RONALD BARON
CEO AND LEAD
PORTFOLIO MANAGER

NEAL ROSENBERG
CO-PORTFOLIO
MANAGER

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

Dear Baron Growth Fund Shareholder:

Performance

Baron Growth Fund (the "Fund") rose 7.94% (Institutional Shares) during the quarter. This result exceeded the performance of its benchmark, the Russell 2000 Growth Index, which rose 5.52%. Domestic markets continued their rally, underpinned by strong macroeconomic conditions, robust earnings growth, and low interest rates. Growth stocks again outshined value stocks, while larger capitalization stocks surpassed smaller capitalization stocks after trailing in the first half of the year. The Fund has risen 19.47% year-to-date, which is 3.71% ahead of the benchmark, despite taking less risk. The Fund's relative outperformance continued to be driven by favorable stock selection, which is the goal of our fundamentally driven investment philosophy.

Table I.
Performance
Annualized for periods ended September 30, 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]	7.86%	7.94%	5.52%	7.71%
Nine Months[4]	19.23%	19.47%	15.76%	10.56%
One Year	25.55%	25.86%	21.06%	17.91%
Three Years	17.62%	17.93%	17.98%	17.31%
Five Years	11.62%	11.90%	12.14%	13.95%
Ten Years	12.40%	12.67%	12.65%	11.97%
Fifteen Years	10.93%	11.10%	10.61%	9.65%
Since Inception (December 31,1994)	13.46%	13.57%	8.54%	10.19%

During the third quarter, 23 positions, representing 41.8% of the portfolio's average assets rose by more than 10%. Twelve positions, representing 13.6% of the portfolio's average assets, returned in excess of 20%. The rationale for each stock's move this quarter is unique, and we elaborate on some of the positions below. All 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. We continue to expect these investments to generate attractive long-term performance as their revenue and earnings compound at above-market rates.

Performance also benefited from minimizing our exposure to stocks suffering meaningful declines. Just 19.1% of the portfolio declined during the quarter, as measured by average assets, and only five positions, representing 4.2% of average assets, declined by more than 10%. We believe that this is an outgrowth of our preference for investing in what we believe are high-quality businesses with sustainable competitive advantages led by best-in-class management teams. All businesses can experience occasional short-term fluctuations in demand, vary the pace of their investments, mis-execute on discrete initiatives, or fall out of favor with investors. Any of these issues can cause stocks to decline. However, we believe our investment process helps us avoid investing in businesses that presently have or are likely to develop structural flaws that permanently impair value and weigh meaningfully on portfolio returns.

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 $4.4 billion; its weighted geometric average market cap is $7.6 billion. The Morningstar U.S. market breakpoints for small- and mid-cap funds are $3.7 billion and $18.6 billion, respectively, as of September 30, 2018.

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, 2017 was 1.30% and 1.04%, respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.*

[1] The indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The indexes and the Fund are with dividends, which positively impact the performance results. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell is a trademark of Russell Investment Group.
[2] The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.
[3] Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to May 29, 2009 did not reflect this fee, the returns would be higher.
[4] Not annualized.

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Table II.
Performance Based Characteristics as of September 30, 2018

	Time Interval			
	Millennium Internet Bubble to Financial Panic 12/31/1999 to 12/31/2008	Financial Panic to Present 12/31/2008 to 9/30/2018	Millennium Internet Bubble to Present 12/31/1999 to 9/30/2018	Inception 12/31/1994 to 9/30/2018
Alpha (%)	5.05	3.42	5.32	7.21
Beta	0.58	0.76	0.65	0.68

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 9/30/2018		Millennium Internet Bubble to Present 12/31/1999 to 9/30/2018		Inception 12/31/1994 to 9/30/2018	
	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%	$44,610	346.10%	$55,533	455.33%	$205,419	1,954.19%
Russell 2000 Growth Index	$ 6,476	(35.24)%	$45,371	353.71%	$29,381	193.81%	$ 70,084	600.84%
S&P 500 Index	$ 7,188	(28.12)%	$39,666	296.66%	$28,512	185.12%	$100,111	901.11%

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 $205,419 at September 30, 2018. This is approximately 2.9 times greater than the $70,084 value of the same investment made in the Fund's benchmark, the Russell 2000 Growth Index. Those returns were achieved with over 30% less volatility than the benchmark, an attribute that we believe is underappreciated during periods of calm markets.

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 $55,533 on September 30, 2018. That is 89.0% more than an investment in a passive Russell 2000 Growth Index mutual fund, and 94.8% 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 September 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Iridium Communications Inc.	2014	$0.6	$ 2.5	39.89%	0.86%
Gartner, Inc.	2007	2.3	14.4	19.25	0.84
Bio-Techne Corporation	2009	2.1	7.7	38.20	0.71
Primerica, Inc.	2010	1.1	5.2	21.29	0.61
IDEXX Laboratories, Inc.	2005	1.9	21.6	14.55	0.58

Shares of satellite company **Iridium Communications Inc.** rose on strong quarterly results that beat investor expectations. Iridium has now launched 65 of the 75 NEXT satellites into orbit after a multi-year investment program. This significantly reduces execution risk and positions the company to begin the commercial roll out of its new Certus capabilities. We expect Iridium to continue its growth with the U.S. Department of Defense, maritime, aviation, and Internet of Things channels. We expect cash flow generation to move materially higher as capex needs decline.

Shares of **Gartner, Inc.**, a provider of syndicated research, contributed to performance. We believe forward-looking metrics in Gartner's traditional IT research business are strong, with contract value growing at a mid-teens rate. Gartner recently introduced a seat-based product to heritage CEB clients, and is generating traction in closing new customers with this improved product. The company meaningfully expanded its sales force to pursue this large incremental opportunity, and we expect to see heritage CEB growth accelerate from 2% into the mid-to-high teens over time.

Shares of **Bio-Techne Corporation**, a developer and manufacturer of life sciences tools, contributed to performance. The company reported strong quarterly results highlighted by 9% organic revenue growth. In addition, Bio-Techne recently acquired Exosome Diagnostics, which developed a non-invasive liquid biopsy test to help physicians determine whether a prostate biopsy is necessary in patients with ambiguous screening results. The transaction has the potential to become a meaningful growth driver for the company, in our view.

Table V.
Top detractors from performance for the quarter ended September 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Red Rock Resorts, Inc.	2016	$2.3	$3.1	–20.19%	–0.29%
Littelfuse, Inc.	2016	2.5	5.0	–13.11	–0.12
Douglas Emmett, Inc.	2009	1.0	6.4	–5.49	–0.12
2U, Inc.	2017	2.3	4.3	–10.10	–0.09
Neogen Corp.	2009	0.5	3.7	–10.80	–0.06

Red Rock Resorts, Inc., a casino operator in the Las Vegas locals market, decreased in the quarter as investors worried about earnings as management indicated many locals were away on vacation this summer given the strong economy and a heat wave that affected Vegas for much of the summer. We view the lower visitation as temporary and not a sign of a slowdown. The Vegas population continues to grow 2%-to-3% a year, wages continue to rise 2%-to-3% a year and housing prices are at record levels.

Littelfuse, Inc. is one of the world's leading suppliers of circuit protection products that are used in virtually every market that uses electrical energy. The company underperformed in the quarter due to general macro concerns, including global automotive production volumes and uncertainty around U.S.-China tariffs. We continue to hold Littelfuse because we believe that the company maintains a strong competitive advantage, has a management team that will create value over time through organic growth and acquisition, and benefits from the attractive secular theme of electrification.

Douglas Emmett, Inc. detracted from performance during the third quarter. Douglas Emmett is a REIT that owns a portfolio of high-quality office and multi-family assets in Western Los Angeles and Honolulu. Underperformance was driven by a rise in the 10-year interest rate, which made Douglas Emmett's dividend yield relatively less attractive. We retain conviction because Douglas Emmett owns a portfolio of high-quality assets that we believe are irreplaceable and underappreciated at the current stock price.

Recent Purchases

This quarter the Fund initiated positions in **Bloom Energy Corporation** and **Cision Ltd.**

Bloom Energy Corporation designs, manufactures, and sells solid-oxide fuel cell systems. Bloom has developed a proprietary distributed on-site electric power solution, branded the Bloom Energy Server, which delivers highly reliable, uninterrupted power that is also clean and sustainable. Installing Bloom servers allows businesses to disconnect from the electric grid, which is aging, unreliable, and vulnerable to weather outages and cyber attacks. Bloom's fuel source is the natural gas infrastructure, which we estimate is almost 40 times more reliable than traditional electric infrastructure. We believe that Bloom's proprietary solid-oxide technology is significantly ahead of fuel cell competition with regard to system efficiency, costs, and the footprint. Unlike renewables such as wind and solar, Bloom can deliver "baseload" power on a 24/7 basis, and can be deployed in a space-efficient and modular manner. As a result, Bloom has garnered significant market share among early adopting commercial and industrial (C&I) customers with high power reliability needs, and has outsized representation in data centers and in health care facilities.

We believe that Bloom serves a vast global addressable market. We consider Bloom's primary competitor to be the utility grid. Today, we estimate Bloom's levelized cost of electricity (LCOE) to be approximately 13 cents/kwh, which makes it cost competitive in the 11 states and 3 countries in which it currently operates. This excludes indirect benefits from attributes such as superior reliability and lower environmental externalities. We estimate that the C&I electricity market in this subset of markets is $175 billion.

Bloom's product costs have declined at a 29% annualized rate from 2015 to 2017. Going forward, we expect system costs to continue to decline, driven by increased capacity, improvements in energy density, and reductions in manufacturing costs. We expect unit cost declines to generate LCOE savings for end users, and facilitate greater adoption by new and existing customers. We expect demand to be amplified by consistent increases in grid costs and an increasing global focus on environmental sustainability. We expect Bloom's LCOE to drop below 9 cents/kwh over the next five years, while grid costs will continue to rise. Ultimately, we expect Bloom to be cost competitive with the majority of global C&I grid rates, allowing it to address a vast $1.6 trillion market.

Cision Ltd. is a leader in earned media automation, distribution, and analytics. The company has a market-leading offering that includes proprietary data, broad distribution capabilities, workflow automation tools, and social listening capability that help increase efficiency and connectivity between news sources, reporters, and media influencers. We believe that Cision enjoys dominant market position, with a revenue base more than three times larger than its nearest competitor, the world's largest proprietary media contact database, and the unique ability to offer customers both workflow automation and distribution capabilities. We expect Cision's scale to allow it to continue to invest more than its competitors in product development. This should create a stronger platform, enable new revenue opportunities in attribution and data, and ultimately allow Cision to address the $30 billion marketing automation market.

Cision acquired market-leading distribution platform PR Newswire in mid-2016, and has spent the past two years integrating and re-platforming the businesses. We believe that Cision will now focus on cross-selling these products, driving meaningful acceleration in organic growth. Cision has almost 75,000 customers, but only approximately 10% are using both automation and distribution. We expect the cross-sell opportunity to be supported by Cision's recently launched C3 platform and new products such as IMPACT and Audiences. We believe that the new platform and products provide customers with functionality enhancements, tight integration, and improved user experience. These attributes are likely to reduce customer churn rates and drive pricing power over time.

Cision has an attractive business model, akin to many of the software and information services investments held in the Fund. Attributes include accelerating organic growth, over 80% recurring revenue, and a well-diversified customer base. Margins are already in the low to mid 30% range, and we expect to see them exceed 40% through cost synergies and natural operating leverage. We expect much of this EBITDA to convert to free cash flow, which management can use to do M&A, reduce debt, and ultimately return to shareholders.

Cision is led by CEO Kevin Akeroyd, who joined the company after creating and leading the Oracle Marketing Cloud, a multi-billion dollar platform. He joins Jack Pearlstein, an experienced public markets CFO with whom we have successfully invested in the past. We believe that Kevin's experience and relationships at Oracle will be extremely valuable in helping him craft and execute his vision for Cision.

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. The portfolio managers define "best-in-class" as well-managed, competitively advantaged, faster growing companies with higher margins and returns on invested capital that are leaders in their respective markets. Note that this statement represents the managers' opinion and is not based on a third-party ranking. 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 September 30, over 82% of the portfolio had been held for more than 5 years, and approximately 47% had been held for more than 10 years. This is dramatically longer than most other small-cap growth funds, who turn over about 70% 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	2,250.4%
IDEXX Laboratories, Inc.	2005	1,634.7
Vail Resorts, Inc.	1997	1,481.9
CoStar Group, Inc.	2004	951.0
Arch Capital Group Ltd.	2002	942.7
Alexander's, Inc.	1999	767.2
Mettler-Toledo International, Inc.	2008	744.2

Baron Growth Fund owns stock in 36 businesses that it has owned for more than five years. These investments represent 82.4% of the Fund's assets and have earned an annualized rate of return of 17.8% since they were purchased. This exceeds the performance of the Fund's benchmark by 4.9% per year. Most Fund investments that have been held for more than five years have realized approximately four- to seven-fold appreciation so far, and seven 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	332.9%
Iridium Communications Inc.	2014	210.8
Wix.com Ltd.	2016	155.2
Moelis & Company	2015	152.7
Kinsale Capital Group, Inc.	2016	137.5
Altair Engineering Inc.	2017	137.3
Ollie's Bargain Outlet Holdings, Inc.	2017	107.1

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 21 stocks that account for 16.4% of the portfolio. As a group, they have earned an annualized return of 33.7% and exceeded our benchmark by 17.3% annualized. Eleven of these investments have achieved annualized returns that exceeded our benchmark by more than 10%, and eight have achieved annualized returns that exceeded our benchmark by more than 20%.

Portfolio Holdings

As of September 30, 2018, Baron Growth Fund held 58 investments. The top 10 holdings represented 46.8% of the Fund's net assets. 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.

Table VIII.
Top 10 holdings as of September 30, 2018

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	1997	$0.2	$11.1	$576.3	8.2%
CoStar Group, Inc.	2004	0.7	15.3	366.1	5.2
Gartner, Inc.	2007	2.3	14.4	356.6	5.1
MSCI, Inc.	2007	1.8	15.8	322.0	4.6
Arch Capital Group Ltd.	2002	0.4	12.1	313.5	4.5
IDEXX Laboratories, Inc.	2005	1.9	21.6	299.6	4.3
ANSYS, Inc.	2009	2.3	15.7	280.0	4.0
FactSet Research Systems, Inc.	2006	2.5	8.6	279.6	4.0
Choice Hotels International, Inc.	1996	0.4	4.7	249.9	3.6
Primerica, Inc.	2010	1.1	5.2	229.0	3.3

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	Neal Rosenberg
CEO and Lead Portfolio Manager	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.