DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") declined 2.53% (Institutional Shares) for the third quarter of 2018, while its principal benchmark index, the MSCI ACWI ex USA Index, gained 0.71% for the quarter. The MSCI ACWI ex USA IMI Growth Index, our all-cap growth proxy, declined 0.53% for the quarter, reflecting the adverse performance of growth-oriented and smaller-cap international equities during the quarter. While emerging market ("EM") and international equities continued to underperform the major U.S. and global indexes in the quarter and year-to-date period, in our view, the principal catalyst for such underperformance has shifted from dollar liquidity withdrawal to the departure of U.S. foreign and trade policy from market expectations and convention, and to a lesser extent renewed concerns regarding Euro hegemony and Brexit proceedings. In our view, this has caused risk premium to increase materially on international assets and currencies, while thus far, perception has remained that the U.S. is largely insulated from such risks. While we believe U.S. aggression relating to protectionism and tariffs stands out as the primary driver of recent market turbulence, we also highlight the U.S. departure from convention on foreign policy matters such as its orientation towards NATO allies and a major change in U.S. sanction strategy. While the EM correction, which we anticipated in January, is now well advanced, we do not believe the U.S. markets or economy can remain insulated from the global liquidity and protectionist squeeze indefinitely. Contagion to the U.S., in our view, is likely, and could set up a bottom in international and EM assets and currencies as markets would likely begin to anticipate an associated change in the cadence of U.S. trade policy and/or Fed rhetoric. Further, we believe a subtle catalyst could be a perceived peak in President Trump's political currency, as any dilution to the more aggressive elements of the "America First" policy could trigger a mean reversion in the year-to-date performance gap between U.S. and international equities and currencies. We remain generally enthusiastic regarding the longer-term prospects for international and EM equities based on the pillars of improved political direction, productivity enhancing reforms, and greater access by private sector entrepreneurs. Of course, we will be following developments in many jurisdictions in coming months for signs of confirmation. We are positioned and ready to take advantage of ongoing market volatility in the coming months and remain optimistic that our differentiated discipline and process position us well over the long term.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

Table I.
Performance†
Annualized for periods ended September 30, 2018

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[3]	(2.56)%	(2.53)%	0.71%	(0.53)%
Nine Months[3]	(2.89)%	(2.69)%	(3.09)%	(2.59)%
One Year	4.18%	4.44%	1.76%	3.22%
Three Years	12.05%	12.34%	9.97%	10.70%
Five Years	6.53%	6.81%	4.12%	5.51%
Since Inception (December 31, 2008)	11.40%	11.67%	8.09%	9.18%

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2017 was 1.41% and 1.13%, but the net annual expense ratio was 1.20% and 0.95% (restated to reflect management fee reduction from 1.00% to 0.88% and current expense 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, and 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 MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. The MSCI ACWI ex USA Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD measures the equity market performance of large, mid and small cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.

2 The performance data does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

3 Not annualized.

Baron International Growth Fund

For the third quarter of 2018, we underperformed our benchmark MSCI ACWI ex USA Index, while also trailing our all-cap growth proxy, the MSCI ACWI ex USA IMI Growth Index. Growth-related and smaller-cap equities lagged the core ACWI ex USA Index during the quarter, as deteriorating liquidity conditions in the international markets were increasingly priced in. For the year-to-date period, we have modestly outperformed the benchmark ACWI ex USA Index, while performing roughly in line with our all-cap growth proxy. In our view, geopolitical and unconventional factors have amplified the effects of what we cautioned could be a year of liquidity withdrawal and international equity underperformance.

From a sector perspective, adverse stock selection effect in the Financials sector had the largest negative impact on relative performance during the quarter. This was driven by a significant decline in our India wealth management and housing-related investments, which suffered late in the quarter upon the credit downgrade of a large government affiliated infrastructure lending entity known as IL&FS. This unexpected development quickly led to a short-term and nationwide liquidity crisis, as well as concern over the near-term outlook for financial sector credit growth and interest spreads, while previously high expectations for this sector exacerbated the market impact. We remain confident in the long-term appeal of our holdings, but we took action during the quarter to reduce our exposure. Another Financials investment, **Sberbank of Russia PJSC**, also retreated on concerns that U.S. sanctions may extend to Russian banks. Adverse stock selection in the Consumer Discretionary and Consumer Staples sectors also detracted from relative performance during the quarter. Here, companies exposed to the U.S.-China trade friction and the slowdown in China consumption, such as **Amorepacific Corporation** of Korea, **KOSÉ Corporation** of Japan, and **WH Group Limited** and **Midea Group Co., Ltd.** of China, all suffered double-digit declines, while **The Stars Group Inc.** of Canada, a leading online gaming operator, also corrected after near-term earnings expectations moderated. On the positive side, allocation effect, driven by our overweight position in Health Care and our underweight position in Real Estate, contributed to relative performance, while from a country perspective, positive stock selection effect in the U.K., spread across several quality growth investments, also contributed.

Table II.
Top contributors to performance for the quarter ended September 30, 2018

	Percent Impact
Wix.com Ltd.	0.31%
Recruit Holdings Co., Ltd.	0.30
AstraZeneca PLC	0.30
MonotaRO Co., Ltd.	0.29
Worldpay, Inc.	0.27

Wix.com Ltd. is an Israeli internet company providing an operating system for small businesses to build and maintain websites and function more efficiently. As the leader in the industry, Wix has over 130 million registered users and over 3.5 million premium subscribers. Shares appreciated due to improving conversion rates, growing collections, and the introduction of several promising new products. We retain conviction due to Wix's innovative culture, large market opportunity, and strong cohort economics.

Recruit Holdings Co., Ltd. is a Japanese company with a large presence in the job placement advertisement and recruiting market. It also has a footprint in the U.S. through its acquisitions of Indeed and Glassdoor. Recruit shares have been strong in recent months following the announcement of the Glassdoor acquisition in May and positive earnings results in August. While it has not yet fully monetized its profitability, the company's growth profiles in Japan and the U.S. are setting it up for a long runway for growth, in our view.

AstraZeneca PLC is a U.K.-based pharmaceutical company that markets drugs for diseases such as cancer and diabetes. Positive clinical trial updates for two of its drugs, Tagrisso in front line lung cancer and DECLARE in diabetes, helped boost the stock price. We expect continued strong performance as Astra comes out of its trough earnings, and we expect it to grow by 15%-to-20% per year over the next three-to-five years.

Shares of **MonotaRO Co., Ltd.**, an online distributor of repair tools and consumables in Japan, rose during the quarter following an earnings update showing an expanded product set and market share gains. We believe MonotaRO's low-cost online infrastructure will allow it to continue capturing market share from higher cost middlemen in the B2B distribution business, both in Japan and in neighboring startup markets like China, Korea, and Indonesia.

Worldpay, Inc. provides technology solutions that enable merchants to accept electronic payments. Shares increased after the company reported strong quarterly results and raised full-year guidance. The integration of credit card processor Vantiv and Worldpay is progressing well, and organic revenue growth is improving. We remain excited about the stock because we think Worldpay benefits from the secular growth of electronic payments, and the merger between Vantiv and Worldpay should create significant value over time, in our view.

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

	Percent Impact
The Stars Group Inc.	–0.33%
Dechra Pharmaceuticals PLC	–0.31
Opera Limited	–0.24
WANdisco plc	–0.23
Mellanox Technologies Ltd.	–0.23

The Stars Group Inc. is a leading company in online wagering currently in the process of acquiring Skybet, another U.K.-based online wagering platform. Shares detracted as investors reduced their exposure to gaming shares globally based on weak results in Macau and slow growth in Las Vegas. We believe shares are attractively priced at current levels, and over time, we expect investors to understand that the opening of online wagering in the U.S. represents a substantial opportunity for the company.

Despite reporting strong quarterly results, shares of U.K.-based animal pharmaceutical company **Dechra Pharmaceuticals PLC** declined after some one-off minor adjustments caused fiscal year 2019 consensus numbers to move down modestly. We believe investors overreacted to management commentary on the ongoing consolidation in the veterinary practice industry and efforts by distributors to white label or rebrand Dechra's products to pass them off as their own.

Opera Limited is a leading browser company in several emerging markets. We invested in Opera on the IPO, and we believe it has several growth vectors going forward, including online search and its news feed product. Shares of Opera declined due to lack of research coverage and concerns over emerging market fundamentals. However, we expect investor awareness for the company to grow as investment banks initiate coverage. Opera has over 100 million monthly active users of its news feed product globally, a number we believe could double in two-to-three years. We retain conviction.

WANdisco plc is a leading infrastructure software company. Its Fusion product enables clients to replicate live data across heterogeneous computing environments. Shares declined due to a delay of deployments into the second half of the year. We believe WANdisco's technology can enhance live data consistency and streamline data management processes. We are encouraged by its co-sell agreements with Alibaba Cloud and Microsoft and its partnership with IBM, which, in our view, position WANdisco for sustained revenue growth and enhanced scalability.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Shares declined as the market became increasingly concerned over the sustainability of cloud capital expenditures, even though Mellanox continues to benefit from the upgrade cycle to 25/50/100G speeds in data centers. We retain conviction given the company's technological leadership in high-speed interconnects, which are becoming increasingly relevant in a world of big data and Artificial Intelligence.

Portfolio Structure

Table IV.
Top 10 holdings as of September 30, 2018 – Developed Countries

	Percent of Net Assets
AstraZeneca PLC	2.6%
Constellation Software, Inc.	2.0
Danone SA	1.9
Wix.com Ltd.	1.8
Domino's Pizza Enterprises Ltd.	1.8
Abcam plc	1.7
Recruit Holdings Co., Ltd.	1.7
argenx SE	1.6
Fresenius Medical Care AG & Co. KGaA	1.6
Eurofins Scientific SE	1.5

Table V.
Top five holdings as of September 30, 2018 – Emerging and Frontier Countries

	Percent of Net Assets
Arco Platform Limited	1.1%
Telesites, S.A.B. de C.V.	1.1
Tencent Holdings, Ltd.	1.0
PagSeguro Digital Ltd.	1.0
América Móvil, S.A.B. de C.V.	0.9

Table VI.
Percentage of securities in developed markets as of September 30, 2018

	Percent of Net Assets
Japan	14.4%
United Kingdom	12.2
France	6.5
Canada	5.1
Germany	4.5
Netherlands	4.2
United States	3.6
Israel	3.1
Norway	2.9
Australia	2.6
Spain	2.4
Ireland	2.3
Switzerland	1.9
Finland	1.5
Belgium	1.0

Table VII.
Percentage of securities in emerging and frontier markets as of September 30, 2018

	Percent of Net Assets
China	6.0%
India	3.0
Brazil	2.7
Mexico	2.0
Korea	1.4
Russia	1.3
Argentina	1.1
Indonesia	0.3
Nigeria	0.1

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of September 30, 2018, the Fund's median market cap was $10.0 billion, and it had approximately 47.2% in large- and giant-cap companies, 28.5% in mid-cap companies, and 10.4% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Baron International Growth Fund

Recent Activity

During the quarter, we initiated several new positions, while also adding to existing investments, amid a period of notable capital inflows. The most significant new additions included: **Glenveagh Properties PLC**, a leading Irish homebuilder led by an innovative management team that we believe is well positioned to take advantage of a consolidating market and a strong and growing land bank; **Koninklijke Vopak N.V.**, a Dutch natural gas storage and transportation company with a unique and irreplaceable asset base that we believe will benefit from growing European natural gas dependency; **Opera Limited**, a Norwegian entity with a leading mobile internet web browser with a stronghold in emerging market countries, that we believe is entering a phase of enhanced monetization potential as it rolls out a compelling and artificial intelligence-driven news application in its key markets; and **Arco Platform Limited**, a Brazilian digital education services company that recently completed its initial public offering, and that we believe has an attractive opportunity to scale its competitive advantages and capture material market share gains in coming years. During the quarter, we also re-established positions in **SoftBank Group Corp.** of Japan and **Itaú Unibanco Holding S.A.** of Brazil, and meaningfully added to our existing positions in **AstraZeneca PLC** of the U.K., **Encana Corp.** of Canada, **KBC Group NV** of Belgium, and **Ryanair Holdings plc** of Ireland. Finally, we established a new position in **China Tower Corporation Limited**, which recently completed its initial public offering. China Tower is the dominant and near monopoly owner of wireless communications towers in China, formed in recent years when the three dominant Chinese telecom service providers spun off their wholly-owned tower assets. This restructuring was undertaken to achieve material scale and capital reduction benefits by sharing infrastructure and reducing overbuild, and we believe the company is early in the process of exploiting cost savings and capital efficiency benefits, and we envision several years of solid growth potential as China deploys 5G wireless equipment.

During the quarter, we exited our positions in **China Construction Bank Corporation** on concerns related to the escalation of the U.S.-China trade dispute, and **Maruti Suzuki India Ltd.** on concerns that recent liquidity tightening in India will likely impact auto demand. In addition, we took profits in several positions that have enjoyed significant gains, including: **Wix.com Ltd.** and **Mellanox Technologies Ltd**. of Israel; **argenx SE**, a Dutch biotech company; and **TechnoPro Holdings, Inc.**, **SMS CO., LTD.**, and **MonotaRO Co., Ltd.**, of Japan. Further, we reduced our investments in the China internet, technology and automation sectors, including **Alibaba Group Holding Limited**, **Tencent Holdings, Ltd.**, **Baidu, Inc.**, **Momo Inc.**, **Kingdee International Software Group Co. Ltd.**, and **Midea Group Co., Ltd.**

Outlook

In our second quarter letter, we suggested there was a rising risk of a larger correction in international and EM equities and currencies should, as we expected, trade friction continue to escalate through the midterm elections. The third quarter, and early fourth quarter, confirmed such concerns, as several markets exhibited higher volatility, while growth-related and smaller-cap international equities notably underperformed. In retrospect, we believe a key catalyst was the June transition from trade negotiation to trade provocation regarding bilateral discussions between the U.S. trade delegation and its Chinese counterpart. We further view this event as confirmation of a broader exit by the Trump administration from its previous pattern of predictable transactional resolution. In other words, for the first year of Trump's presidency, he followed a pattern of establishing a provocative opening negotiating position, followed by a transactional and generally conventional compromise through which he could claim victory. Late this spring, the administration began to diverge from this pattern, as Trump increasingly de-emphasized the more traditional and conventional advisors among his inner circle, and he began to increasingly "go with his gut" as well as favor more disruptive and unconventional positions in foreign policy and trade policy matters. We suggested in recent quarterly letters that we believed 2018 would be a year of global dollar liquidity withdrawal with associated higher volatility and likely EM and international equity underperformance, but the magnitude of the short-term underperformance exceeded our expectations, largely due to the higher risk premium investors demanded when the Trump administration departed from convention.

While the U.S.-China trade dispute, and emerging market volatility in general, captivated investor attention during recent months, several developments in developed international markets also deserve mention. In Italy, the majority populist party leadership presented a bold and defiant budget proposal, which is outside Maastricht treaty guidelines. This position is testing EU authorities and causing volatility in the European credit and equity markets, as the hegemony of the Euro is again being questioned. In the U.K., the impending Brexit deadline nears while political factions are splintering, leading to concern that the stalemate will present the markets with gridlock, uncertainty, and higher risk premium. Finally, while the Japanese equity market was a bright spot during the third quarter, rising global bond yields appear likely to force local authorities to finally exit its unconventional monetary policy, potentially triggering volatility and an abrupt change in market leadership.

The key questions for international and EM equity investors remain "What is the way forward?" and "What are the key catalysts we should look for as a signal that a relative and absolute bottom can be formed?" In our view, the way forward for developed international markets is positive resolution, or at least certainty regarding the above challenges, while the way forward in EM remains capable political leadership, productivity enhancing reforms, and an ongoing shift in emphasis towards value-added, innovative and intellectual-capital based industries. Much of this remains likely, though we must monitor political momentum in various jurisdictions. In our opinion, the key market catalysts in the nearer term would begin with the obvious: a credible truce or transactional agreement between the U.S. and China on trade. Next, in the absence of such an agreement, any contagion to the developed, and particularly, the U.S. markets, would significantly increase the likelihood that the Fed would begin to shift its rhetoric and narrow the expected magnitude and duration of its rate hike cycle. We would view this as the most significant potential catalyst given the scope of divergence in market performance year-to-date as well as the current positioning of institutional investors and speculators. Last, and a subtle catalyst, would be anything that dilutes President Trump's political currency, as we believe his policies are exacerbating the squeeze on EM and international economies and markets beyond what traditional economic and financial fundamentals would suggest. In our view, the recent Supreme Court nomination process and/or the U.S. midterm elections could well mark "peak Trump" political currency, and should the House flip to the Democrats, would confirm a near-term peak in Trump's influence over Congress and policy. We can envision several related likely catalysts that could spark a mean reversion in relative performance between international and U.S. equities. As always, we remain confident in our unique forward-looking and bottom-up, fundamental approach, and remain attuned to developing themes and opportunities.

Thank you for investing in the Baron International Growth Fund.

Sincerely,

Michael Kass
Portfolio Manager

Kyuhey August
V.P., Assistant 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: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. Even though the Fund is diversified, it may establish significant positions where the Adviser has the greatest conviction. This could increase volatility of the Fund's returns. 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 manager 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 International Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.