DEAR BARON GLOBAL ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

Make it three in a row.

Baron Global Advantage Fund (the "Fund") returned 8.0% in the September quarter (Institutional Shares) and has returned 36.3% year-to-date. These results compare favorably to the returns of our benchmarks, MSCI ACWI Growth and MSCI ACWI Indexes, which appreciated 5.8% and 5.2%, respectively, for the third quarter, and 22.0% and 17.3%, respectively, over the first nine months of the year.

Quarterly performance was led mostly by long held core investments **Alibaba** (up 23%), **TAL Education** (up 65%), **Baidu** (up 38%) and **ASML Holdings** (up 31%); although more recent additions **Take-Two Interactive** (up 39%) and **JM Financial** (up 16%) made significant positive contributions as well. We did have an unusually high number of detractors over the last three months. Though they were all smaller positions that did not cause material damage to the overall returns, it prompted us to go through a rigorous quality control exercise, which resulted in the elimination of eight holdings.

As of September 30, 2017, the Fund was ranked in the top 1% of its peer group category for the year-to-date period and top 5% for the 1-year period. It was in the top 9% over the last 3 years and the top 6% over the last 5 years. A very good result, in our view.*

Table I.
Performance[†]
Annualized for periods ended September 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%	8.00%	5.76%	5.18%
Nine Months[3]	36.22%	36.34%	21.96%	17.25%
One Year	26.38%	26.57%	19.11%	18.65%
Three Years	10.18%	10.37%	9.18%	7.43%
Five Years	13.79%	14.02%	11.15%	10.20%
Since Inception (April 30, 2012)	12.35%	12.58%	10.52%	9.79%

ALEX UMANSKY

PORTFOLIO MANAGER

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

Since the election of Prime Minister Narendra Modi in May of 2014, we have been investing more time into researching Indian companies. There is a lot to like about the world's largest democracy. For starters – compelling demographics. The national median age is just 27.6 years, with more than two thirds of the Indian population below the age of 35. Mr. Modi ran on a platform of political and economic reform and the early returns have been promising. We think it is still very early, but we are starting to see progress and real changes taking hold. More entrepreneurs are getting access to capital and investing into their businesses for the long term. Similar to China over the last decade, we are now observing the beginning stages of the rise in disposable incomes and the emergence of the middle class. We think many companies in India are starting to look really attractive from the long-term perspective.

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.

* As of 8/31/2017, Morningstar calculates the **Morningstar US Fund World Stock Category Average** 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. As of 9/30/2017, the category consisted of 860, 842, 703, 583 and 539 share classes for the year-to-date, 1-, 3-, 5-year, and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 1st, 5th, 9th, 6th, and 8th percentiles, respectively, in the category.

BARON FUNDS
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Since the inception of the Fund, we have had little to no exposure to Indian companies for a variety of reasons. But, over the last nine months, we made four investments and exited this quarter with 7.3% of the Fund invested in companies domiciled in India, third highest after only the U.S. and China. While we expect to talk and write much more about it over the upcoming quarters and years, we think it makes sense to talk about an illustrative example. At the end of the quarter, at 2.2%, **Housing Development Finance Corporation Limited** (HDFC Ltd) was our largest investment in India.

Incorporated in 1977 as the first specialized mortgage company in India, today HDFC Ltd is a $40 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. We think the backdrop is particularly favorable as India's 9% penetration rate of mortgages as a percent of nominal GDP is one of the lowest in the world. It is 20% in Thailand, 22% in China, 32% in Malaysia, mid 60s in the U.S. and U.K., and 90% in Denmark. Recent government support towards housing through meaningful tax incentives, and partnerships with the private sector have made housing significantly more affordable, which combined with rising annual incomes, will likely accelerate the demand for mortgages. HDFC Ltd's mortgage book has been growing consistently between 16%-18% and we expect this growth to rise over the next few years. HDFC Ltd is the only AAA rated private mortgage issuer in India and as such has a significant funding advantage over its competitors which allows the company to issue loans at both lower rates and higher profit margins. The company enjoys the best cost-to-income ratio (approximately 7% compared to 13%-16% for its peers) due to its scale and distribution advantages and we think their management team (who we met with over half a dozen times in the last two years) is second to none! There is also positive optionality as the company gets ready to float parts of its Life Insurance and Asset Management businesses. All in all, we believe this is the right company at the right time in the right place with a compelling investment case that we expect to own for many years to come.

Table II.
Top contributors to performance for the quarter ended September 30, 2017

	Quarter End Market Cap (billions)	Percent Impact
Alibaba Group Holding Limited	$442.3	2.18%
TAL Education Group	16.9	1.91
Baidu, Inc.	85.9	0.76
ASML Holding N.V.	73.9	0.61
Facebook, Inc.	496.2	0.58

Shares of **Alibaba Group Holding Limited**, the largest retailer and e-commerce company in China, continued to re-rate in the third quarter. Though we can point to little material change over the last three months, the shares rose another 23%, and the stock price has now nearly doubled in 2017. 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, combined with a high re-investment rate in newer market segments such as groceries, logistics, and cloud computing. Though we genuinely wish the stock's rapid ascent was less torrid, we continue to be optimistic about Alibaba's long-term prospects and it remains the largest investment in the Fund.

TAL Education Group is a leading Chinese K-12 tutoring company, operating over 550 learning centers in 35 cities across China. Shares of TAL increased 65% during the quarter and the stock price has nearly tripled in 2017. Similarly to Alibaba above, we believe the stock has undergone a major re-rating this year. TAL continues to demonstrate rapid growth in student enrollments of approximately 62%, opening 60 new learning centers, while expanding the existing learning centers, and rapidly gaining share in the fragmented Chinese K-12 tutoring market. We maintain conviction in TAL as a tutoring market leader with opportunity to continue gaining market share for many years due to the strength of its brand.

Baidu, Inc. is the dominant search engine in China. In addition to search, Baidu is the leader in online video, artificial intelligence, and autonomous driving in China. The company also has a new advertising product that provides news and other information, customized to Chinese consumer appetites. Shares of Baidu were up 38% in the quarter, due to expectations of accelerating revenue growth and improving overall financial results. Based on recent Chinese government regulations, Baidu had to implement considerable changes to their search algorithms in certain categories which caused a significant disruption to its business. With the changes finally behind it, Baidu can once again start to grow at a faster pace. Additional optionality exists as Baidu's management has undergone a strategic review and is now in the process of focusing more on its core businesses, and monetizing its less strategic assets.

ASML Holding N.V. designs and manufactures semiconductor production equipment. ASML specializes in photolithography equipment, where light sources are used to photo-reactively create patterns on wafers which ultimately become printed circuits. This is really cool stuff. Shares of ASML appreciated 31% after another quarter of strong order flow from the next generation Extreme Ultra Violet (EUV) lithography product line. ASML continues to be the standard in the next generation lithography that is required for chip production at 5 nanometer node and below. We maintain high conviction in this investment as we believe ASML is the de-facto monopoly supplier of a required tool for the future of the semiconductor industry.

Shares of **Facebook, Inc.**, the world's largest social network and media company, appreciated 13% during the quarter, driven by improvements in consumer engagement and monetization. Facebook continues to be the largest beneficiary of the ongoing consumer shift to mobile and utilizes its leadership position to provide targeted marketing capabilities to global advertisers at scale. Facebook is in the early stages of monetizing online video and Instagram, which are both starting to contribute to incremental revenue growth, and is taking advantage of WhatsApp and Oculus as additional growth opportunities.

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

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Glaukos Corporation	$ 1.1	–0.36%
Sage Therapeutics, Inc.	2.3	–0.26
Acxiom Corporation	1.8	–0.24
Snap, Inc.	14.2	–0.19
Luxoft Holding, Inc.	1.6	–0.19

Shares of **Glaukos Corporation** declined 20% in the third quarter. Glaukos is a pioneer of minimally invasive glaucoma surgery. This quick procedure implants a stent, called the "iStent," into the eye's clogged outflow drain to reduce pressure and slow glaucoma progression. Glaukos has run into execution issues as a Medicare "gifted" price increase (applied universally to Average Selling Prices) has caused commercial insurance reimbursement issues, leading to volume deceleration and underperformance. Glaukos is currently only approved for a subset of the market with the iStent and has produced data for another next generation product dubbed the iDose, hence our continued conviction for the company's long-term trajectory and our expectations for the broader insurance coverage.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. After a big run in the first half of the year the shares pulled back 22% in the September quarter. The company's initial focus was on the treatment of a rare medically induced coma caused by SRSE (super refractory status epilepticus) and on post-partum depression. Recent developments have been negative after the first Phase 3 trial in SRSE failed. However, we are more optimistic about the pivotal data in post-partum and major depression expected to be released this quarter. Additionally, Sage has announced expansion into disease indications like Parkinson's and tremor. Regardless of volatility, we retain strong conviction in Sage's ultimate probability of success.

Acxiom Corporation is a leader in marketing data services and identity management for enterprises. Shares of Acxiom declined 12% in the quarter as the company's legacy marketing services business is now expected to be down year-over-year and the data sales business will grow at a slower rate due to a change in contractual terms with one of their larger customers. We decided to exit our investment, although we do point out that it is still owned in other Baron Funds.

Luxoft Holding, Inc. provides outsourced software development to business customers using highly-skilled, low-cost employees primarily in Eastern Europe and Russia. The stock fell 20% after the company reported disappointing financial results. Revenue growth slowed for several large customers, margins declined, and full-year guidance was cut. We exited the position.

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 48.6% of the Fund, the top 20 were 70.1%, and we exited the quarter with 40 holdings. Over 94% of the Fund's assets are invested in stocks in the Information Technology, Consumer Discretionary, Financials, and the Health Care sectors, as classified by GICS, with over half of the assets invested in companies that are domiciled outside of the United States.

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

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alibaba Group Holding Limited	$442.3	$3.1	10.0%
Amazon.com, Inc.	461.8	1.9	6.1
Naspers Limited	94.8	1.7	5.4
Facebook, Inc.	496.2	1.7	5.4
Alphabet Inc.	669.2	1.5	4.7
TAL Education Group	16.9	1.3	4.2
EPAM Systems, Inc.	4.6	1.3	4.0
Ctrip.com International, Ltd.	27.1	1.0	3.1
Baidu, Inc.	85.9	1.0	3.0
Constellation Software, Inc.	11.6	0.8	2.7

EXPOSURE BY COUNTRY

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

	Percent of Net Assets
United States	44.5%
China	22.2
India	7.3
South Africa	5.4
Israel	5.1
Canada	2.7
Netherlands	2.4
United Kingdom	1.7
Taiwan	1.6
Japan	1.6
Argentina	1.2

Recent Activity

This year, finally, we started seeing some inflows. Mind you, nothing like our "cousins" on the Emerging Markets side, but we are grateful for what we get. In all the excitement we went a bit wild and gorged ourselves on new ideas in the process pulverizing our shopping list. Unwilling to add to already sizeable (and sizzling) investments in Alibaba, TAL, Ctrip, and JD (among a few others), we initiated a remarkable 15 net new investments in the Fund, in the first six months of the year. The intent was to upgrade the opportunity set without sacrificing quality of ideas, while managing the risk around position sizes of some of the largest outliers. Well, though you couldn't tell by performance (at least not yet), it did not work as intended. With quality control as the battle cry, we added only one new name this quarter while jettisoning eight others. In our defense, only two of the eight purges were added this year so the overwhelming majority of new ideas survived the added scrutiny and we feel a lot better about a tidy 40 name portfolio that we exited with. We also added to 23 existing investments and trimmed six others.

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

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Vantiv, Inc.	$ 12.5	$405.4
Naspers Limited	94.8	352.7
Facebook, Inc.	496.2	317.4
Baidu, Inc.	85.9	313.4
EPAM Systems, Inc.	4.6	265.1

We initiated a position in **Vantiv, Inc.** during the September quarter. Vantiv is a payment processing company that provides technology solutions that enable merchants to accept electronic payments. Earlier in the quarter, Vantiv announced a transformative acquisition of the U.K. company, Worldpay, the largest payment processor in Europe. After years of researching the company, we initiated a position in Vantiv because we believe the combination will create significant shareholder value over time. These two businesses are highly complementary given Vantiv's market-leading position and growth in the U.S. and Worldpay's dominance in the U.K. and international e-commerce markets. We expect near-term expense synergies from rationalizing Worldpay's U.S. segment and longer-term revenue synergies by accelerating Vantiv's growth in domestic e-commerce.

Based in Cape Town, South Africa, **Naspers Limited** is a $95 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. We believe that Tencent, in particular, represents a very attractive investment in and of itself, and is currently undervalued. Moreover, we think Naspers can win in many different ways and the presence of unusually large positive optionality is what gives us conviction to make it a top five position in the Fund.

We added to our investment in **Facebook, Inc.**, the world's largest social network and media company. We believe Facebook will demonstrate continued improvements in consumer engagement and monetization. The company continues to be uniquely positioned as the largest beneficiary of the ongoing consumer shift to mobile and utilizes its leadership position to provide targeted marketing capabilities to global advertisers at scale. Facebook is in the early stages of monetizing online video and Instagram, which are both starting to contribute to incremental revenue growth, and is taking advantage of WhatsApp and Oculus as additional growth opportunities.

EPAM Systems, Inc. provides outsourced software development to business customers using highly-skilled, potentially lower-cost employees, primarily in Eastern Europe and Russia. The company reported solid financial results with 24% organic, FX-neutral revenue growth as the demand remains strong across verticals and geographies. Full-year revenue guidance was raised to reflect more favorable FX rates. We added to the position because we believe EPAM has a long runway for growth in a very large, global market for next-generation software development. We think it is one way to play the digitization transformation that we expect to play out for many years to come.

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

	Market Cap When Sold (billions)	Amount Sold (thousands)
FireEye, Inc.	$ 2.5	$646.9
Mobileye N.V.	14.1	640.3
Acxiom Corporation	1.8	556.9
Pacira Pharmaceuticals, Inc.	1.5	273.7
Luxoft Holding, Inc.	1.6	221.5

FireEye, **Inc.**, **Acxiom Corporation**, **Pacira Pharmaceuticals, Inc.,** and **Luxoft Holding, Inc.** were all victims of the quality control purge that befell the Fund in the third quarter. **Mobileye N.V.**'s acquisition by Intel closed during the quarter and we received our cash.

Outlook

The first nine months of the year have been very rewarding for global growth investors and many of our companies have performed exceedingly well. With the Fund up over 36% year-to-date, this has undeniably been a favorable environment for the way in which we invest. After lackluster earnings growth last year, corporate profits are on pace for double-digit growth in 2017. Moreover, the outlook for 2018 is even more optimistic, 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 the midst of full blown disruptions now). We believe this should favor many of the companies in which we invest.

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

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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.

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