

DEAR BARON GROWTH FUND SHAREHOLDER:

PERFORMANCE

Equity markets continued to advance during the third quarter. Baron Growth Fund (the "Fund") performed well on an absolute basis, gaining 3.23% (Institutional Shares). The Russell 2000 Growth Index, the small-cap benchmark against which we compare the Fund, rose 6.22%. Solid macroeconomic conditions and a revival of hopes for tax reform late in the quarter drove a rally in cyclical stocks, and biotechnology stocks continued to rally. As neither type of stock meet our investment criteria, they are not well represented in our portfolio. Our investments continued to leverage sustainable competitive advantages and favorable secular trends to generate attractive revenue and earnings growth rates.

These strong financial results have driven the robust year-to-date performance of the Fund. Through September 30, 2017, the Fund has returned 20.88%, outperforming its benchmark by over 400 basis points.

Table I.  
Performance  
Annualized for periods ended September 30, 2017

	Baron Growth Fund Retail Shares <sup>1,2</sup>	Baron Growth Fund Institutional Shares <sup>1,2,3</sup>	Russell 2000 Growth Index <sup>1</sup>	S&P 500 Index <sup>1</sup>
Three Months <sup>4</sup>	3.16%	3.23%	6.22%	4.48%
Nine Months <sup>4</sup>	20.64%	20.88%	16.81%	14.24%
One Year	20.47%	20.79%	20.98%	18.61%
Three Years	9.49%	9.77%	12.17%	10.81%
Five Years	12.53%	12.82%	14.28%	14.22%
Ten Years	7.48%	7.71%	8.47%	7.44%
Fifteen Years	10.66%	10.82%	11.78%	10.04%
Since Inception (December 31, 1994)	12.95%	13.06%	8.02%	9.86%

For much of this year, high-quality growth companies trading at attractive prices have enjoyed strong investor demand. As investors came to realize that businesses could not depend on policy-driven stimulus from the current administration, they turned their attention to secular stocks able to generate attractive growth regardless of fiscal or monetary policy, stimulus spending, interest rates, or geopolitical conditions. Those trends persisted for much of the quarter. Toward the end of the quarter, however, strong economic conditions and renewed discussion of tax reform rekindled demand for cyclical stocks and businesses that were viewed as disproportionate beneficiaries.

We find this situation reminiscent of last Fall, when enthusiasm first built for tax reform (as well as health care reform, infrastructure spending, higher



RONALD BARON

CEO AND PORTFOLIO MANAGER

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

interest rates, a stronger dollar, and accelerated GDP growth under a new administration). Like last year, we do not know if, when, or how any legislation might come together, and who will benefit. We are confident that whatever the ultimate outcome, it will look different from what investors may contemplate today. Our Firm is a fundamental, long-term investor in what we believe are fast growing, competitively advantaged, well-managed businesses. We are not trying to beat our benchmark in the short term by making macro judgments or trying to rebalance our portfolio based on what is in vogue. We invest only in growth businesses that we think can double in value about every five or six years. This compares to the stock market and economy which have doubled in value about every 11 years since 1960.

Virtually all the businesses in which Baron Growth Fund has invested are incurring significant expenses to become much larger businesses. These expenditures can be on organic growth, such as hiring more sales staff, developing new products, starting up new manufacturing plants, providing additional client services or producing new products at lower gross margins than will be achieved at scale. Investments can also be made through acquisitions, where a company can purchase unique intellectual capital, product, pipeline, or expertise in a faster or more cost-effective manner than could be achieved organically.

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, 2016 was 1.30% and 1.05%, 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](http://www.BaronFunds.com) or call 1-800-99BARON.*

<sup>1</sup> 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.  
<sup>2</sup> 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.  
<sup>3</sup> 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.  
<sup>4</sup> Not annualized.



# Baron Growth Fund

Financial technology vendor **FactSet Research Systems, Inc.** is an example of how investments that penalize earnings in the short term tend to be met initially with skepticism by the market, but ultimately are positive for stock performance if they create long-term business value. FactSet has always had an aggressive organic reinvestment strategy, but has recently become more acquisitive. Strategic acquisitions have included the purchase of execution management system Portware, performance measurement system Bisam, and portal provider IDMS. These acquisitions temporarily reduced the company's margins by around 2%, as the acquired businesses carried lower margins than FactSet's and required integration expenses. This weighed on short-term stock performance, as investors fretted about the short-term decline in profitability despite significant potential long-term benefits. We viewed the costs as temporary, and were optimistic that the acquisitions would expand FactSet's addressable market, enable it to offer clients a complete investment management platform, and shift the company's mix towards enterprise sales from user-based revenue. We continue to believe these investments will help accelerate organic revenue growth, and that margins will ultimately exceed pre-deal levels. The early benefits of these investments began to be reflected in FactSet's most recent earnings results. Organic growth improved, and management indicated that margins will return to historical levels over the next several quarters. Shares jumped on the results and are now trading at all-time highs.

Based on our analysis, more than 80% of the businesses in which the Fund invests are currently penalizing their profits to reinvest in their businesses. More than 65% of the Fund's investments have made a strategic acquisition in the past two years. We are optimistic that many of these investments will generate similarly positive returns for our portfolio businesses, and that the stocks will perform analogously.

Businesses in which we invest have often been targets for buyouts by strategic and financial acquirers. That is because these businesses, in our view, have large addressable markets, high barriers to entry, sustainable competitive advantages and outstanding management teams. This quarter's acquisition of ClubCorp Holdings by Apollo for a 31% premium to its prior-day close is the third such portfolio company acquisition this year. Earlier in 2017, fast-casual restaurant chain Panera Bread received a buyout offer from JAB Holdings for \$315 per share, and international school provider Nord Anglia was acquired at a 33% premium to its average closing price during the previous 90 days.

Biotechnology shares have appreciated materially this year, gaining in excess of 50% through September 30, 2017. The Fund traditionally has not invested in biotechnology, as small-cap stocks in this sector tend not to

meet our investment criteria. These businesses tend to be pre-revenue and have binary outcomes where a clinical trial will either fail or succeed, operate in unpredictable competitive environments, and have finite-lived barriers to entry. They also face long-term pricing risks, as they sell to customers with near-unilateral pricing power and face growing regulatory pressure to reduce the cost of drugs. Instead, the Fund invests in suppliers such as **West Pharmaceutical Services, Inc.** and **Bio-Techne Corporation**, which sell mission-critical drug delivery devices, proteins, and antigens to biotechnology companies for use in the research and manufacturing processes. These businesses benefit from the same positive secular trends, but also enjoy sustainable competitive advantages, high barriers to entry, predictable revenue growth, and outstanding cash flow generation. We are continuously working to identify new investments that we believe share these attractive attributes in this attractive growth area.

Baron Growth Fund has significantly outperformed its peers over the long term. Baron Growth Fund purchases *only* small-cap companies. Year-to-date, we initiated new positions in companies with average market capitalizations of \$2.5 billion, and added to positions with average market capitalizations of \$2.2 billion. However, since the Fund holds its growth company investments for the long term, the Fund has a significant percentage of its assets invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investment. Please see Table X. Baron Growth Fund's median market cap is \$3.6 billion, while its weighted geometric average market cap is \$5.7 billion. The Morningstar U.S. market breakpoints for small and mid-cap funds are \$4.4 billion and \$ 21.0 billion, respectively, as of September 30, 2017.

For comparison purposes, we created a Baron-Adjusted Morningstar Small Growth Category that includes Baron Growth Fund with the funds in Morningstar's Small Growth Category. Baron Growth Fund's annualized return exceeds the surviving funds in the category by 2.48% per year over the Fund's nearly 23-year history, and ranks in the top 3% of the category. While this is meaningful on an annual basis, it becomes even more significant when compounded over time. ***An investment in Baron Growth Fund at its inception and held through September 30, 2017 would be worth almost three times an investment in its benchmark!*** Those returns would have been achieved with almost 30% less risk and volatility than the benchmark. We think our long-term investment strategy is different than that of most small-cap managers or passive strategies that sell their best investments solely for market cap reasons. Regardless of restricting the Fund's purchases to small-cap companies, Baron Growth Fund's performance also compares well against surviving mid-cap growth funds. Since inception, the Fund ranks in the top 7% of funds in the Mid-Cap Growth Category.

**Table II.**  
Performance  
Periods of euphoria and stress

	"Yesterday" Clinton Years 1992-2000 12/31/99 P/E 33x	Internet Bubble	"The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Bubble; Financial Panic	"Here Comes the Sun" Recovery and Quantitative Easing 2009-2013	"Helter Skelter" Fed tightening	"Any Time at All"
	Annualized Returns					
	Inception 12/31/1994 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 9/30/2017	Inception 12/31/1994 to 9/30/2017
Baron Growth Fund (Institutional Shares)	29.90%	67.61%	2.46%	22.39%	7.03%	13.06%
Russell 2000 Growth Index	18.99%	108.38%	(4.71)%	22.58%	8.42%	8.02%
S&P 500 Index	28.56%	32.29%	(3.60)%	17.94%	10.91%	9.86%
Percentile rank in Baron-Adjusted Morningstar Small Growth Category	21	72	13	45	60	3
# of Share Classes in Baron-Adjusted Morningstar Small Growth Category	156	394	354	584	575	57
Baron-Adjusted Morningstar Small Growth Category Avg*	22.16%	117.02%	(2.69)%	22.10%	7.30%	10.58%
Percentile rank in Morningstar Mid-Cap Growth Category	25	79	12	29	66	7
# of Share Classes in Morningstar Mid-Cap Category	197	416	366	531	543	62
Morningstar Mid-Cap Growth Category Avg**	25.32%	120.57%	(3.33)%	20.97%	7.72%	9.95%

**Table III.**  
Performance Based Characteristics as of September 30, 2017

	Time Interval					
	Inception 12/31/1994 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2013	12/31/2013 to 9/30/2017	Inception 12/31/1994 to 9/30/2017
Alpha (%)	13.61	5.37	5.05	4.07	1.60	7.09
Beta	0.77	0.62	0.58	0.79	0.67	0.67
# of Monthly Observations	60	18	108	60	45	273

\* As of 8/31/2017, Morningstar calculates the **Morningstar US Small Growth 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. Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Morningstar Mid-Cap Growth Category and the Baron-Adjusted Morningstar Small Growth Category, created to include Baron Growth Fund's Retail, Institutional, and R6 shares.

As of 8/31/2017, Baron calculates the **Baron-Adjusted Morningstar Small Growth Category Average** using the Morningstar 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 Baron-Adjusted Morningstar Small Growth category consisted of 677, 537, 402, and 57 share classes for the 1-, 5-, 10-year, and since inception (12/31/1994) periods. The number of share classes in the category may vary depending on the date that Baron made the calculation. **Baron Growth Fund Institutional** Share Class ranked in the 40<sup>th</sup>, 54<sup>th</sup>, 47<sup>th</sup>, and 3<sup>rd</sup> percentiles, respectively. The category consisted of 156, 394, 354, 584, 575, and 57 share classes during the time intervals 12/31/1994–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–9/30/2017, and 12/31/1994–9/30/2017, respectively. **Baron Growth Fund Institutional** Share Class ranked in the 21<sup>st</sup>, 72<sup>nd</sup>, 13<sup>th</sup>, 45<sup>th</sup>, 60<sup>th</sup>, and 3<sup>rd</sup> percentiles, for the respective time intervals.

\*\* As of 8/31/2017, Morningstar calculates the **Morningstar US Fund Mid-Cap Growth Category Average** using the Morningstar Fractional Weighting methodology. Morningstar rankings are based on total returns and does not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. The category consisted of 197, 416, 366, 531, 543, and 62 share classes during the time intervals 12/31/1994–12/31/1999, 10/8/1998–3/9/2000, 12/31/1999–12/31/2008, 12/31/2008–12/31/2013, 12/31/2013–9/30/2017, and 12/31/1994–9/30/2017, respectively. **Baron Growth Fund Institutional** Share Class ranked in the 25<sup>th</sup>, 79<sup>th</sup>, 12<sup>th</sup>, 29<sup>th</sup>, 66<sup>th</sup>, and 7<sup>th</sup> percentiles, for the respective time intervals. As of 9/30/2017, the category consisted of 614, 484, 362, and 62 share classes for the 1-, 5-, 10-year, and since inception (12/31/1994) periods. Morningstar ranked **Baron Growth Fund Institutional** Share Class in the 22<sup>nd</sup>, 46<sup>th</sup>, 31<sup>st</sup>, and 7<sup>th</sup> percentiles, respectively.

# Baron Growth Fund

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Vail Resorts, Inc.	1997	\$0.2	\$ 9.1	12.47%	0.94%
MSCI, Inc.	2007	1.8	10.5	13.90	0.45
Arch Capital Group Ltd.	2002	0.4	12.9	5.58	0.33
Trex Company, Inc.	2014	1.2	2.6	33.12	0.33
FactSet Research Systems, Inc.	2006	2.5	7.1	8.77	0.33

Shares of **Vail Resorts, Inc.**, the largest global operator of ski resorts in the U.S., Canada, and Australia, increased in the third quarter on strong ski pass sales for the upcoming season. Sales rose 16% from last year's record levels. Vail expects additional growth in season pass sales from its recently acquired Stowe and Whistler resorts. The company continues to penetrate the destination skier market on the east and west coasts through such expansions. We believe this strategy will help Vail build a more stable revenue base, as season passes represent 44% of its lift ticket revenue. (David Baron)

Shares of **MSCI, Inc.**, a leading provider of investment decision support tools, contributed to performance in the third quarter after reporting strong second quarter earnings that beat analyst expectations, boosted by revenue growth acceleration and substantial margin expansion. The company's Index segment continues to produce impressive results with rapid growth in asset-based fees, driven by market appreciation and passive inflows, and solid growth in the Index subscription business. We believe the company owns strong franchises and stands to benefit from a number of prominent tailwinds. (Neal Rosenberg)

**Arch Capital Group Ltd.** is a specialty insurance and reinsurance company based in Bermuda. The stock rose on positive financial results with 15% growth in book value per share. Strong growth in the mortgage insurance segment offset weakness in the insurance and reinsurance segments. Damage caused by Hurricanes Harvey, Irma, and Maria, as well as the Mexico City earthquake will likely lead to higher catastrophe losses in the third quarter, but the impact to Arch should be relatively small, and industry losses could lead to better market pricing, in our view. (Josh Saltman)

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Under Armour, Inc.	2005	\$1.0	\$ 6.9	-24.76%	-0.52%
Dick's Sporting Goods, Inc.	2004	1.4	3.0	-31.76	-0.17
Masonite International Corp.	2014	1.7	2.0	-8.34	-0.15
TreeHouse Foods, Inc.	2009	0.9	3.9	-17.10	-0.13
IDEXX Laboratories, Inc.	2005	1.9	13.6	-3.67	-0.13

Shares of athletic apparel and footwear company **Under Armour, Inc.** declined in the third quarter. Revenue growth rates are still meaningfully below historic growth levels and outlook remains cautious. Store growth with existing accounts has slowed, mall traffic continues to decline, and competition is taking share. The company is examining costs in order to improve margins over the long term. We still believe the brand resonates with consumers and growth can return as product segmentation expands, distribution is replaced, and the marketing campaign is improved. (Michael Baron)

Shares of **Dick's Sporting Goods, Inc.**, the U.S.'s largest sporting goods retailer, declined in the third quarter. The industry is strained, with retailers facing a heavy promotional environment, competing with direct-to-consumer suppliers, and enduring competition from online platforms that do not face overhead costs of traditional retail. These factors are pressuring revenue and profitability across the industry. Despite the company's best-in-class merchandise, locations, and balance sheet, it is not immune. We retain conviction. Dick's grew same-store sales by 0.1% in this difficult environment. (Michael Baron)

Shares of **Masonite International Corp.** fell after the company reported disappointing second quarter financial results. Masonite is a leading manufacturer of interior and exterior doors for residential and non-residential construction markets. We believe the headwinds are largely transitory, and we remain positive on our investment, as we think Masonite is poised to benefit from construction growth, price growth in a more disciplined industry, margin improvement, and high free cash flow that can be deployed towards acquisitions or stock buybacks. (David Kirshenbaum)

## PORTFOLIO STRUCTURE AND INVESTMENT STRATEGY

Due to Baron Growth Fund's low turnover, currently 7.55% on a five-year average basis, the Fund holds a significant percentage of its assets in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investment. Because those companies are penalizing their current earnings with expenditures for growth, Baron Growth Fund invested in them at what we believe were unusually attractive prices. We believe this strategy is the reason the Fund has so significantly outperformed its peers and its benchmark indexes over the long term.

Baron Growth Fund's strategy of investing for the long term is different than most other small-cap growth funds. Many of those funds invest top down in industries that they believe are likely to benefit in the near term from economic trends created by macro developments. Those funds turn over about 73% of their portfolios annually, on average. As a result, over the long term, in our opinion, they are likely to achieve average returns, at best. We believe, few, if any, investors are able to consistently predict unpredictable events. Further, even if they could predict the outcome of those events, we think it is unlikely they would be able to predict their impact on stocks and markets.

We exclusively purchase small-capitalization companies that we think can double in size in a five- or six-year period. The performance of our newer investments tend to lag the performance of our seasoned investments. This divergence has narrowed of late due to particularly strong performance from investments that have been owned for three-to-four years and our discipline around selling investments which do not perform as expected. As a group, investments held for less than five years represent 24.6% of the portfolio, and have exceeded our benchmark by 10.6% annualized.

**Table VI.**  
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Pinnacle Entertainment, Inc.	2013	397.5%
Marriott Vacations Worldwide Corp.	2013	208.7
Bright Horizons Family Solutions, Inc.	2013	204.4
West Pharmaceutical Services, Inc.	2013	196.0
Trex Company, Inc.	2014	153.3

Baron Growth Fund owns stock in 34 businesses that it has owned for more than five years. These investments represent 73.5% of the Fund's assets and have earned an annualized rate of return of 16.7% since they were purchased. This exceeds the performance of the Fund's benchmark by 4.8% per year. Most Fund investments that have been held for more than five years have realized approximately three- to five-fold appreciation so far, and six have achieved returns in excess of eight times since their initial purchase. Seven of these investments have achieved annualized returns that exceed their benchmark by more than 10%.

**Table VII.**  
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	1,688.1%
Vail Resorts, Inc.	1997	1,187.0
Arch Capital Group Ltd.	2002	1,048.5
IDEXX Laboratories, Inc.	2005	980.4
Alexander's, Inc.	1999	922.8
Mettler-Toledo International, Inc.	2008	768.0

As a result of owning stocks that have generated outsized returns over a longer holding period, the market caps of approximately 63% of the Fund are above Morningstar's breakpoint classification of small-cap stocks. Over the last five years, Baron Growth Fund's weighted geometric average market cap has hovered slightly above the Morningstar small-cap breakpoint and far below the \$21.0 billion highest market capitalization limit for mid-cap stocks.

## RECENT PURCHASES

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount Purchased (millions)
2U, Inc.	2017	\$2.3	\$2.9	\$33.0
Wix.com Ltd.	2016	2.0	3.2	19.2
The Carlyle Group	2012	0.7	2.1	9.7
Red Rock Resorts, Inc.	2016	2.3	2.6	7.1
Kinsale Capital Group, Inc.	2016	0.6	0.9	5.8

## RECENT SALES

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap When Sold (billions)	Amount Sold (millions)
ClubCorp Holdings, Inc.	2013	\$1.1	\$1.1	\$15.3
Inovalon Holdings, Inc.	2015	4.4	1.9	12.8
Smart & Final Stores, Inc.	2015	1.1	0.5	12.5
AO World plc	2016	0.9	0.5	10.6
Caesarstone Ltd.	2012	0.4	1.0	10.6

## PORTFOLIO HOLDINGS

As of September 30, 2017, Baron Growth Fund held 57 investments. The top 10 holdings represented 44.1% 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. The weighted geometric average market cap for Baron Growth Fund's entire portfolio is \$5.7 billion, due to the growth of many of our holdings. This is although the median market cap is \$3.6 billion, well below the \$4.4 billion level Morningstar regards as determinative of a small-cap fund. In either case, it is significantly below the Morningstar \$21.0 billion breakpoint between mid-cap and large-cap. We believe the Fund's diversified portfolio offers investors potentially better-than-market returns with less risk than the market.

**Table X.**  
Top 10 holdings as of September 30, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	1997	\$0.2	\$ 9.1	\$501.2	8.2%
Arch Capital Group Ltd.	2002	0.4	12.9	369.4	6.0
Gartner, Inc.	2007	2.3	11.3	294.9	4.8
CoStar Group, Inc.	2004	0.7	9.6	261.5	4.3
FactSet Research Systems, Inc.	2006	2.5	7.1	243.1	4.0
MSCI, Inc.	2007	1.8	10.5	216.3	3.5
IDEXX Laboratories, Inc.	2005	1.9	13.6	216.1	3.5
Marriott Vacations Worldwide Corp.	2013	1.5	3.4	199.2	3.3
Gaming and Leisure Properties, Inc.	2013	4.2	7.8	199.2	3.3
ANSYS, Inc.	2009	2.3	10.4	196.4	3.2

# Baron Growth Fund

## Thank you for investing in Baron Growth Fund.

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 Portfolio Manager



Neal Rosenberg  
Assistant Portfolio Manager

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*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](http://www.BaronFunds.com). Please read them carefully before investing.*

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.

**P/E:** the price earnings ratio is a valuation ratio of a company's current stock price to its actual earnings per share.