Dear Baron International Growth Fund Shareholder:

Performance

Baron International Growth Fund (the "Fund") advanced 6.91% (Institutional Shares) for the second quarter of 2017, while its principal benchmark index, the MSCI ACWI ex USA IMI Growth Index, gained 7.48% for the quarter. International and emerging market equities maintained leadership and have now solidly outperformed domestic equities for the year-to-date period, fueled by solid earnings growth and improved sentiment.

During the recent quarter, in an encouraging development, results in a number of key elections, principally in Europe and the U.K., suggest that the wave of populism which emerged in 2016 and which threatens the global political, economic, and market equilibrium, has likely peaked for now. We view this as a key supporting factor for first half global equity performance. In our view, performance and leadership during the first half can be attributed to moderation in Trump's policies regarding trade and protectionism, sustained global economic traction with international and emerging economies outpacing the U.S., and ongoing stability in Chinese capital flows and its currency. A key question looking forward remains whether policy tightening in the U.S. and China and slowing global growth momentum will ultimately impair the outlook for corporate earnings. Thus far, we remain sanguine.

MICHAEL KASS

PORTFOLIO MANAGER

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

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

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA IMI Growth Index[1]	MSCI ACWI ex USA Index[1]
Three Months[4]	6.82%	6.91%	7.48%	5.78%
Six Months[4]	17.69%	17.92%	17.27%	14.10%
One Year	18.77%	19.06%	17.35%	20.45%
Three Years	3.75%	4.03%	2.71%	0.80%
Five Years	9.28%	9.58%	8.25%	7.22%
Since Inception (December 31, 2008)	11.56%	11.84%	9.39%	8.34%

For the second quarter of 2017, we modestly underperformed our primary benchmark index, while modestly outperforming the broader MSCI ACWI ex USA Index. During the quarter, the largest driver of adverse relative performance was poor stock selection and allocation effect, as a result of our modest overweight position in the Energy sector, which retreated in concert with a decline in oil prices. Here, **Golar LNG Ltd.** and **Encana Corp.** impacted relative results the most. In addition, our cash position in an advancing market negatively impacted relative returns. Offsetting the above, positive relative performance resulted principally from strong stock selection effect in the Health Care sector, where testing and certification stalwart **Eurofins Scientific SE** and **Abcam plc** each advanced over 20% during the quarter. In addition, selection effect in Telecommunication Services and allocation effect due to our underweight in Materials, added to relative performance.

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, 2016 was 1.65% and 1.36%, but the net annual expense ratio was 1.35% and 1.10% (restated to reflect current fee waivers), respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.*

1 The MSCI ACWI ex USA indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes. 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 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 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 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.
Top contributors to performance for the quarter ended June 30, 2017

	Percent Impact
Eurofins Scientific SE	0.80%
RIB Software SE	0.62
Alibaba Group Holding Limited	0.56
JM Financial Limited	0.52
Tencent Holdings, Ltd.	0.48

Shares of **Eurofins Scientific SE** increased in the quarter. Eurofins, a provider of analytical testing services in the food, pharmaceutical, and environmental industries, reported solid organic growth despite a tough comparison against its performance from the same quarter last year. Management also reiterated its goal to substantially increase revenues by 2020. We believe the company has a solid long-term growth outlook, driven by stronger demand for safe and high-quality food, increasing regulation, and more outsourced testing by clients.

RIB Software SE is a software company with a unique 5D capability that allows construction clients to manage 3D modeling, cost, and time. Shares increased as the company continued to execute on its long-term strategy. We believe the company represents a possible change agent in the construction industry, aiming to bring efficiency to an area that has notoriously underutilized technology, and offering over 30% in savings from change order reduction, on-time delivery, and redundancy elimination. We think RIB's recent joint venture with Flextronics could possibly double the end market.

Shares of **Alibaba Group Holding Limited**, the largest e-commerce company in China, were up after the company raised its growth outlook. Alibaba owns and operates the two largest Chinese online shopping platforms and has a share in the profits of Ant Financial, which owns China's largest third-party online payment vendor Alipay. The company benefits from strong mobile and advertising growth, which drives upside beyond core e-commerce. We expect mobile growth to continue, while the company also invests in new growth areas such as groceries, logistics, and cloud computing.

Shares of **JM Financial Limited** rose in the quarter following reports of strong financial results. We believe that as a leading non-bank financial institution in India, the company is well positioned to benefit from growing demand for real estate lending, asset restructuring, and equity brokerage services. We also believe JM will benefit from distressed asset sales by banks under pressure to dispose of non-performing loans and raise equity capital. We retain conviction due to JM's robust growth outlook and conservative risk management frameworks.

Tencent Holdings, Ltd. is one of the two largest internet-related companies in China. The company operates the country's leading social network and messaging platform (QQ and WeChat), largest online entertainment and media business, and largest online PC and mobile gaming business. Shares were up on the back of strong fundamentals in its gaming and advertising businesses. We estimate Tencent will grow each of its large business segments for years to come given its track record of execution, its unique online intellectual property and assets, and its scale.

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

	Percent Impact
Encana Corp.	–0.26%
Golar LNG Ltd.	–0.25
Mellanox Technologies Ltd.	–0.23
YPF S.A.	–0.13
Smiles SA	–0.12

Encana Corp. is a Canadian exploration and production (E&P) company with primary operations in Western Canada and Texas. Shares declined in the second quarter due to lower oil prices and concerns about Encana's balance sheet and cash flow outspend. We retain conviction. Encana is improving capital efficiency and balance sheet, as demonstrated by recently announced productivity increases in Texas and accretive non-core asset sales in Colorado. We believe Encana is one of the most attractively valued E&Ps and that investors underappreciate its long-term growth potential.

Golar LNG Ltd. is a liquefied natural gas (LNG) shipping, regasification, and liquefaction company. Shares declined, driven by first quarter results that missed Street estimates, potential delays in the startup of floating LNG (FLNG) project in Cameroon, and perceived correlation to declining crude oil prices. As LNG supply grows worldwide, rates for carriers have started to rebound. We anticipate the Cameroon FLNG startup before year-end and are confident in the company's ability to secure contracts for additional FLNG projects in Equatorial Guinea, Gulf of Mexico, and other markets.

Mellanox Technologies Ltd. is a supplier of high-performance switch systems, adapters, cables, and software supporting InfiniBand and Ethernet networking technologies. Shares were down in the quarter due to delays in the CPU upgrade cycle, which pushed back some orders. We retain conviction in Mellanox's long-term opportunity due to its technological leadership in high-speed Infiniband and Ethernet interconnects, which are becoming increasingly relevant in a world of big data and AI.

YPF S.A. is an exploration and production company in Argentina. Lower oil prices and MSCI's decision to delay the re-classification of Argentina from frontier to emerging market pressured shares. YPF is leading efforts to unlock the value of Argentinean shale resources. Break even costs of its Vaca Muerta shale assets are now under $50/barrel. An improving macro environment, including restructuring of labor contracts, fuel tariffs, and subsidies are attracting joint ventures between YPF and international oil companies. We believe the development of Vaca Muerta will accelerate.

Smiles SA is a Brazilian loyalty program. The company has been a strong executor, and its share price has gone up materially since its IPO only a few years ago. Having said this, the shares have been under pressure starting in late May, largely as a result of further political drama in Brazil. We retain conviction. The company operates a highly flexible, leverageable, and asset light company that enjoys high growth, margins, and returns. We also think Smiles is a beneficiary of the growth in air travel and credit cards in Brazil.

Portfolio Structure

Table IV.
Top 10 holdings as of June 30, 2017 – Developed Countries

	Percent of Net Assets
Eurofins Scientific SE	3.1%
BNP Paribas S.A.	2.6
RIB Software SE	2.5
Softbank Group Corp.	2.4
Constellation Software, Inc.	2.4
Reckitt Benckiser Group Plc	2.1
Abcam plc	2.0
Arch Capital Group Ltd.	2.0
Julius Baer Group Ltd.	1.7
Sony Corporation	1.7

Table V.
Top five holdings as of June 30, 2017 – Developing Countries

	Percent of Net Assets
Alibaba Group Holding Limited	2.2%
Tencent Holdings, Ltd.	2.1
JM Financial Limited	1.9
YPF S.A.	1.2
Baidu, Inc.	1.2

Exposure by Country: At the end of the second quarter of 2017, we had 67.8% of our investments in developed countries and 25.5% in developing and frontier countries, with the remaining 6.7% in cash. We seek to maintain broad diversification by country at all times. A detailed review of the Fund's holdings by country is available at the back of this Baron Funds Quarterly Report.

Table VI.
Percentage of securities in developed markets as of June 30, 2017

	Percent of Net Assets
Japan	16.9%
United Kingdom	10.9
France	6.8
Germany	5.9
Israel	5.3
Canada	3.9
Spain	3.5
United States	3.3
Australia	2.0
Netherlands	2.0
Switzerland	1.7
Italy	1.5
Ireland	1.4
Norway	1.2
Belgium	1.0
Hong Kong	0.5

Table VII.
Percentage of securities in developing and frontier markets as of June 30, 2017

	Percent of Net Assets
China	10.5%
India	6.0
Argentina	1.8
Brazil	1.7
Indonesia	1.1
Mexico	1.1
Panama	1.0
Korea	0.8
Chile	0.6
Russia	0.6
Nigeria	0.3

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of June 30, 2017, the portfolio's median market cap was $8.9 billion, and it had approximately 59.0% in large- and giant-cap companies, 28.8% in mid-cap companies, and 5.5% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the quarter, we initiated several new positions. **UniCredit S.p.A.** and **KBC Group NV** are both recent investments in the newly established EU credit recovery theme. European monetary policy is operating on a lag with the U.S., and remains accommodative while economic activity is recovering, leading to a virtuous deleveraging and ideal scenario for select European banks, in our view. We added UniCredit, now the best capitalized bank in Italy, in anticipation of a likely resolution to the undercapitalized Italian banks, which have plagued confidence in the broader sector, and in recent weeks the state government and Intesa Sanpaolo S.p.A. stepped up to provide a solution for two failing banks. KBC Group is among the strongest of the Northern European banking entities, and we believe it will benefit from an anticipated shift towards normalization of interest rates in Europe. We also initiated a position in **Square Enix Holdings Co., Ltd.** of Japan, a leading developer of online and console-based games, which we believe holds increasingly valuable intellectual property and boasts an attractive launch pipeline in coming months and years. During the quarter, we also made investments in **Telesites, S.A.B. de C.V.**, a wireless tower operator in Mexico, which we believe is poised to benefit from recent deregulation of the telecom sector, and **LVMH Moët Hennessey Louis Vuitton SE,** the diversified luxury goods group which we have long admired. Finally, several smaller additions represent additions to existing themes, including **KOSÉ Corporation** and **Mitsubishi UFJ Financial Group, Inc.** of Japan, **Bitauto Holdings Limited** of China, and **Bolsas y Mercados Argentinos S.A.** of Argentina.

During the quarter, we sold **Newcrest Mining Ltd.**, our last position representing our gold theme. Ongoing evidence of China's ability to maintain currency stability caused us to reconsider owning gold-related equities as a hedge against a discontinuous decline in the RMB. We also exited our investment in **Multi Commodity Exchange of India Ltd.** as we have become more interested in India's wealth management industry post demonetization, a new theme which we referenced in our previous letter. We also exited positions where our conviction has waned on the margin, including **B3 S.A.**, the successor to BM&FBOVESPA, **L'Occitane International S.A**., which we sold in favor of LVMH, and **BYD Company Ltd.** of China, the Chinese automotive and electronic vehicle manufacturer, as a result of deteriorating cash flow efficiency as well as reduced government subsidies.

Outlook

In the second quarter of 2017, international and emerging market equities extended the solid gains of the first quarter, leading to strong first half returns. We believe such equities are likely to remain in a "sweet spot" for the time being for a number of reasons, many of which we detailed in last quarter's letter to shareholders. First, results in a number of key elections, principally in Europe and the U.K., suggest that the wave of populism which emerged in 2016 and which threatens the global political, economic, and market equilibrium, has likely peaked for now. Second, monetary policy support and financial conditions, particularly in Europe and Japan, remain quite accommodative, while global growth and trade remain steady on a coincident basis. In addition, the Trump administration has maintained a largely moderate position on the economic, trade, and foreign policy issues that would most likely threaten international and emerging market economic and earnings growth, in clear differentiation from his rhetoric while on the campaign trail last year. Finally, Chinese economic growth and its currency remain stable, all the more impressive in the context of recently slowing credit growth, a clampdown on financial speculation, and various additional tightening measures. Conditions in China, the world's most influential driver of marginal growth, always have a notable impact on other emerging and international economies given globalization, trade, and other financial links. The cyclical earnings recovery in emerging and international economies that we began to anticipate over a year ago continues to evolve, while there are few signs of material threats on the horizon. Of course, we continue to monitor the tightening cycles underway in the U.S. and China for signs that the global economy and corporate earnings may become more vulnerable, though again we see scant evidence thus far.

With regard to China, many strategists and investors have been concerned that several examples of incremental tightening suggest an imminent reversal in favorable investment conditions. As of now we disagree, and as discussed last quarter, we view the reining in of speculation and credit growth, particularly in the shadow finance markets, as intentional and in preparation for the upcoming Party Congress in November where leadership and policy initiatives for President Xi Jinping's second five-year term will crystallize. In this context, we suspect current measures are being undertaken with a political and financial bias to help secure a pathway towards an enhanced reform agenda. Such an agenda would likely create a short-term pain for longer-term gain phenomena, as growth in 2018 and 2019 may fall below current expectations, while the more efficient private sector would likely benefit on a relative basis. During the second quarter, MSCI approved the inclusion of A-Share listed Chinese equities in the benchmark EM index for the first time, albeit on a very limited basis. Despite widespread press coverage, we view the event as largely symbolic in the nearer term. However, in conjunction with the announcement of the Hong Kong bond connect program last spring, and the widespread restrictions on outbound M&A activity year to date, we view the A-Share inclusion as further encouraging evidence of China's flexibility to maintain a stable currency and capital account in the face of reform measures and tightening financial conditions.

During the quarter, renewed political drama in Brazil sparked currency weakness and a sharp selloff in equities. This event offers hard evidence that the long-term appeal of investing in international and emerging market economies is often closely linked to reform potential. While the political environment in Brazil raises uncertainty over commitment to important reforms, we continue to believe that many foreign countries, led by India, but also including Japan, France, Spain, and additional European countries, China, Indonesia, Argentina and Chile, all remain attractive examples where political change and reform are enhancing investment opportunity. We remain optimistic regarding the long-term potential for the high-quality growth businesses in which we invest, and we look forward to our next update.

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.

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. Specific risks associated with investing in small and medium-sized 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.

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