

DEAR INVESTOR:

PERFORMANCE

We had a great start to the year.

Baron Global Advantage Strategy gained 26.27% (net of fees) in the first quarter, significantly outpacing the gains of 12.2% and 14.5% for the Strategy's benchmarks, MSCI ACWI and MSCI ACWI Growth Indexes, respectively.

Table I.
Performance[†]
Annualized for periods ended March 31, 2019

	Baron Global Advantage Strategy (net) ¹	Baron Global Advantage Strategy (gross) ¹	MSCI ACWI Index ¹	MSCI ACWI Growth Index ¹
Three Months ²	26.27%	26.45%	12.18%	14.48%
One Year	14.07%	14.78%	2.60%	4.47%
Three Years	24.75%	25.18%	10.67%	12.30%
Five Years	14.21%	14.46%	6.45%	8.52%
Since Inception ³ (May 31, 2012)	17.28%	17.47%	10.33%	11.60%

After experiencing broad-based declines at the end of last year, the global equity markets reversed course, largely due to the Federal Reserve's decision to put further tightening on an indefinite hold in our opinion. With rates remaining squarely in an "accommodative" range, the investing public was free again to focus on the longer-term company specific fundamentals, with growth investors once again focusing on finding big ideas. This is an environment in which we tend to do well.

The excellent start to the year can be attributed largely to strong stock selection, although overweights in China and Argentina, and underweights in Japan and Europe also contributed positively to relative returns. For the first time ever, we had 10 investments contribute at least 100 basis points each

in a single quarter – Veeva, Alibaba, EPAM, argenx, Sage, Constellation Software, Worldpay, PagSeguro, Guardant Health, and MercadoLibre. There were an additional 14 investments that contributed at least 50 basis points each, and 15 more that contributed at least 10 basis points each.

Table II.
Top contributors to performance for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Percent Impact
Veeva Systems Inc.	\$ 18.6	1.60%
Alibaba Group Holding Limited	471.7	1.58
EPAM Systems, Inc.	9.2	1.55
argenx SE	4.7	1.49
Sage Therapeutics, Inc.	8.1	1.31

Veeva Systems Inc. is the leading provider of cloud-based solutions targeted at the life sciences industry, offering customer relationship management, content, collaboration, and data management solutions. Shares of Veeva were up 42% in the first quarter, with the company's results continuing to outperform Street expectations. Veeva's innovative culture and significant market share in Life Sciences CRM continue to drive growth in its more mature commercial business. Veeva continued growing wallet share with existing customers via cross-sales of add-on products while continuing to gain market share in Server Message Block. We believe the value proposition of recently announced products is attractive to customers, who are looking to digitally transform and take advantage of data analytics. Moreover, Vault continued growing rapidly at scale, is now almost 50% of the business, and grew approximately 45% year-over-year in the most recent quarter. We expect that with the growing adoption of Vault products, Veeva will become even more strategic for customers, presenting significant long-term growth opportunities for the company. The ongoing evolution of the Veeva platform, its ability to deliver significant value to its customers, and the company's impressive growth and margin profile make Veeva a unique long-term investment opportunity, in our opinion.

For Strategy reporting purposes, the Firm is defined as all accounts managed by Baron Capital Management, Inc. ("BCM") and BAMCO, Inc. ("BAMCO"), registered investment advisers wholly owned by Baron Capital Group, Inc. As of March 31, 2019, total Firm assets under management are approximately \$28.8 billion. Gross performance figures do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Actual client returns will be reduced by the advisory fees and any other expenses incurred in the management of the investment advisory account. A full description of investment advisory fees is supplied in our Form ADV Part 2A. Valuations and returns are computed and stated in U.S. dollars. Performance figures reflect the reinvestment of dividends and other earnings. The Strategy is currently composed of one mutual fund managed by BAMCO. The Strategy invests mainly in growth companies of all sizes located throughout the world. BAMCO and BCM claim compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of the Firm's Strategies or a GIPS-compliant presentation please contact us at 1-800-99BARON.

[†] The Strategy'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 Strategy's level of participation in IPOs and secondary offerings will be the same in the future.

¹ 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 Strategy include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

² Not annualized.

³ The Strategy has a different inception date than its underlying portfolio, which is April 30, 2012.

Baron Global Advantage Strategy

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 were up 33% during the first quarter, more than offsetting their decline in the fourth quarter of 2018 as the company continued showing robust growth at scale while investing in additional areas, such as cloud computing, grocery, logistics, and food delivery. We remain optimistic about Alibaba's long-term opportunity, as the company continues to benefit from e-commerce penetration (still only about 20% of total retail) while utilizing its platform (700 million monthly active users) to expand into additional areas.

EPAM Systems, Inc. provides outsourced software development to business customers using highly-skilled, low-cost employees in Eastern Europe and Russia. Shares were up 46% during the first quarter after the company reported quarterly results that exceeded investor expectations. Revenue growth accelerated to 26% on an organic, constant-currency basis, and the operating margin expanded meaningfully. Customer demand remains strong for the company's software development, as customers around the world are looking to digitally transform their businesses in order to remain competitive and fend off quicker, nimbler startups. We continue to own the stock due to what we believe is EPAM's long runway for growth, superb execution, and differentiated and highly-technical workforce, which enables EPAM to have better pricing power than peers.

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. argenx stock was up 30% during the first quarter after the company disclosed a milestone payment was received from AbbVie for commencing clinical development in ABBV-151 to treat locally advanced or metastatic solid tumors. Moreover, argenx announced an exclusive licensing deal to utilize Halozyme's subcutaneous technology, enhancing its lead in the market. We believe argenx's antibody FcRn platform is one of the most valuable assets in the biotechnology development space, offering significant long-term potential as the company proves its products' effectiveness in multiple autoantibody disorders.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. Shares of Sage were up 66% in the quarter as the company announced several positive developments for its lead assets in postpartum depression and major depressive disorder. Most notably, Sage delivered a best-case scenario outcome for the SAGE-217 trial in Major Depressive Disorder in January, and this was followed by an approval in March of Zulresso for postpartum depression. We expect Sage shares to continue performing well as its pipeline matures and the company executes on its commercial opportunities.

Table III.

Top detractors from performance for the quarter ended March 31, 2019

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Take-Two Interactive Software, Inc.	\$10.7	-0.25%
Tesla, Inc.	48.3	-0.20
Bolsas y Mercados Argentinos S.A.	0.6	-0.18
AxoGen, Inc.	0.8	-0.04
Housing Development Finance Corporation Limited	48.9	-0.04

Shares of **Take-Two Interactive Software, Inc.**, a video game publisher, were down 8% during the first quarter, detracting from performance despite solid earnings and optimistic commentary about future growth prospects. The stock traded down because of negative sentiment surrounding the video game industry due to heightened competition, 2019 guidance that fell short of investor expectations, and questions regarding the potential of *Red Dead Redemption Online*. We retain conviction, as we believe Take-Two has an excellent management team, continues to benefit from the shift to digital, and has great IP (most notably *Grand Theft Auto*, *Red Dead Redemption*, *NBA 2K*, and *Borderlands*) that continues to perform well.

Tesla, Inc. designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. Following strong execution during the second half of 2018, 2019 started with a complicated quarter with slower deliveries than expected. During the quarter, Tesla noted delays in international deliveries, headcount reduction, and potential changes to its go-to-market approach by closing some of its retail stores. These announcements increased short-term uncertainty, pressuring the stock down 16%. We remain focused on the long-term opportunity as Tesla ramps up manufacturing, supply chain, and delivery to sell significantly more cars over the next few years. We believe the Model 3 program is nearing a tipping point with the availability of sub-\$40,000 options, presenting a strong mass-market opportunity. Moreover, Tesla's expansion into China and the introduction of Model Y over the next few years should help the company expand its addressable market while entering the growing SUV segment. We believe electric vehicles have distinct advantages over combustion-engine vehicles, and with rapidly approaching price parity, we believe they will capture significant market share with Tesla remaining a leading player in this market transition.

Bolsas y Mercados Argentinos S.A. is Argentina's only vertically integrated stock exchange and sole custodian for securities. Shares of Bolsas declined

25% during the quarter after the company reported weak fourth quarter results, mostly driven by lower non-operating financial income and, to a lesser extent, weaker trading volumes in equities and assets under custody. Macro headlines continue to dominate short-term trading in Argentinian equities. With January inflation reported above expectations, the negative cycle of currency depreciation, rising rates and slower expected growth rates resumed. The weaker macro environment could also be a headwind for the incumbent president at the upcoming elections in October. If incumbent Cambiemos is not re-elected, investors' concern about the current reform-driven agenda, fiscal responsibility, and orthodox economic policies may be heightened. Notwithstanding near-term concerns, we believe that Bolsas has significant growth potential ahead, driven by the development of local capital markets, which should drive increasing penetration and additional revenue opportunities.

AxoGen, Inc. sells products for nerve repair, including Avance Nerve Graft. Shares detracted from performance following the company's earnings announcement, reporting a shortfall in sales and reduced annual guidance due to a leadership change in the sales force and sales productivity challenges. We sold our position to pursue other higher-conviction investment ideas.

Housing Development Finance Corporation Limited ("HDFC") is India's largest and most reputable lender with mortgage origination, asset management, life insurance, and real estate businesses. While shares of HDFC were up 1% in the first quarter, they underperformed the Indian market by about 6%, as the company worked through a shock to short-term liquidity conditions that was triggered by a large default in the country. This had several impacts on HDFC's results, including lower loan growth, spread compression, and concerns about the quality of the real estate developer book. Some of these impacts are transitory and have begun to normalize, but lingering uncertainties impacted stock performance over the last quarter. We take comfort in HDFC's history of prudent risk management, and we continue to see an attractive long-term growth opportunity for the company due to rising demand for housing and policy support for the sector. HDFC's non-lending subsidiaries provide additional opportunity for value creation.

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 38.9% of the Strategy, and the top 20 represented 63.1%. Our investments in the Information Technology, Consumer Discretionary, Health Care, Communication Services, and Financials sectors, as classified by GICS, represented 92.0% of the Strategy's assets. Our investments in companies domiciled outside the U.S. represented 47.4% of assets.

Table IV.
Top 10 holdings as of March 31, 2019

	Quarter End Market Cap (billions)	Percent of Net Assets
Amazon.com, Inc.	\$874.7	5.3%
Alibaba Group Holding Limited	471.7	5.2
Alphabet Inc.	816.8	4.8
argenx SE	4.7	3.9
Illumina, Inc.	45.6	3.8
Naspers Limited	101.5	3.4
Veeva Systems Inc.	18.6	3.4
EPAM Systems, Inc.	9.2	3.1
Constellation Software, Inc.	18.0	3.0
Mellanox Technologies Ltd.	6.5	3.0

EXPOSURE BY COUNTRY

Table V.
Percentage of securities by country as of March 31, 2019

	Percent of Net Assets
United States	45.1%
China	12.2
India	6.5
Netherlands	6.2
Israel	5.3
Argentina	4.1
Brazil	4.0
South Africa	3.4
Canada	3.0
United Kingdom	1.6
Germany	0.9
Japan	0.2

RECENT ACTIVITY

During the quarter, we initiated five new investments and added to 26 existing positions as we put the Strategy's inflows to work. We also sold out of five investments that were not able to graduate into "core" holdings. We exited the March quarter with 48 holdings, which include shares of **Mellanox Technologies Ltd.** and **Worldpay, Inc.** whose acquisitions are expected to close in the second half of the year.

Table VI.
Top net purchases for the quarter ended March 31, 2019

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Illumina, Inc.	\$ 45.6	\$2.7
Amazon.com, Inc.	874.7	2.6
Alphabet Inc.	816.8	2.2
Accelaron Pharma Inc.	2.4	2.1
Alibaba Group Holding Limited	471.7	2.1

Baron Global Advantage Strategy

During the first quarter, we put the Strategy's inflows to use by allocating new capital to 26 existing investments, which included four of our highest conviction ideas – **Illumina, Inc.**, **Amazon.com, Inc.**, **Alphabet Inc.**, and **Alibaba Group Holding Limited**. We also initiated a new small position in **Accelaron Pharma Inc.**

Accelaron is a biotechnology company focused on the development of Luspatercept for anemias caused by blood disorders. We think Luspatercept is likely to generate north of \$2 billion to \$3 billion in sales at peak, making the shares undervalued at an enterprise value of around \$2 billion. In addition to the inherent potential of Luspatercept, Accelaron is developing muscle and respiratory platforms that should increase its addressable market. We are taking advantage of the lack of news flow to build our position.

Table VII.
Top net sales for the quarter ended March 31, 2019

	Market Cap When Sold (billions)	Amount Sold (millions)
Activision Blizzard, Inc.	\$36.1	\$3.0
Tenable Holdings, Inc.	2.5	1.2
Varonis Systems, Inc.	1.8	0.8
AxoGen, Inc.	0.8	0.6
AnaptysBio, Inc.	1.8	0.5

We eliminated **Activision Blizzard, Inc.** during the quarter, as its shares continued to be under pressure following uncertainty regarding the launch slate of new releases for 2019 and as the company guided for EPS well below Street estimates. The surprising success of Electronic Arts' recent *Apex Legends*, the continued popularity of *Fortnite* (resulting in a more "hit-driven" industry), and the slowing benefits from the transition to digital distribution also contributed to our decision.

We sold **Tenable Holdings, Inc.**, a Maryland-based cybersecurity company focused on the Vulnerability Management and Cyber Exposure markets. While the stock has done well since its IPO last July and reported solid quarterly results, we sold our shares in order to re-allocate capital to higher conviction ideas.

We also sold our position in **Varonis Systems, Inc.**, which provides a software platform that allows enterprises to map, analyze, manage, and

migrate their unstructured data. The company specializes in human-generated unstructured data, including spreadsheets, documents, presentations, e-mails, and employee generated data. Our sale came after the company unexpectedly announced a transition in the business model, causing a thesis change and our move to the sidelines.

Finally, we eliminated two smaller Health Care investments in **AxoGen, Inc.** and **AnaptysBio, Inc.** and re-allocated proceeds to higher conviction ideas.

OUTLOOK

After a difficult 2018, the first quarter of this year proved to be especially rewarding for global growth investors and many of our companies have performed exceedingly well, with the Strategy's shares appreciating over 26% in a three month period. With a strong absolute and relative performance run, it has undeniably been a favorable environment for the way in which we invest. Over the last 12 months, we have observed a noticeable uptick in volatility. However, we continue to do what we do, which is focus on big ideas and invest for the long term. By and large, we continue to see favorable fundamentals for most of our investments. Valuations, though no longer cheap, remain reasonable in our view, especially when compared to available alternatives. Moreover, the earnings outlook for 2019 remains optimistic. More relevant to our portfolio, e-commerce growth and spending on digital transformations are continuing to accelerate, with spending on cloud computing and big data growing over 60%, and even faster than that in Asia. The digitization phenomenon that we believe will dominate corporate spending for years to come is starting to reach inflection points in many new areas where not only media and retail, but health care, transportation, and consumer banking are in the midst of full-blown disruptions. We believe this should continue to favor many of the companies in which we invest.

Every day we live and invest in a world full of uncertainty. Fed policy, potential trade wars, the health of EM 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 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

The performance of accounts in the Strategy may be materially different at any given time. Differences that may affect investment performance include cash flows, inception dates, and historical prices. Positions may not be the same or may be traded at different times. In addition, accounts in the Strategy may be pursuing similar investment strategies, but may have different investment restrictions.

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. The Strategy 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.