, ADR	82,452,923	96,526,173
18,024,610	Rumo SA[1]	68,071,546	78,920,232
2,280,594	Smiles Fidelidade SA	29,709,099	25,730,702
733,235	StoneCo Ltd., Cl A[1]	18,849,742	13,520,853
Total Brazil		455,265,880	468,703,666
China (28.28%)			
819,144	Alibaba Group Holding Limited, ADR[1]	69,924,839	112,280,068
339,891	Baidu, Inc., ADR[1]	62,701,078	53,906,713
62,163,707	China Construction Bank Corp., Cl H	54,678,774	50,902,935
16,416,517	China Everbright Ltd.	40,650,140	29,098,148
19,577,732	China Mengniu Dairy Co. Ltd.	38,318,800	60,916,526
8,358,189	China Mobile Ltd.	92,948,500	80,878,794
574,002,680	China Tower Corporation Limited, Cl H, 144A[1]	89,595,106	108,544,599
15,161,727	CSPC Pharmaceutical Group Ltd.	33,306,277	21,764,206
25,756,546	Haitong Securities Co., Ltd., Cl H	40,785,839	24,592,576
4,408,290	Han's Laser Technology Industry Group Co. Ltd., Cl A	24,616,402	19,578,388
13,041,124	Hangzhou Hikvision Digital Technology Co. Ltd., Cl A	42,262,773	49,209,435
7,469,886	Hua Hong Semiconductor Limited, 144A	15,437,902	13,812,389
18,324,812	Industrial & Commercial Bank of China Ltd., Cl H	15,103,716	13,033,698
24,769,517	Kangde Xin Composite Material Group Co. Ltd., Cl A	78,615,355	27,501,617
23,855,166	Kingdee International Software Group Co. Ltd.	9,034,309	21,090,148
33,425,480	KunLun Energy Co. Ltd.	39,009,419	35,514,063
7,386,605	Midea Group Co. Ltd., Cl A	38,583,098	39,896,474
801,360	Momo, Inc., ADR[1]	27,936,559	19,032,300
434,594	New Oriental Education & Technology Group, Inc., ADR[1]	24,357,655	23,820,097
536,881	Pinduoduo, Inc., ADR[1]	10,656,207	12,047,610
5,166,486	Shenzhou International Group Holdings Ltd.	25,027,163	58,721,496
28,503,365	Sino Biopharmaceutical Ltd.	15,764,440	18,763,430
12,688,550	Sinopharm Group Co. Ltd., Cl H	51,949,515	53,422,027
1,102,592	Sunny Optical Technology Group Co., Ltd.	2,488,087	9,806,493
3,748,392	Tencent Holdings Ltd.	87,835,453	150,236,761
345,486	Tencent Music Entertainment Group, ADR[1]	4,633,390	4,567,325
143,569,583	Tongda Group Holdings Ltd.	36,830,198	14,246,657
96,626,312	WH Group Limited, 144A	81,375,707	74,213,512
3,845,201	Yunnan Baiyao Group Co. Ltd., Cl A	57,099,341	41,453,445
393,687	YY, Inc., ADR[1]	27,755,070	23,566,104
1,612,615	Zai Lab Ltd., ADR[1]	33,082,880	37,444,920
Total China		1,272,363,992	1,303,862,954

Shares		Cost	Value
Common Stocks (continued)			
Finland (0.69%)			
5,441,214	Nokia Corporation, ADR	$ 32,719,914	$ 31,667,865
Hong Kong (0.92%)			
7,926,950	Techtronic Industries Co. Ltd.	32,888,582	42,065,652
2,879,303	Tongda Hong Tai Holdings Ltd.[1]	901,617	455,952
Total Hong Kong		33,790,199	42,521,604
Hungary (0.47%)			
612,366	Wizz Air Holdings Plc, 144A[1]	20,204,511	21,877,387
India (16.23%)			
506,901	Bajaj Finance Ltd.	15,693,137	19,185,832
1,497,346	Britannia Industries Ltd.	45,166,247	66,759,712
8,257,953	Coal India Ltd.	37,988,208	28,469,116
2,126,431	Divi's Laboratories Ltd.	26,277,491	45,105,479
5,061,468	Edelweiss Financial Services Ltd.	13,883,263	13,194,433
14,517,461	Exide Industries Ltd.	43,645,168	55,685,816
831,235	HDFC Bank Ltd.	25,246,965	25,286,024
2,545,738	Housing Development Finance Corp. Ltd.	55,745,232	71,724,355
20,442,727	JM Financial Ltd.	38,101,847	27,445,583
3,986,670	JSW Steel Ltd.	17,568,591	17,500,073
3,861,415	Kotak Mahindra Bank Ltd.	48,365,030	69,463,474
4,025,216	Manpasand Beverages Ltd.	20,732,185	5,115,060
7,034,754	Max Financial Services Ltd.[1]	63,175,440	44,899,802
4,499,991	Motherson Sumi Systems Ltd.	8,834,502	10,755,473
648,373	Piramal Enterprises Ltd.	23,554,165	22,103,379
5,432,490	SBI Life Insurance Co. Ltd., 144A	58,298,884	46,510,522
5,970,727	Sun Pharmaceutical Industries Ltd.	52,892,179	36,793,306
2,839,810	Sun TV Network Ltd.	20,558,083	24,699,512
4,691,112	Tata Chemicals Ltd.	52,846,043	47,464,208
2,955,898	Tata Communications Ltd.	30,610,639	22,195,413
9,083,744	Tata Global Beverages Ltd.	32,152,953	28,517,833
2,879,370	Zee Entertainment Enterprises Ltd.	13,327,053	19,640,864
Total India		744,663,305	748,515,269
Indonesia (0.34%)			
61,902,105	PT Tower Bersama Infrastructure Tbk	31,519,830	15,470,953
Korea, Republic of (7.56%)			
72,787	Amorepacific Corp.	22,607,718	13,695,276
1,619,143	KB Financial Group, Inc.	70,462,855	67,545,480
2,642,104	KIA Motors Corp.	80,993,492	79,637,951
3,101,000	Samsung Electronics Co., Ltd.	98,195,642	107,951,041
322,471	Samsung Life Insurance Co., Ltd.	32,459,741	23,596,523
232,105	SK Telecom Co. Ltd.	50,537,097	56,002,246
Total Korea, Republic of		355,256,545	348,428,517
Malaysia (0.34%)			
66,219,593	My EG Services Bhd	23,320,275	15,648,126
Mexico (5.78%)			
3,438,804	America Movil S.A.B. de C.V., Cl L, ADR	62,853,746	49,002,957
696,064	Fomento Económico Mexicano, S.A.B. de C.V., ADR	64,793,431	59,896,307
3,408,095	GRUMA S.A.B. de C.V., Cl B	46,468,863	38,477,695
13,070,961	Grupo Lala S.A.B. de C.V.	25,303,050	14,107,399
13,308,307	Infraestructura Energetica Nova S.A.B. de C.V.	62,989,321	49,449,672
21,841,625	Wal-Mart de México, S.A.B de C.V.	50,801,831	55,549,476
Total Mexico		313,210,242	266,483,506

Baron Emerging Markets Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018

Shares		Cost	Value
Common Stocks (continued)			
Nigeria (0.07%)			
32,618,323	Lekoil Ltd.[1,2]	$ 14,881,766	$ 3,217,929
Panama (0.69%)			
403,345	Copa Holdings, S.A., Cl A	24,503,014	31,747,285
Philippines (2.61%)			
68,863,365	Ayala Land, Inc.	53,955,565	53,226,153
22,137,056	BDO Unibank, Inc.	49,921,188	55,053,611
138,168,735	Metro Pacific Investments Corp.	15,125,467	12,160,081
Total Philippines		119,002,220	120,439,845
Russia (1.87%)			
5,527,249	Sberbank of Russia PJSC, ADR	53,976,176	60,529,822
937,278	Yandex N.V., Cl A[1]	13,048,513	25,634,553
Total Russia		67,024,689	86,164,375
South Africa (5.43%)			
3,377,622	Bid Corp. Ltd.	70,311,451	62,134,426
4,459,428	Bidvest Group Ltd.	53,485,713	64,058,085
8,149,856	FirstRand Ltd.	31,785,278	37,121,531
20,842,111	Pepkor Holdings Ltd., 144A[1]	30,647,007	30,406,666
1,243,641	Sasol Ltd.	41,899,428	36,956,660
664,897	Sasol Ltd., ADR	21,846,771	19,474,833
Total South Africa		249,975,648	250,152,201
Taiwan, Province of China (8.77%)			
14,783,879	Delta Electronics, Inc.	65,562,410	62,222,678
4,336,439	Eclat Textile Co., Ltd.	51,611,725	49,039,307
25,428,000	Far EasTone Telecommunications Co., Ltd.	60,414,153	63,162,216
3,175,065	Ginko International Co., Ltd.	39,134,743	21,982,724
6,242,936	Makalot Industrial Co. Ltd.	29,536,642	34,419,211
18,495,000	Taiwan Mobile Co., Ltd.	66,013,359	64,049,943
2,968,492	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	83,250,089	109,567,040
Total Taiwan, Province of China		395,523,121	404,443,119
Thailand (2.22%)			
3,952,229	Bangkok Bank PCL, Cl F	25,120,691	25,156,046
3,872,664	Bangkok Bank PCL, NVDR	20,554,524	24,169,574
25,071,634	CP All Plc, Cl C	56,363,517	52,941,698
Total Thailand		102,038,732	102,267,318
United Kingdom (1.08%)			
21,837,142	Tullow Oil plc[1]	58,186,424	49,646,599
TOTAL COMMON STOCKS		**4,463,995,584**	**4,403,119,353**
Private Preferred Stocks (0.01%)			
India (0.01%)			
3,098,340	Zee Entertainment Enterprises Ltd., 6.00% due 3/5/2022	**367,971**	**339,120**

Principal Amount		Cost	Value
Short Term Investments (4.06%)			
$187,316,031	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $187,321,234; (Fully collateralized by $188,245,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $191,066,604)	**$ 187,316,031**	**$ 187,316,031**
TOTAL INVESTMENTS (99.57%)		**$4,651,679,586**	**4,590,774,504**
CASH AND OTHER ASSETS LESS LIABILITIES (0.43%)			**20,011,020**
NET ASSETS			**$4,610,785,524**
RETAIL SHARES (Equivalent to $12.45 per share based on 60,524,659 shares outstanding)			**$ 753,457,881**
INSTITUTIONAL SHARES (Equivalent to $12.47 per share based on 308,692,007 shares outstanding)			**$3,850,048,975**
R6 SHARES (Equivalent to $12.48 per share based on 583,291 shares outstanding)			**$ 7,278,668**

% Represents percentage of net assets.
1 Non-income producing securities.
2 An "Affiliated" investment may include any company in which the Fund owns 5% or more of its outstanding shares.
ADR American Depositary Receipt.
NVDR Non-Voting Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the market value of Rule 144A securities amounted to $295,365,075 or 6.41% of net assets. These securities have been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted.

Summary of Investments by Sector as of December 31, 2018	Percentage of Net Assets
Financials	19.5%
Communication Services	17.5%
Consumer Discretionary	12.7%
Consumer Staples	11.5%
Information Technology	10.8%
Health Care	6.5%
Energy	5.8%
Industrials	5.2%
Materials	3.8%
Real Estate	1.1%
Utilities	1.1%
Cash and Cash Equivalents*	4.5%
	100.0%

* Includes short term investments.

Baron Energy and Resources Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (72.78%)			
Consumer Discretionary (13.83%)			
	Automobile Manufacturers (13.83%)		
14,100	Tesla, Inc.[1]	$ 3,242,965	$ 4,692,480
Energy (47.20%)			
	Integrated Oil & Gas (3.37%)		
87,900	Petróleo Brasileiro S.A. - Petrobras, ADR[2]	915,846	1,143,579
	Oil & Gas Equipment & Services (4.28%)		
52,900	Cactus, Inc., Cl A[1]	1,005,100	1,449,989
	Oil & Gas Exploration & Production (17.69%)		
41,548	Concho Resources, Inc.[1]	3,041,724	4,270,719
6,968	EOG Resources, Inc.	512,058	607,679
1,728,031	Lekoil Ltd. (Nigeria)[1,2]	529,285	170,477
84,900	Magnolia Oil & Gas Corp.[1]	896,911	951,729
		4,979,978	6,000,604
	Oil & Gas Refining & Marketing (7.10%)		
25,692	Marathon Petroleum Corp.	1,310,024	1,516,085
11,900	Valero Energy Corporation	668,324	892,143
		1,978,348	2,408,228
	Oil & Gas Storage & Transportation (14.76%)		
68,200	Energy Transfer LP (formerly Energy Transfer Equity, L.P.)	407,818	900,922
87,735	Golar LNG Ltd.[2]	1,586,534	1,909,114
21,500	MPLX LP	650,701	651,450
22,338	Noble Midstream Partners LP	502,605	644,228
25,000	Targa Resources Corp.	536,054	900,500
		3,683,712	5,006,214
Total Energy		12,562,984	16,008,614
Industrials (5.79%)			
	Heavy Electrical Equipment (5.79%)		
79,900	TPI Composites, Inc.[1]	1,366,447	1,963,942
Information Technology (5.96%)			
	Application Software (5.96%)		
24,600	Aspen Technology, Inc.[1]	929,117	2,021,628
TOTAL COMMON STOCKS		**18,101,513**	**24,686,664**
Private Common Stocks (4.59%)			
Energy (4.59%)			
	Oil & Gas Equipment & Services (4.59%)		
127,500	Gravity Oilfield Services, Inc., Cl A, 144A[1,3,4]	**1,498,125**	**1,558,050**

Principal Amount		Cost	Value
Short Term Investments (22.21%)			
$7,531,940	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $7,532,149; (Fully collateralized by $7,570,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $7,683,467)	**$ 7,531,940**	**$ 7,531,940**
TOTAL INVESTMENTS (99.58%)		**$27,131,578**	**33,776,654**
CASH AND OTHER ASSETS LESS LIABILITIES (0.42%)			**142,516**
NET ASSETS			**$33,919,170**
RETAIL SHARES (Equivalent to $6.12 per share based on 4,239,501 shares outstanding)			**$25,938,377**
INSTITUTIONAL SHARES (Equivalent to $6.23 per share based on 1,218,850 shares outstanding)			**$ 7,590,414**
R6 SHARES (Equivalent to $6.23 per share based on 62,711 shares outstanding)			**$ 390,379**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2018, the market value of restricted and fair valued securities amounted to $1,558,050 or 4.59% of net assets. This security is not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the market value of Rule 144A securities amounted to $1,558,050 or 4.59% of net assets. This security is not deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted.

Baron Global Advantage Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (98.79%)			
Argentina (4.74%)			
92,743	Bolsas y Mercados Argentinos SA	$ 1,568,116	$ 920,037
34,680	Globant SA[1]	1,568,088	1,953,177
4,629	MercadoLibre, Inc.	1,493,632	1,355,603
Total Argentina		4,629,836	4,228,817
Brazil (3.18%)			
42,198	Arco Platform Ltd., Cl A[1]	771,578	933,420
78,016	Pagseguro Digital Ltd., Cl A[1]	2,078,108	1,461,240
24,091	StoneCo Ltd., Cl A[1]	588,741	444,238
Total Brazil		3,438,427	2,838,898
Canada (3.58%)			
4,982	Constellation Software, Inc.	2,799,529	3,188,962
China (9.39%)			
30,481	Alibaba Group Holding Ltd., ADR[1]	3,947,296	4,178,031
49,581	Ctrip.com International Ltd., ADR[1]	2,135,193	1,341,662
43,518	Meituan Dianping, Cl B[1]	386,441	243,904
54,602	Pinduoduo, Inc., ADR[1]	1,293,814	1,225,269
51,834	TAL Education Group, ADR[1]	546,540	1,382,931
Total China		8,309,284	8,371,797
India (8.38%)			
19,071	HDFC Bank Ltd., ADR	1,806,751	1,975,565
117,600	Housing Development Finance Corp. Ltd.	3,189,841	3,313,296
121,500	Kotak Mahindra Bank Ltd.	1,978,335	2,185,679
Total India		6,974,927	7,474,540
Israel (6.54%)			
37,755	Mellanox Technologies Ltd.[1]	2,316,568	3,487,807
25,929	Wix.com Ltd.[1]	2,211,990	2,342,426
Total Israel		4,528,558	5,830,233
Japan (0.16%)			
8,883	Mercari, Inc.[1]	242,385	148,292
Netherlands (6.35%)			
18	Adyen NV, 144A[1]	5,091	9,724
44,012	argenx SE, ADR[1]	2,372,759	4,228,233
9,070	ASML Holding N.V.	1,356,327	1,420,901
Total Netherlands		3,734,177	5,658,858
South Africa (4.89%)			
21,775	Naspers Limited, Cl N	5,360,091	4,359,713
United Kingdom (1.51%)			
55,430	Endava plc, ADR[1]	1,177,506	1,343,623
United States (50.07%)			
63,371	Activision Blizzard, Inc.	4,435,400	2,951,187
43,812	Aerie Pharmaceuticals, Inc.[1]	2,446,820	1,581,613
4,162	Alphabet, Inc., Cl C[1]	4,036,919	4,310,209
2,921	Amazon.com, Inc.[1]	2,285,253	4,387,254
22,138	Anaplan, Inc.[1]	410,287	587,542
6,673	AnaptysBio, Inc.[1]	521,344	425,671
28,069	AxoGen, Inc.[1]	628,709	573,450
1,831	Elastic NV[1]	65,916	130,880

Shares		Cost	Value
Common Stocks (continued)			
United States (continued)			
27,205	EPAM Systems, Inc.[1]	$ 2,586,513	$ 3,156,052
18,531	Facebook, Inc., Cl A[1]	2,500,061	2,429,229
28,834	Guardant Health, Inc.[1]	764,879	1,083,870
9,362	Illumina, Inc.[1]	1,942,394	2,807,945
18,540	Okta, Inc.[1]	390,056	1,182,852
11,271	RingCentral, Inc., Cl A[1]	897,686	929,181
16,229	Sage Therapeutics, Inc.[1]	1,973,559	1,554,576
22,573	Splunk, Inc.[1]	1,988,191	2,366,779
21,976	Take-Two Interactive Software, Inc.[1]	2,248,828	2,262,209
41,435	Tenable Holdings, Inc.[1]	953,005	919,443
3,638	Tesla, Inc.[1]	1,048,764	1,210,726
27,470	Upwork, Inc.[1]	412,050	497,482
13,912	Varonis Systems, Inc.[1]	405,714	735,945
39,621	Veeva Systems, Inc., Cl A[1]	2,934,658	3,538,948
34,503	Worldpay, Inc., Cl A[1]	2,802,704	2,637,064
127,342	Yext, Inc.[1]	1,772,005	1,891,029
12,506	Zscaler, Inc.[1]	200,096	490,360
Total United States		40,651,811	44,641,496
TOTAL INVESTMENTS (98.79%)		**$81,846,531**	**88,085,229**
CASH AND OTHER ASSETS LESS LIABILITIES (1.21%)			**1,075,185**
NET ASSETS			**$89,160,414**
RETAIL SHARES (Equivalent to $19.77 per share based on 1,806,893 shares outstanding)			**$35,716,605**
INSTITUTIONAL SHARES (Equivalent to $20.02 per share based on 2,458,765 shares outstanding)			**$49,220,592**
R6 SHARES (Equivalent to $20.03 per share based on 210,843 shares outstanding)			**$ 4,223,217**

% Represents percentage of net assets.
[1] Non-income producing securities.
ADR American Depositary Receipt.
144A Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the market value of Rule 144A securities amounted to $9,724 or 0.01% of net assets. This security has been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted.

Summary of Investments by Sector as of December 31, 2018	Percentage of Net Assets
Information Technology	34.4%
Consumer Discretionary	18.4%
Communication Services	18.3%
Health Care	17.7%
Financials	9.4%
Industrials	0.6%
Cash and Cash Equivalents*	1.2%
	100.0%

* Includes short term investments.

Baron Discovery Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (90.29%)			
Communication Services (2.78%)			
	Cable & Satellite (1.15%)		
94,500	GCI Liberty, Inc., Cl A[1]	$ 4,998,117	$ 3,889,620
	Movies & Entertainment (1.63%)		
185,000	Liberty Media Corporation-Liberty Formula One, Cl A[1]	5,634,811	5,498,200
Total Communication Services		10,632,928	9,387,820
Consumer Discretionary (10.65%)			
	Casinos & Gaming (4.12%)		
285,000	Boyd Gaming Corp.	6,052,912	5,922,300
250,000	Red Rock Resorts, Inc., Cl A	5,703,194	5,077,500
175,000	Studio City International Holdings Ltd., ADR[1,2]	2,268,141	2,926,000
		14,024,247	13,925,800
	Hotels, Resorts & Cruise Lines (0.73%)		
300,000	Red Lion Hotels Corp.[1]	3,434,454	2,460,000
	Internet & Direct Marketing Retail (0.74%)		
335,000	JUST EAT plc (United Kingdom)[1,2]	2,365,361	2,505,224
	Restaurants (2.02%)		
450,000	Potbelly Corp.[1]	5,545,259	3,622,500
50,000	Wingstop, Inc.	1,072,182	3,209,500
		6,617,441	6,832,000
	Specialty Stores (3.04%)		
250,000	Hudson Ltd., Cl A[1,2]	4,398,812	4,287,500
600,000	Party City Holdco, Inc.[1]	8,454,966	5,988,000
		12,853,778	10,275,500
Total Consumer Discretionary		39,295,281	35,998,524
Consumer Staples (1.87%)			
	Agricultural Products (1.73%)		
300,000	Limoneira Co.	7,148,307	5,865,000
	Packaged Foods & Meats (0.14%)		
750,000	Barfresh Food Group, Inc.[1]	417,200	472,500
Total Consumer Staples		7,565,507	6,337,500
Financials (2.05%)			
	Property & Casualty Insurance (2.05%)		
125,000	Kinsale Capital Group, Inc.	4,496,768	6,945,000
Health Care (27.49%)			
	Biotechnology (4.78%)		
60,000	Emergent BioSolutions, Inc.[1]	2,841,009	3,556,800
100,000	Esperion Therapeutics, Inc.[1]	5,052,792	4,600,000
385,000	Flexion Therapeutics, Inc.[1]	7,945,336	4,358,200
140,000	Myovant Sciences Ltd.[1,2]	3,334,221	2,297,400
14,000	Sage Therapeutics, Inc.[1]	905,737	1,341,060
		20,079,095	16,153,460

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Health Care Equipment (8.32%)		
81,339	AxoGen, Inc.[1]	$ 1,502,670	$ 1,661,756
390,000	Intersect ENT, Inc.[1,4]	12,133,667	10,990,200
152,424	IntriCon Corp.[1]	6,149,700	4,020,945
509,431	RA Medical Systems, Inc.[1]	7,695,327	4,049,977
1,220,000	ViewRay, Inc.[1]	9,197,421	7,405,400
		36,678,785	28,128,278
	Health Care Services (0.21%)		
18,961	Guardant Health, Inc.[1]	360,259	712,744
	Health Care Supplies (3.40%)		
1,320,000	Cerus Corp.[1]	6,251,442	6,692,400
378,100	Sientra, Inc.[1]	3,170,888	4,805,651
		9,422,330	11,498,051
	Health Care Technology (1.70%)		
116,000	Teladoc Health, Inc.[1]	3,024,550	5,750,120
	Life Sciences Tools & Services (7.00%)		
260,000	Accelerate Diagnostics, Inc.[1]	4,117,791	2,990,000
397,699	CareDx, Inc.[1,4]	5,679,419	9,998,153
367,564	Myriad Genetics, Inc.[1,4]	9,182,457	10,685,085
		18,979,667	23,673,238
	Pharmaceuticals (2.08%)		
1,850,000	TherapeuticsMD, Inc.[1]	9,515,551	7,048,500
Total Health Care		98,060,237	92,964,391
Industrials (15.86%)			
	Aerospace & Defense (4.97%)		
70,000	Cubic Corp.	4,165,751	3,761,800
275,600	Mercury Systems, Inc.[1]	8,985,073	13,033,124
		13,150,824	16,794,924
	Electrical Components & Equipment (0.30%)		
100,074	Bloom Energy Corp., Cl A[1,4]	1,831,813	998,738
	Heavy Electrical Equipment (2.92%)		
402,000	TPI Composites, Inc.[1]	8,967,949	9,881,160
	Industrial Conglomerates (0.77%)		
72,000	Raven Industries, Inc.	2,637,579	2,605,680
	Industrial Machinery (5.43%)		
71,600	ESCO Technologies, Inc.	3,678,722	4,722,020
193,000	Kornit Digital Ltd.[1,2]	2,853,283	3,612,960
240,000	Luxfer Holdings plc[2]	5,563,295	4,231,200
175,000	Sun Hydraulics Corp.	8,114,134	5,808,250
		20,209,434	18,374,430
	Trading Companies & Distributors (1.47%)		
90,000	SiteOne Landscape Supply, Inc.[1]	4,257,644	4,974,300
Total Industrials		51,055,243	53,629,232

Baron Discovery Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (continued)			
Information Technology (24.66%)			
	Application Software (9.57%)		
33,000	2U, Inc.[1]	$ 1,643,785	$ 1,640,760
60,880	Anaplan, Inc.[1]	1,034,960	1,615,755
50,700	Envestnet, Inc.[1]	1,772,888	2,493,933
75,000	QAD, Inc., Cl A	2,888,702	2,949,750
20,000	QAD, Inc., Cl B	364,789	590,400
380,000	RIB Software SE (Germany)[2]	7,417,644	5,180,446
77,500	The Trade Desk, Inc., Cl A[1]	2,645,760	8,994,650
600,000	Yext, Inc.[1]	8,910,330	8,910,000
		26,678,858	32,375,694
	Electronic Equipment & Instruments (2.91%)		
29,300	Coherent, Inc.[1]	5,356,999	3,097,303
55,000	Novanta, Inc.[1,2]	1,465,584	3,465,000
150,000	PAR Technology Corp.[1]	2,652,993	3,262,500
		9,475,576	9,824,803
	IT Consulting & Other Services (2.52%)		
200,000	Endava plc, ADR[1,2]	4,369,545	4,848,000
95,000	LiveRamp Holdings, Inc. (formerly, Acxiom Corporation)[1]	2,328,015	3,669,850
		6,697,560	8,517,850
	Semiconductor Equipment (3.35%)		
120,000	Brooks Automation, Inc.	3,353,602	3,141,600
320,000	Ichor Holdings Ltd.[1,2]	6,258,295	5,216,000
130,000	Nova Measuring Instruments Ltd.[1,2]	3,150,536	2,961,400
		12,762,433	11,319,000
	Semiconductors (1.24%)		
750,000	Everspin Technologies, Inc.[1]	6,800,371	4,207,500
	Systems Software (5.07%)		
210,000	ForeScout Technologies, Inc.[1]	5,279,428	5,457,900
98,000	Qualys, Inc.[1]	3,713,671	7,324,520
48,565	Tenable Holdings, Inc.[1]	1,116,995	1,077,657
62,000	Varonis Systems, Inc.[1]	1,687,630	3,279,800
		11,797,724	17,139,877
Total Information Technology		74,212,522	83,384,724
Real Estate (4.93%)			
	Diversified REITs (1.63%)		
300,000	Alexander & Baldwin, Inc.[1]	8,519,058	5,514,000
	Specialized REITs (3.30%)		
350,000	Americold Realty Trust[4]	6,167,793	8,939,000
60,000	QTS Realty Trust, Inc., Cl A	2,604,259	2,223,000
		8,772,052	11,162,000
Total Real Estate		17,291,110	16,676,000
TOTAL COMMON STOCKS		**302,609,596**	**305,323,191**

Shares		Cost	Value
Warrants (0.02%)			
Consumer Staples (0.02%)			
	Packaged Foods & Meats (0.02%)		
300,000	Barfresh Food Group, Inc. Warrants Exp 3/13/2020[1,3]	**$ 0**	**$ 55,500**
Principal Amount			
Short Term Investments (7.33%)			
$24,794,204	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $24,794,892; (Fully collateralized by $ 24,920,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $25,293,526)	**24,794,204**	**24,794,204**
TOTAL INVESTMENTS (97.64%)		**$327,403,800**	**330,172,895**
CASH AND OTHER ASSETS LESS LIABILITIES (2.36%)			**7,976,680**
NET ASSETS			**$338,149,575**
RETAIL SHARES (Equivalent to $16.89 per share based on 5,776,188 shares outstanding)			**$ 97,545,092**
INSTITUTIONAL SHARES (Equivalent to $17.09 per share based on 13,810,497 shares outstanding)			**$236,081,908**
R6 SHARES (Equivalent to $17.09 per share based on 264,566 shares outstanding)			**$ 4,522,575**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 At December 31, 2018, the market value of restricted and fair valued securities amounted to $55,500 or 0.02% of net assets. This security is not deemed liquid.
4 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.

Baron Durable Advantage Fund — PORTFOLIO HOLDINGS

December 31, 2018 (Unaudited)

Shares		Cost	Value
Common Stocks (93.97%)			
Communication Services (11.28%)			
	Cable & Satellite (2.29%)		
283	Charter Communications, Inc., Cl A[1]	$ 89,042	$ 80,646
	Interactive Home Entertainment (4.66%)		
1,517	Activision Blizzard, Inc.	106,770	70,647
1,182	Electronic Arts, Inc.[1]	138,754	93,271
		245,524	163,918
	Interactive Media & Services (4.33%)		
147	Alphabet, Inc., Cl C[1]	159,798	152,235
Total Communication Services		494,364	396,799
Consumer Discretionary (7.93%)			
	Apparel, Accessories & Luxury Goods (3.17%)		
381	LVMH Moet Hennessy Louis Vuitton SE (France)[2]	122,482	111,547
	Home Improvement Retail (2.56%)		
523	Home Depot, Inc.	99,533	89,862
	Internet & Direct Marketing Retail (2.20%)		
45	Booking Holdings, Inc.[1]	87,686	77,509
Total Consumer Discretionary		309,701	278,918
Consumer Staples (5.29%)			
	Distillers & Vintners (2.30%)		
503	Constellation Brands, Inc., Cl A	113,555	80,893
	Hypermarkets & Super Centers (1.55%)		
268	Costco Wholesale Corp.	50,734	54,594
	Personal Products (1.44%)		
388	The Estée Lauder Companies, Inc., Cl A	53,240	50,479
Total Consumer Staples		217,529	185,966
Financials (15.28%)			
	Asset Management & Custody Banks (3.33%)		
298	BlackRock, Inc.	158,248	117,060
	Financial Exchanges & Data (11.95%)		
770	CME Group, Inc.	118,440	144,852
963	Moody's Corp.	149,209	134,859
826	S&P Global, Inc.	145,055	140,371
		412,704	420,082
Total Financials		570,952	537,142
Health Care (18.57%)			
	Biotechnology (3.14%)		
754	AbbVie, Inc.	78,928	69,511
136	Biogen, Inc.[1]	44,793	40,925
		123,721	110,436
	Health Care Equipment (3.98%)		
1,357	Danaher Corp.	133,236	139,934
	Life Sciences Tools & Services (4.76%)		
1,249	Agilent Technologies, Inc.	84,744	84,258
147	Mettler-Toledo International, Inc.[1]	89,886	83,140
		174,630	167,398

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Managed Health Care (5.19%)		
733	UnitedHealth Group, Inc.	$ 166,293	$ 182,605
	Pharmaceuticals (1.50%)		
1,373	AstraZeneca PLC, ADR[2]	52,041	52,146
13	Elanco Animal Health, Inc.[1]	312	410
		52,353	52,556
Total Health Care		650,233	652,929
Industrials (6.41%)			
	Building Products (1.00%)		
819	AO Smith Corp.	51,801	34,971
	Industrial Machinery (1.74%)		
483	Illinois Tool Works, Inc.	79,341	61,191
	Research & Consulting Services (2.24%)		
1,645	IHS Markit Ltd.[1,2]	87,787	78,911
	Trading Companies & Distributors (1.43%)		
962	Fastenal Co.	51,877	50,303
Total Industrials		270,806	225,376
Information Technology (25.13%)			
	Data Processing & Outsourced Services (4.68%)		
872	MasterCard Incorporated, Cl A	138,842	164,503
	Electronic Equipment & Instruments (1.44%)		
100	KEYENCE CORPORATION (Japan)[2]	57,507	50,545
	Electronic Manufacturing Services (3.09%)		
1,436	TE Connectivity Ltd.[2]	136,505	108,605
	IT Consulting & Other Services (2.38%)		
593	Accenture plc, Cl A[2]	92,876	83,619
	Semiconductor Equipment (2.00%)		
452	ASML Holding N.V.[2]	83,279	70,340
	Semiconductors (2.50%)		
1,411	Taiwan Semiconductor Manufacturing Co., Ltd., ADR[2]	58,619	52,080
381	Texas Instruments, Inc.	40,177	36,004
		98,796	88,084
	Systems Software (5.11%)		
1,769	Microsoft Corp.	156,765	179,677
	Technology Hardware, Storage & Peripherals (3.93%)		
876	Apple, Inc.	151,825	138,180
Total Information Technology		916,395	883,553
Materials (1.81%)			
	Specialty Chemicals (1.81%)		
162	The Sherwin-Williams Co.	65,853	63,741
Real Estate (2.27%)			
	Specialized REITs (2.27%)		
226	Equinix, Inc.	100,520	79,679
TOTAL COMMON STOCKS		3,596,353	3,304,103

Baron Durable Advantage Fund — PORTFOLIO HOLDINGS (Continued)

December 31, 2018 (Unaudited)

Principal Amount		Cost	Value
Short Term Investments (7.66%)			
$269,417	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $269,425; (Fully collateralized by $275,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $279,122)	$ 269,417	$ 269,417
TOTAL INVESTMENTS (101.63%)		$3,865,770	3,573,520
LIABILITIES LESS CASH AND OTHER ASSETS (-1.63%)			(57,470)
NET ASSETS			$3,516,050
RETAIL SHARES (Equivalent to $9.22 per share based on 59,749 shares outstanding)			$ 550,801
INSTITUTIONAL SHARES (Equivalent to $9.24 per share based on 280,579 shares outstanding)			$2,592,084
R6 SHARES (Equivalent to $9.24 per share based on 40,399 shares outstanding)			$ 373,165

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[ADR] American Depositary Receipt.

Baron Real Estate Income Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (97.31%)			
Communication Services (0.82%)			
	Advertising (0.82%)		
803	JC Decaux SA (France)[2]	$ 27,304	$ 22,560
Consumer Discretionary (10.09%)			
	Casinos & Gaming (7.64%)		
4,332	MGM Resorts International	136,580	105,095
3,275	Penn National Gaming, Inc.[1]	80,353	61,668
2,228	Red Rock Resorts, Inc., Cl A	56,980	45,251
		273,913	212,014
	Hotels, Resorts & Cruise Lines (2.45%)		
967	Marriott Vacations Worldwide Corp.	89,002	68,183
Total Consumer Discretionary		362,915	280,197
Information Technology (2.80%)			
	Internet Services & Infrastructure (2.80%)		
1,914	GDS Holdings Ltd., ADR[1,2,3]	47,584	44,194
7,782	NEXTDC Ltd. (Australia)[1,2]	41,031	33,530
Total Information Technology		88,615	77,724
Real Estate (83.60%)			
	Health Care REITs (3.42%)		
1,437	HCP, Inc.	41,339	40,135
1,706	Medical Properties Trust, Inc.	28,091	27,433
396	Welltower, Inc.	28,212	27,486
		97,642	95,054
	Hotel & Resort REITs (5.59%)		
2,696	Host Hotels & Resorts, Inc.	52,681	44,942
1,518	MGM Growth Properties LLC, Cl A	43,859	40,090
1,575	Park Hotels & Resorts, Inc.	45,339	40,919
1,028	Pebblebrook Hotel Trust	37,764	29,103
		179,643	155,054
	Industrial REITs (7.70%)		
2,637	Duke Realty Corp.	70,662	68,298
1,596	Prologis, Inc.	102,803	93,717
1,756	Rexford Industrial Realty, Inc.	53,398	51,750
		226,863	213,765
	Office REITs (7.27%)		
305	Boston Properties, Inc.	38,504	34,328
1,108	Douglas Emmett, Inc.	43,802	37,816
1,181	Hudson Pacific Properties, Inc.	37,505	34,320
736	Kilroy Realty Corp.	53,129	46,280
192	SL Green Realty Corp.	18,651	15,183
548	Vornado Realty Trust	39,125	33,992
		230,716	201,919
	Real Estate Operating Companies (2.51%)		
892	Brookfield Property Partners LP[2]	17,025	14,379
3,044	Kennedy-Wilson Holdings, Inc.	53,994	55,310
		71,019	69,689
	Residential REITs (17.14%)		
617	AvalonBay Communities, Inc.	104,148	107,389
903	Equity LifeStyle Properties, Inc.	82,937	87,708
1,671	Equity Residential	104,174	110,303
268	Essex Property Trust, Inc.	66,469	65,716
1,433	Invitation Homes, Inc.	32,503	28,775
747	Sun Communities, Inc.	70,753	75,977
		460,984	475,868

Shares		Cost	Value
Common Stocks (continued)			
Real Estate (continued)			
	Retail REITs (2.78%)		
460	Simon Property Group, Inc.	$ 79,772	$ 77,275
	Specialized REITs (37.19%)		
831	Alexandria Real Estate Equities, Inc.[3]	103,821	95,764
1,174	American Tower Corp.	167,056	185,715
5,933	Americold Realty Trust[3]	112,085	151,529
824	Crown Castle International Corp.	90,421	89,511
625	CyrusOne, Inc.	41,121	33,050
971	Digital Realty Trust, Inc.	107,837	103,460
503	Equinix, Inc.	217,547	177,338
2,098	Gaming and Leisure Properties, Inc.	76,476	67,786
222	Public Storage	45,118	44,935
2,252	QTS Realty Trust, Inc., Cl A	94,611	83,437
		1,056,093	1,032,525
Total Real Estate		2,402,732	2,321,149
TOTAL COMMON STOCKS		**2,881,566**	**2,701,630**

Principal Amount		Cost	Value
Short Term Investments (4.73%)			
$131,459	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $131,463; (Fully collateralized by $135,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value -$137,024)	**131,459**	**131,459**
TOTAL INVESTMENTS (102.04%)		**$3,013,025**	**2,833,089**
LIABILITIES LESS CASH AND OTHER ASSETS (-2.04%)			**(56,639)**
NET ASSETS			**$2,776,450**
RETAIL SHARES (Equivalent to $8.63 per share based on 52,351 shares outstanding)			**$ 451,863**
INSTITUTIONAL SHARES (Equivalent to $8.66 per share based on 226,951 shares outstanding)			**$1,965,159**
R6 SHARES (Equivalent to $8.66 per share based on 41,488 shares outstanding)			**$ 359,428**

% Represents percentage of net assets.
[1] Non-income producing securities.
[2] Foreign corporation.
[3] The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.

Baron WealthBuilder Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Affiliated Mutual Funds (99.97%)			
Small Cap Funds (30.52%)			
214,538	Baron Discovery Fund - Institutional Shares	$ 4,542,948	$ 3,666,454
203,432	Baron Growth Fund - Institutional Shares	15,469,647	12,850,792
498,006	Baron Small Cap Fund - Institutional Shares	15,622,457	12,425,246
Total Small Cap Funds		35,635,052	28,942,492
Small to Mid Cap Funds (3.84%)			
225,766	Baron Focused Growth Fund - Institutional Shares	3,973,298	3,646,119
Mid Cap Funds (15.02%)			
214,775	Baron Asset Fund - Institutional Shares	16,636,651	14,241,715
Large Cap Funds (6.29%)			
98,093	Baron Durable Advantage Fund - Institutional Shares	1,040,212	906,382
192,586	Baron Fifth Avenue Growth Fund - Institutional Shares	5,602,445	5,059,245
Total Large Cap Funds		6,642,657	5,965,627
All Cap Funds (20.30%)			
299,970	Baron Opportunity Fund - Institutional Shares	6,314,564	5,465,449
282,222	Baron Partners Fund - Institutional Shares	15,751,104	13,789,365
Total All Cap Funds		22,065,668	19,254,814
International Funds (19.41%)			
931,481	Baron Emerging Markets Fund - Institutional Shares	12,903,550	11,615,571
143,563	Baron Global Advantage Fund - Institutional Shares	3,211,171	2,874,138
203,276	Baron International Growth Fund - Institutional Shares	4,724,180	3,921,185
Total International Funds		20,838,901	18,410,894
Specialty Funds (4.59%)			
31,892	Baron Health Care Fund - Institutional Shares	331,075	303,932
192,101	Baron Real Estate Fund - Institutional Shares	5,190,710	4,053,338
Total Specialty Funds		5,521,785	4,357,270
TOTAL AFFILIATED INVESTMENTS (99.97%)		**$111,314,012**	**94,818,931**
CASH AND OTHER ASSETS LESS LIABILITIES (0.03%)			**29,726**
NET ASSETS			**$94,848,657**
RETAIL SHARES (Equivalent to $9.33 per share based on 222,314 shares outstanding)			**$ 2,074,950**
TA SHARES (Equivalent to $9.35 per share based on 1,040,919 shares outstanding)			**$ 9,733,477**
INSTITUTIONAL SHARES (Equivalent to $9.35 per share based on 8,884,211 shares outstanding)			**$83,040,230**

% Represents percentage of net assets.

Baron Health Care Fund — PORTFOLIO HOLDINGS

December 31, 2018

Shares		Cost	Value
Common Stocks (89.94%)			
Health Care (88.08%)			
	Biotechnology (16.18%)		
6,673	Abcam plc (United Kingdom)[2]	$ 105,981	$ 92,885
3,373	Acceleron Pharma, Inc.[1]	161,122	146,894
3,822	argenx SE, ADR[1,2]	333,683	367,180
4,847	Arrowhead Pharmaceuticals, Inc.[1]	83,332	60,200
1,703	Neurocrine Biosciences, Inc.[1]	154,051	121,611
1,557	Sage Therapeutics, Inc.[1]	224,213	149,145
1,875	Vertex Pharmaceuticals, Inc.[1]	308,266	310,706
2,130	Zai Lab Ltd., ADR[1,2]	46,631	49,459
		1,417,279	1,298,080
	Health Care Equipment (31.04%)		
4,023	Abbott Laboratories	286,758	290,984
1,302	AxoGen, Inc.[1]	35,739	26,600
7,314	Boston Scientific Corporation[1]	268,835	258,477
1,385	Cantel Medical Corp.	137,696	103,113
981	DexCom, Inc.[1]	107,778	117,524
814	Edwards Lifesciences Corp.[1]	109,951	124,680
1,297	IDEXX Laboratories, Inc.[1]	257,263	241,268
1,515	Insulet Corp.[1]	133,514	120,170
5,650	Intersect ENT, Inc.[1,3]	173,042	159,217
2,077	IntriCon Corp.[1]	90,202	54,791
558	Intuitive Surgical, Inc.[1]	273,263	267,237
1,088	LivaNova plc[1,2]	124,067	99,519
2,575	Medtronic plc[2]	220,218	234,222
1,385	Teleflex, Inc.	361,467	357,995
5,593	ViewRay, Inc.[1]	45,691	33,950
		2,625,484	2,489,747
	Health Care Facilities (3.08%)		
1,985	HCA Healthcare, Inc.	264,011	247,033
	Health Care Services (0.99%)		
2,117	Guardant Health, Inc.[1]	53,736	79,578
	Health Care Supplies (4.14%)		
553	Align Technology, Inc.[1]	138,649	115,815
656	The Cooper Companies, Inc.	163,139	166,952
500	West Pharmaceutical Services, Inc.	46,203	49,015
		347,991	331,782
	Health Care Technology (1.47%)		
1,322	Veeva Systems, Inc., Cl A[1]	108,167	118,081
	Life Sciences Tools & Services (13.10%)		
1,838	Bio-Techne Corporation	296,395	265,995
5,793	CareDx, Inc.[1,3]	104,593	145,636
343	Eurofins Scientific SE (France)[2]	185,835	128,104
878	ICON plc[1,2]	129,544	113,446
803	Illumina, Inc.[1]	225,367	240,844
277	Mettler-Toledo International, Inc.[1]	159,276	156,666
		1,101,010	1,050,691

Shares		Cost	Value
Common Stocks (continued)			
Health Care (continued)			
	Managed Health Care (10.92%)		
365	HealthEquity, Inc.[1]	$ 25,707	$ 21,772
1,083	Humana, Inc.	344,281	310,258
2,184	UnitedHealth Group, Inc.	561,257	544,078
		931,245	876,108
	Pharmaceuticals (7.16%)		
899	Aerie Pharmaceuticals, Inc.[1]	46,317	32,454
1,895	Assembly Biosciences, Inc.[1]	61,587	42,865
8,516	AstraZeneca PLC, ADR[2]	321,060	323,437
6,632	Dechra Pharmaceuticals plc (United Kingdom)[2]	207,200	175,225
		636,164	573,981
Total Health Care		7,485,087	7,065,081
Real Estate (1.86%)			
	Specialized REITs (1.86%)		
1,297	Alexandria Real Estate Equities, Inc.[3]	163,464	149,466
TOTAL COMMON STOCKS		**7,648,551**	**7,214,547**

Principal Amount		Cost	Value
Short Term Investments (10.14%)			
$813,558	Repurchase Agreement with Fixed Income Clearing Corp., dated 12/31/2018, 0.50% due 1/2/2019; Proceeds at maturity - $813,581; (Fully collateralized by $820,000 U.S. Treasury Note, 2.875% due 5/15/2028; Market value - $832,291)	**813,558**	**813,558**
TOTAL INVESTMENTS (100.08%)		**$8,462,109**	**8,028,105**
LIABILITIES LESS CASH AND OTHER ASSETS (-0.08%)			**(6,457)**
NET ASSETS			**$8,021,648**
RETAIL SHARES (Equivalent to $9.51 per share based on 294,847 shares outstanding)			**$2,803,159**
INSTITUTIONAL SHARES (Equivalent to $9.53 per share based on 471,983 shares outstanding)			**$4,495,963**
R6 SHARES (Equivalent to $9.52 per share based on 75,892 shares outstanding)			**$ 722,526**

% Represents percentage of net assets.
1 Non-income producing securities.
2 Foreign corporation.
3 The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
ADR American Depositary Receipt.

Go Paperless !
It's fast, simple and a smart way to help the environment.
Enjoy the speed and convenience of receiving Fund documents electronically.
For more information and to enroll today go to www.baronfunds.com/edelivery

BARON FUNDS®
1987

767 Fifth Avenue, 49th Fl.
New York, NY 10153
1.800.99.BARON
212-583-2000
www.BaronFunds.com

BARON
FUNDS®
1987

December 31