Dear Baron Global Advantage Fund Shareholder:

Performance

We had another good quarter.

Baron Global Advantage Fund (the "Fund") returned 7.9% (Institutional Shares), outperforming its benchmarks in the second quarter, which returned 5.7% (MSCI ACWI Growth Index) and 4.3% (MSCI ACWI Index). Year-to-date, the Fund is up 26.2%, which compares favorably to the returns of 15.3% for the MSCI ACWI Growth Index and 11.5% for the MSCI ACWI Index.

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

	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]	7.89%	7.89%	5.72%	4.27%
Six Months[3]	26.25%	26.24%	15.32%	11.48%
One Year	30.04%	30.19%	18.57%	18.78%
Three Years	6.70%	6.88%	6.55%	4.82%
Five Years	13.69%	13.92%	11.43%	10.54%
Since Inception (April 30, 2012)	11.34%	11.55%	9.86%	9.21%

Despite some controversies at home and abroad, the last six months exemplified a notably favorable investing environment for the kinds of companies in which we invest. Market participants chose to focus on company fundamentals and quality of revenue and earnings growth and to pay little attention to the outside noise. The global economy continues to improve, albeit slowly, while in the U.S., unemployment, inflation, and interest rates continue to be at historically low levels making fast-growing companies with a demonstrated ability to reinvest capital at high rates of return particularly attractive to investors. We think the numbers below give

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

a powerful illustration of what this portfolio could produce in a favorable investing environment. Since the beginning of 2017, our top 10 percentage gainers have risen 75%, 65%, 60%, 48%, 47%, 44%, 39%, 36%, 35%, and 34%. The strength was so broad based that 28 of our investments appreciated over 20%. Stock selection accounted for nearly 80% of relative outperformance, as overweights in Information Technology and China also contributed meaningfully to the Fund's overall results. We have no idea how long this environment will last, but as long as it does, we would expect this portfolio to continue to perform well.

According to Morningstar rankings, as of June 30, 2017, the Baron Global Advantage Fund has outperformed 99% of its peer universe year-to-date, 97% of its peers over the last 12 months, 86% over the last three years, and 95% of its peers over the last five years.* A good result, in our view.

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, 2016 was 3.86% and 3.55%, but the net annual expense ratio is 1.35% and 1.10% (restated to reflect 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.

* The **Morningstar US Fund World Large Stock Category Average** is not weighted and represents the straight average of annualized returns of each of the funds in the category. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. As of June 30, 2017, the category consisted of 899, 864, 714, 590, and 559 funds (share classes) for the year-to-date, 1-year, 3-year, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 1st, 3rd, 14th, 5th, and 9th percentiles, respectively, in the category.

BARON FUNDS 1987

In the last quarterly letter, we articulated a couple of specific points that we thought differentiated our approach and this Fund from other funds like it. We think this is even more relevant and true today than it was three months ago. We think it makes sense to reiterate it.

The Baron Global Advantage Fund is constructed on a bottom-up basis where uniqueness, sustainability of competitive advantage, quality of the management team, and "big idea" potential, play the largest roles in a company being chosen for investment. Macro considerations, the country of domicile, or thematic considerations play a minor role in the final decision making. However, when evaluating the portfolio as a whole, the impact of certain external trends or "biases" becomes somewhat evident.

First, we believe this portfolio is positioned to benefit from the digitization movement that is sweeping the world. As digital disruptors increasingly undermine the business models of digital laggards in the larger economy, the pressure on enterprises to undergo a digital transformation is growing. Traditional media/TV have long been ripe for disruption. 2016 was the cross-over year when digital advertising finally exceeded TV ad spend and, while TV advertising spending is expected to grow at about a 2% rate, digital ad spend is projected to continue to grow at 7x that over the next five years. Google and Facebook are dominating online advertising in the United States where last year they accounted for 103% of ***total*** growth. Google, specifically, lowered its price by 11% and increased its revenue by 23%, while major advertisers continue to tell us that Facebook's ad platform is simply outstanding. Global e-commerce is growing at roughly 16%, while global brick & mortar retail sales are growing at about 2.4%. Mobile now represents over 50% of total e-commerce after growing 123% over the last two years. Amazon accounted for 51% of that growth with Alibaba and JD.com, the major beneficiaries in China. Scott Galloway, a professor at NYU's Stern School of Business, calls these companies – The Benjamin Button companies – businesses that age in reverse. Every time we use a General Motors' car or Uniliver's toothpaste they become worth a little bit less for wear and tear, but every time we use Google's Waze, or Amazon's Alexa, or Bidu's search they become better and hence more valuable. Facebook's users or Snapchat's highly-engaged millennials become more valuable to advertisers with time, and Acxiom's value proposition of potentially "closing the proverbial loop" grows exponentially. Those companies that understand what this digital transformation means to them, go to EPAM, Globant, and Luxoft to help them get there. Then of course, there is the cloud, which we expect to be a trillion dollar industry, where we think Amazon, Google, Alibaba, and Bidu will be the major players.

The second clear bias in this Fund is its high exposure to China. We exited the second quarter with 19.1% of the portfolio invested in businesses that are domiciled in China. This compares to China's 3.3% weight in our primary benchmark. We have written extensively in the past about how we think the benchmarks, and by extension most investors, are missing one of the great opportunities of our time. China is already the second largest economy in the world likely on its way to being the largest in a few decades. With the estimated GDP of $11.8 trillion in 2017, the Chinese economy is almost three times larger than the third largest economy, Japan. After decades of torrid growth and years of being one of the main engines of global GDP growth, China now represents 15.5% of total global GDP. Until a few years ago, the Chinese economy was dominated by manufacturing, mining, and construction businesses, but that's not the case anymore. The Chinese services industries are now over 50% of China's GDP and rising, accounting for 87% of total GDP growth in 2015. The Chinese middle class is continuing to emerge, with urban disposable income per capita rising to 23% of total income. Similarly to the domestic markets, equity investors in China have been rewarded handsomely since the financial crises and valuations overall do not appear cheap. We still think that the leaders in e-commerce and online travel will continue to outshine the market expectations, and while not cheap, the valuations are not particularly demanding in the context of 30%+ three-year revenue and profit growth expectations. While shortcomings in transparency and corporate governance need to continue to improve, we believe China offers an unusually fertile ground for long-term investment opportunities. Until MSCI re-evaluates its benchmark weightings, we are likely to remain significantly overweight in our exposure to China.

Table II.

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

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$360.9	1.91%
Naspers Limited	85.4	0.66
Amazon.com, Inc.	462.7	0.58
JD.com, Inc.	56.0	0.56
TAL Education Group	10.2	0.56

Shares of **Alibaba Group Holding Limited,** the largest retailer and e-commerce company in China, rose 31% after the company raised its growth outlook when it reported first quarter earnings and again at a later analyst day. Alibaba owns and operates the two largest Chinese online shopping platforms and has a majority share in the profits of Ant Financial, the owner and operator of China's largest third-party online payment provider Alipay. The company benefits from strong mobile and advertising growth (700 million mobile internet users in China with a growing $5 trillion annual mobile payment volume), which drives positive optionality beyond core e-commerce. We expect continued rapid growth in all areas, while the company will maintain a high re-investment rate in new growth areas such as groceries, logistics, and cloud computing. We are optimistic about Alibaba's long-term prospects and, as the highest conviction investment idea, it has recently become the largest investment in the Fund.

Based in Cape Town, South Africa, **Naspers Limited** is a $85 billion conglomerate with assets in internet services, television, and digital media, as well as other technology services. Among its impressive investment portfolio is a sizable stake in India's e-commerce leader Flipkart, 29% stake in Russian publicly traded internet holding company Mail.ru, and the crown jewel of the portfolio, 34% ownership in the Chinese internet powerhouse Tencent, which at its current market price exceeds the entire market cap of Naspers. All in all, Naspers owns part or all of more than 140 additional internet assets, which Mr. Market appears to be assigning no value to at this time. Naspers' shares appreciated 13% during the second quarter largely due to the strong performance of publicly traded Tencent, which we believe represents an attractive investment in and of itself, and is currently undervalued. We think Naspers can win in many different ways and the presence of unusually large positive optionality is what gives us conviction to maintain at top-five weighting in the company.

Shares of **Amazon.com, Inc.**, the world's largest e-commerce and cloud services provider, increased 9% in the second quarter. Amazon reported strong quarterly results, and enjoys the benefits of network effect, with increasing participation from Prime members driving further activity on Amazon.com. Amazon's ability to continuously improve Prime's customer value proposition is driving higher Prime membership and Amazon's market share gains over time. The pending $13.7 billion acquisition of Whole Foods was surprisingly well received by investors. Though we are not fans of the grocery business per se, the low online penetration rates in the sector, and Whole Foods' market-leading brand and geographic reach make it a reasonable gamble. Amazon continues to invest in new and potentially large business segments such as grocery, auto parts, content streaming, e-finance, business supplies, apparel, and cloud. We continue to believe Amazon has the opportunity to become the most valuable company in the world.

We own a medium size position in **JD.com, Inc.**, the second largest retailer and e-commerce provider in China. Shares rose 26% in the second quarter largely due to better-than-expected margin performance in its core e-commerce business. JD continues to deliver strong results in its first-party business (1P) while making steady progress in 3P offerings, clearly positioning itself as a leader with opportunity for strong long-term growth in China's booming e-commerce sector.

TAL Education Group is a leading Chinese K-12 tutoring company, operating over 500 learning centers in 30 cities across China. Shares of TAL appreciated 15% in the quarter driven by strong growth in student enrollments of over 60%, taking advantage of strong demand while continuing to gain market share. We maintain conviction in TAL due to the significant opportunity to gain further market share by expanding existing learning centers and opening new learning centers for many years to come, while generating strong cash flow.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Mellanox Technologies Ltd.	$ 2.2	–0.50%
Glaukos Corporation	1.4	–0.37
Adamas Pharmaceuticals, Inc.	0.3	–0.20
Acxiom Corporation	2.1	–0.18
Petróleo Brasileiro S.A. – Petrobras	29.2	–0.16

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Shares of Mellanox declined 15% in the quarter due to delays in the CPU upgrade cycle, which caused push outs of some orders. We retain conviction in Mellanox's long-term opportunity due to its technological leadership in high speed Infiniband and Ethernet interconnects, which are becoming increasingly relevant in a world of cloud computing, big data, and artificial intelligence ("AI").

Shares of **Glaukos Corporation** declined 19% in the June quarter, we believe largely due to profit taking after the company's stock enjoyed outsized gains in the first three months of the year fueled by meaningfully higher than expected growth. Glaukos is a pioneer of minimally invasive glaucoma surgery. This quick procedure implants a stent, the "iStent," into the eye's clogged outflow drain to reduce pressure and slow glaucoma progression without causing any side effects. Glaukos has beat estimates consistently, a trend we expect to continue over the medium term as patients and doctors realize the benefits of this unique product offering that frees them of the burden of daily eye drops. Longer term, we expect growth to come from expansion of the iStent's indication beyond its current approved indication that addresses only patients with concomitant cataracts as eligible for the iStent procedure into the broader front line glaucoma treatment setting. We believe the iStent represents a paradigm shift in glaucoma treatment that is a boon for patients and physicians that also happens to save money for the health care system in both the short and long term.

Adamas Pharmaceuticals, Inc. is a biotech company focused on reformulating the pharmacokinetic and pharmacodynamic profile of existing drugs to improve their safety and efficacy profiles. Shares dropped 13%, we believe, as a result of the company's financing agreement with HealthCare Royalty Partners. Though there is some internal disagreement, we found the terms of the transaction to be so unfavorable, with Adamas giving up such a large portion of potential upside, as to constitute a thesis changer. As a result, we decided to exit this investment with a small loss.

Shares of **Acxiom Corporation**, a marketing technology and services company, fell 9% in the quarter, as the company's legacy marketing services business is not expected to grow this fiscal year, versus prior expectations of slow growth. Despite the marketing services growing slower this year, we continue to be attracted to the fast growth in the company's connectivity business, which should grow in excess of 50%. The company's audience solutions business should also accelerate growth as it goes through the year. We continue to believe that Acxiom's unique position to be the identity management solution provider in the marketing and advertising ecosystem is unique. We expect the company to focus more on investor relations this fiscal year and continue to believe that it is a compelling long-term investment.

Portfolio Structure

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the highest 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 43.0% of the Fund, the top 20 were 64.1%, and we exited the quarter with 48 holdings. Almost 86% of the Fund continues to be invested in stocks in the Information Technology, Consumer Discretionary, and Financials sectors, as classified by GICS, with close to half of the assets invested in companies that are domiciled outside of the United States.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alibaba Group Holding Limited	$360.9	$2.6	8.9%
Amazon.com, Inc.	462.7	1.9	6.3
Alphabet Inc.	635.3	1.3	4.3
Naspers Limited	85.4	1.2	4.1
Facebook, Inc.	437.6	1.2	4.1
Ctrip.com International, Ltd.	27.6	1.1	3.6
EPAM Systems, Inc.	4.4	0.9	3.2
TAL Education Group	10.2	0.9	3.1
Constellation Software, Inc.	11.1	0.8	2.8
Expedia, Inc.	22.5	0.8	2.6

Exposure By Country

Table V.
Percentage of securities by country as of June 30, 2017

	Percent of Net Assets
United States	46.9%
China	19.1
Israel	6.6
India	6.3
South Africa	4.1
Canada	2.8
Netherlands	2.0
United Kingdom	1.7
Japan	1.6
Argentina	1.5
Taiwan	1.4
Brazil	0.7

Recent Activity

We were unusually active in the last three months. During the June quarter, we initiated 10 new investments and added to 26 others as we put the Fund's inflows to work. We also exited seven positions using our lack of conviction to add to smaller positions, as a compass and a catalyst, to move on.

Table VI.
Top net purchases for the quarter ended June 30, 2017

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Alibaba Group Holding Limited	$360.9	$716.8
FANUC Corp.	39.3	483.1
Kotak Mahindra Bank Ltd.	28.1	468.9
JM Financial Limited	1.4	415.2
Amazon.com, Inc.	462.7	370.7

Alibaba Group Holding Limited, the largest retailer and e-commerce provider in China has finally become the largest investment in this Fund. We have articulated our thesis on Alibaba many times before, as the best and pure play on the growth of mobile, internet, e-commerce, and the overall emergence of the middle class in China. Add to it the leading positions in cloud computing, digital payments (thru Alipay), Artificial Intelligence, and a truly undemanding valuation and it is easy to see why we continue to be excited about Alibaba's prospects.

Headquartered in Yamanashi Prefecture, Japan, **FANUC Corp.** is the world's leading manufacturer of factory automation equipment and services such as robotics and computer numerical control systems. FANUC is a beneficiary of the secular growth in industrial automation. We retain conviction in the company due to its dominant market position and ability to generate high returns on capital.

Kotak Mahindra Bank Ltd. is a leading financial services group in India. It offers products across many verticals including commercial banking, securities, investment banking, asset management, and life insurance. The bank has a well-diversified loan portfolio, with a focus on granular retail, agribusiness, and SME (Small Medium Enterprises). We believe Kotak is well positioned to participate in India's next credit cycle given its well-capitalized balance sheet, stable asset quality, scalable business model, and excellent execution track record.

As a leading non-bank financial company (NBFC) in India, **JM Financial Limited** is well positioned to benefit from growing demand for real estate lending, asset restructuring, and equity brokerage services. The company is also expected to benefit from distressed asset sales by leading financial institutions/banks that are under immense pressure to dispose of non-performing loans and raise equity capital. We retain conviction in the company due to its robust growth outlook (mid-teens book value growth) over the next five years and conservative risk management frameworks.

Table VII.
Top net sales for the quarter ended June 30, 2017

	Market Cap When Sold (billions)	Amount Sold (thousands)
Adamas Pharmaceuticals, Inc.	$ 0.3	$283.6
Daiwa Securities Group, Inc.	10.3	276.5
Noble Midstream Partners LP	1.4	239.7
Petróleo Brasileiro S.A. – Petrobras	29.2	203.7
Greenlight Capital Re, Ltd.	0.8	92.9

We eliminated **Adamas Pharmaceuticals, Inc.** because we thought the financing deal with HealthCare Royalty Partners was on such unfavorable terms that it constituted a thesis changer. We sold **Petróleo Brasileiro S.A. – Petrobras,** because we realized we made a mistake. Though we made painfully similar mistakes in the past, we realized it quicker this time and acted accordingly before more damage was done. **Daiwa Securities Group, Inc.** and **Greenlight Capital Re, Ltd.** were eliminated after we failed to muster enough conviction to add to them despite both stocks' poor performance and significant capital inflows into the Fund. Both names were sufficiently contentious internally (meaning there was vocal analyst dissent), that re-allocating capital became a logical next step. Finally, **Noble Midstream Partners LP** was a huge winner for the Fund, but with the stock's relatively high valuation we felt like we could no longer hang on to it.

Outlook

At the halfway point of 2017 every market we look at is in the green (except for Russia – oil dependent economy, and China A Shares in Shenzhen, which have their own issues). With the Fund up a smidge over 26% year-to-date, this has undeniably been a favorable environment for the way in which we invest. After lackluster earnings growth last year, economists are predicting double-digit growth for S&P 500 earnings in 2017, driven by a reduction in corporate tax rates, improved backdrop for Financials, Energy, and Industrials companies. Though helpful if it were to happen, we are not counting on any of this. More relevant to our portfolio digital ad spending and e-commerce growth are actually accelerating, with spending on cloud computing still growing more than 80%. The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas (not only media and retail, but medicine, transportation, and consumer banking are in a midst of full blown disruptions now). We believe this should favor many of the companies in which we are invested.

Every day we live and invest in a world full of uncertainty. Fed policy, China's economy, energy prices, 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 are confident 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

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.

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.