## DEAR BARON PARTNERS FUND SHAREHOLDER:

### PERFORMANCE

Baron Partners Fund (the "Fund") increased in value 1.40% (Institutional Shares) for the quarter ended September 30, 2017, while its benchmark Russell Midcap Growth Index increased by 5.28%. The S&P 500 Index, which measures the performance of large-cap companies, increased by 4.48% for the period.

Despite underperforming in the third quarter, Baron Partners Fund is a top 2% performer for the 1-year period, top 11% performer for the 3-year period, top 2% performer for the 5-year period, and top 41% performer for the 10-year period. Baron Partners Fund is the top performing fund in its category since its conversion to a mutual fund on April 30, 2003.[†*]

We believe the Fund's long-term track record shows that outstanding results in 2017 are not an anomaly. The Fund has returned 13.02% annualized performance since its January 31, 1992 inception, outperforming its benchmark by 3.42% annualized over that time period.

RONALD BARON

CEO AND PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

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

| | Baron Partners Fund Retail Shares[1,2,3] | Baron Partners Fund Institutional Shares[1,2,3,4] | Russell Midcap Growth Index[2] | S&P 500 Index[2] |
|---|---|---|---|---|
| Three Months[5] | 1.34% | 1.40% | 5.28% | 4.48% |
| Nine Months[5] | 30.14% | 30.42% | 17.29% | 14.24% |
| One Year | 30.11% | 30.46% | 17.82% | 18.61% |
| Three Years | 11.54% | 11.83% | 9.96% | 10.81% |
| Five Years | 17.09% | 17.39% | 14.18% | 14.22% |
| Ten Years | 7.09% | 7.33% | 8.20% | 7.44% |
| Since Conversion (April 30, 2003) | 13.65% | 13.82% | 11.45% | 9.49% |
| Fifteen Years | 13.67% | 13.84% | 12.12% | 10.04% |
| Twenty Years | 9.21% | 9.33% | 7.84% | 7.00% |
| Since Inception (January 31,1992) | 12.92% | 13.02% | 9.60% | 9.55% |

Baron Partners Fund underperformed its benchmark in the third quarter. The last three months' underperformance can be attributed to **Tesla, Inc.**, **Zillow Group, Inc.** and **Under Armour, Inc.** with each detracting 1% or more from relative results. Nevertheless, we feel these short-term stock price declines do not reflect the longer-term potential of these companies.

Tesla, which manufactures electric vehicles, batteries, and solar power installations, continues to be the best performing stock in the portfolio year-to-date despite its recent decline. Concerns about startup production of Tesla's highly anticipated mass market Model 3 sent its shares lower. We believe these minor delays in deliveries will not impact long-term demand, technology, and service that considerably exceeds Tesla's rivals. We think these advantages will result in meaningful market share in coming years. Zillow, the leading online real estate company, had performed well in the first half of the year before its pullback. Zillow's near-term profitability was less than investors anticipated. We think this short-term setback does not

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2016 was 1.78% (comprised of operating expenses of 1.35% and interest expense of 0.43%) and Institutional Shares was 1.52% (comprised of operating expenses of 1.09% and interest expense of 0.43%). *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 expenses 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 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. During those periods, the predecessor partnership was not registered under the Investment Company Act of 1940 and was not subject to its requirements or the requirements of the Internal Revenue Code relating to registered investment companies, which, if it were, might have adversely affected its performance.

2 The indexes are unmanaged. The Russell Midcap® Growth Index measures the performance of medium-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 Russell Midcap Growth Index, the S&P 500 Index 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.

3 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.

4 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.

5 Not annualized.

† The Institutional Share Class was ranked #1 by Morningstar out of 261 share classes in the Morningstar US Fund Mid-Cap Growth Category, for the period from 4/30/2003 (date of conversion to mutual fund) – 9/30/2017.

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alter its ability to dominate digital residential home sales advertising and earn substantial margins over time. Athletic apparel manufacturer Under Armour has been a weak performer this year for principally two reasons: competitive pricing pressures and the bankruptcy of The Sports Authority, an important customer. Under Armour continues to be challenged by a promotional environment, greater competition, and displaced distribution. We believe UA's business can become significantly larger as it expands its categories, geographies, and omni channel distribution for its young and dedicated consumers.

The companies that were the largest positive contributors to performance in the period experienced notable growth. Ski resort company **Vail Resorts, Inc.** was the biggest contributor to the Fund's performance in the quarter. Vail is already demonstrating the cross sales potential of its Epic Season Pass at its most recently acquired resorts, Whistler Blackcomb in Canada and Stowe in Vermont. The share prices of **Inovalon Holdings, Inc.** and **The Carlyle Group** advanced the most in the quarter, increasing nearly 30% and 22%, respectively. Shares of Inovalon, a health care data and analytics company, rose following its announcement that it had won a five-year contract for the United Healthcare platform. The deal signals confidence that the largest health plan in the U.S. has in Inovalon's decision making platform. We expect to see more such contracts with other health care payers and providers in the future. Boutique investment firm Carlyle Group remains committed and on track to raising $100 billion for its various products over the coming years. We think Carlyle's strategy has the potential to yield attractive returns for its clients and high cash distributions for its public market investors. The company's relationships and investment infrastructure allow it to accomplish goals that few other alternative managers could achieve.

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

| | "Yesterday" Clinton Years 1992-2000 12/31/99 P/E | Internet Bubble | "The Long and Winding Road" Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Financial Panic | "Here Comes the Sun" Recovery and Quantitative Easing 2009-2013 | "Helter Skelter" Fed Tightening | "Any Time at All" |
|---|---|---|---|---|---|---|
| | Annualized Returns | | | | | |
| | Inception 1/31/1992 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 1/31/1992 to 9/30/2017 |
| Baron Partners Fund (Institutional Shares) | 22.45% | 59.72% | 1.54% | 22.55% | 10.76% | 13.02% |
| Russell Midcap Growth Index | 19.26% | 110.65% | (4.69)% | 23.37% | 9.51% | 9.60% |
| S&P 500 Index | 20.21% | 32.29% | (3.60)% | 17.94% | 10.91% | 9.55% |
| Percentile rank in Morningstar Mid-Cap Growth Category* | | | | 26 | 9 | |
| # of Share Class in the Category | | | | 531 | 543 | |
| Morningstar US Fund Mid-Cap Growth Peer Group Avg | | | | 20.97% | 7.72% | |

* As of 8/31/2017, Morningstar calculates the **Morningstar US Fund Mid-Cap 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. As of 9/30/2017, the category consisted of 614, 484, 362 and 261 share classes for the 1-, 5-, 10-year and since conversion (4/30/2003) periods. **Baron Partners Fund Institutional** Share Class ranked in the 2nd, 2nd, 41st and 1st percentiles, respectively, in the category. The category consisted of 531 and 543 share classes during the time intervals 12/31/2008–12/31/2013 and 12/31/2013–9/30/2017, respectively. **Baron Partners Fund Institutional** Share Class ranked in the 26th and 9th percentiles, for the respective time intervals.

**Table III.**
**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. | 2008 | $1.6 | $ 9.1 | 12.47% | 1.17% |
| Hyatt Hotels Corp. | 2009 | 4.2 | 7.5 | 9.93 | 0.74 |
| Arch Capital Group Ltd. | 2002 | 0.6 | 12.9 | 5.58 | 0.63 |
| The Carlyle Group | 2012 | 0.7 | 2.1 | 21.97 | 0.61 |
| FactSet Research Systems, Inc. | 2007 | 2.5 | 7.1 | 8.77 | 0.53 |

Shares of **Vail Resorts, Inc.**, the largest global operator of ski resorts in the U.S., Canada, and Australia, increased 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 because of such expansions. We believe this strategy will help Vail build a more stable revenue base. Vail's season passes represent 44% of its lift ticket revenue. (David Baron)

Shares of global hotelier **Hyatt Hotels Corp.** increased as the company generated strong revenue per available room and continued to increase market share. The company also sustained strong cash flow generation, which was used to repurchase stock. Management indicated that, given Hyatt's strong brand perception, it would continue to expand its room base using minimal capital by entering into more management and franchise contracts with developers. This should lead the company toward a more fee-based business, in our view, especially as it sells down more owned assets. (David Baron)

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

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap or Market Cap When Sold (billions) | Total Return | Percent Impact |
|---|---|---|---|---|---|
| Tesla, Inc. | 2014 | $21.9 | $56.9 | –5.67% | –1.16% |
| Zillow Group, Inc. | 2015 | 4.3 | 7.5 | –17.85 | –1.08 |
| Under Armour, Inc. | 2016 | 16.0 | 6.9 | –24.79 | –1.00 |
| IDEXX Laboratories, Inc. | 2013 | 4.7 | 13.6 | –3.67 | –0.25 |
| Robert Half International, Inc. | 2016 | 4.9 | 5.6 | –7.59 | –0.11 |

**Tesla, Inc.** designs, manufactures, and sells fully electric vehicles, solar products, and energy storage solutions. Shares fell following vehicle delivery numbers that were lower than analyst estimates. In addition, although management retains confidence in its ability to ramp Model 3 production, investors are still waiting for confirmation. On the other hand, Model 3 was launched successfully during the quarter with more than 450,000 net reservations. (Ishay Levin)

**Zillow Group, Inc.** operates the leading online residential real estate sites in the U.S. Shares fell on a government investigation into whether mortgage brokers on the platform are allowed to pay in part for real estate agent advertising. The profitability outlook was also lower than investors had hoped. We believe Zillow is in the early stage of penetrating the growth opportunity in online residential real estate sales advertising. We believe long-term margins will be robust and short-term swings in profitability are less relevant as it invests against new growth initiatives. (Ashim Mehra)

Shares of athletic apparel and footwear company **Under Armour, Inc.** declined in the quarter. Revenue growth rates are still meaningfully below historic levels and we remain cautious about its short-term outlook. 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. We believe the UA brand resonates with consumers and its growth can return as product segmentation expands, distribution is replaced, omni channel efforts become more successful, and its marketing campaign is improved. (Michael Baron)

## Investment Strategy And Portfolio Structure

The objective of Baron Partners Fund is to double its value per share within five years. Of course, the Fund may not meet its objective. Our strategy to accomplish this is to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, well-managed businesses at attractive prices across market capitalizations. We attempt to create a portfolio of less than 30 securities diversified by GICS sectors. The Fund can use moderate leverage, when appropriate, to enhance returns although this will increase the volatility of the returns. These businesses are identified by our Firm's proprietary research. We think these well-managed businesses have sustainable competitive advantages and strong, long-term growth opportunities.

As of September 30, 2017, Baron Partners Fund's portfolio consisted of 25 investments. The median market capitalization of these growth companies was $7.5 billion. The top 10 positions comprised 75.9% of total investments or 91.8% of net assets. The Fund was 120.9% invested.

The Fund is diversified by sector. Its weightings are significantly different than those of the Russell Midcap Growth Index, the index against which we benchmark the Fund's performance. Our allocations will likely change over time depending upon those businesses' prospects and perceived investment opportunities.

The Fund's recent performance has also been excellent, outperforming its benchmark and its peers. In addition, the long-term absolute and relative performance of the Fund has been strong. Baron Partners Fund has returned 13.02% annualized since its inception, beating its benchmark index, Russell Midcap Growth Index, by 3.42% per year.

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

| | Year Acquired | Market Cap When Acquired (billions) | Quarter End Market Cap (billions) | Amount (millions) | Percent of Total Investments |
|---|---|---|---|---|---|
| Tesla, Inc. | 2014 | $21.9 | $56.9 | $378.6 | 15.2% |
| CoStar Group, Inc. | 2005 | 0.7 | 9.6 | 295.1 | 11.8 |
| Arch Capital Group Ltd. | 2002 | 0.6 | 12.9 | 236.4 | 9.5 |
| Vail Resorts, Inc. | 2008 | 1.6 | 9.1 | 211.2 | 8.5 |
| Hyatt Hotels Corp. | 2009 | 4.2 | 7.5 | 160.7 | 6.4 |
| IDEXX Laboratories, Inc. | 2013 | 4.7 | 13.6 | 139.9 | 5.6 |
| FactSet Research Systems, Inc. | 2007 | 2.5 | 7.1 | 138.7 | 5.6 |
| The Charles Schwab Corp. | 1992 | 1.0 | 58.6 | 126.8 | 5.1 |
| Gartner, Inc. | 2013 | 5.7 | 11.3 | 105.7 | 4.2 |
| Zillow Group, Inc. | 2015 | 4.3 | 7.5 | 100.4 | 4.0 |

# Baron Partners Fund

**Thank you for investing in Baron Partners Fund.**

Thank you for joining us as fellow shareholders in Baron Partners Fund. We believe the growth prospects for the businesses in which Baron Partners Fund has invested are favorable and improving. Since, in our opinion, the share prices of our portfolio businesses do not reflect their prospects, we believe they remain attractive. Of course, there can be no guarantee this will be the case.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also remain dedicated to continuing to provide you with the information we would like to have if our roles were reversed. This is so you will be able to make an informed decision about whether this Fund remains an appropriate investment for you and your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

Michael Baron
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.*

The Adviser believes that there is more potential for capital appreciation using non-diversification and leverage, but there also is more risk. Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater loss in any given period. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and made difficult to sell during market downturns. Leverage is the degree to which an investor or business is utilizing borrowed money. 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 Partners Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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