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.

NEAL ROSENBERG
CO-PORTFOLIO MANAGER

RONALD BARON
CEO AND LEAD PORTFOLIO MANAGER

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

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 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.

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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 10th 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

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.