DEAR BARON DURABLE ADVANTAGE FUND SHAREHOLDER:

PERFORMANCE

We hope that you and your loved ones are managing these extraordinary times as well as possible, and that you are staying safe. We also want to express our deep and sincere gratitude to all of the #firstresponders and #frontlinehealthcareworkers who risk their well-being and their lives every day, so that we can overcome the Coronavirus ("COVID-19") pandemic.

Baron Durable Advantage Fund (the "Fund") declined 16.0% (Institutional Shares) during the first quarter, which was a modestly better result than the 19.6% decline for the S&P 500 Index (the "Index"), the Fund's benchmark.

Table I.
Performance
Annualized for periods ended March 31, 2020

	Baron Durable Advantage Fund Retail Shares[1,2]	Baron Durable Advantage Fund Institutional Shares[1,2]	S&P 500 Index[1]
Three Months[3]	(16.02)%	(15.95)%	(19.60)%
One Year	3.02%	3.30%	(6.98)%
Since Inception (December 29, 2017)	4.07%	4.32%	0.48%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BDAFX
Institutional Shares: BDAIX
R6 Shares: BDAUX

The beginning of 2020 was the most challenging time since the inception of this Fund. As COVID-19 spread around the world and countries were trying to flatten the curve through social distancing, global economies came to a screeching halt, driving the quickest stock market decline in history with the Index declining 33.8% between February 19 and March 23.

The Fund's outperformance was mostly driven by stock selection, which contributed 243 basis points (bps) to relative returns, while the effect of sector allocation added an additional 120bps. The quarter could be split into three distinct periods of time: until the peak on February 19 when the market seemed to shrug off the COVID-19 risks; the rapid decline between February 19 and March 23; and the bounce-back during the last week of March. The Fund outperformed by 293bps in the first stage, by 21bps during the decline, and by 156bps during the bounce back in the last week of March.

Strong stock selection in the Financials, Real Estate, and Industrials sectors along with an overweight position in the Information Technology and Health Care sectors contributed positively to relative returns; and we did nothing right in the Consumer Staples, Communication Services, and Consumer Discretionary sectors. Not investing in the Energy sector added 138bps, while not investing in Utilities detracted 19bps. The disappointing absolute return can be attributed to lack of winners as only **Equinix** and **Microsoft** eked out small gains during the quarter, while **Disney**, **Accenture**, **Iqvia**, **HEICO**, and **Mastercard** were the largest culprits in the carnage.

One of the objectives of this strategy is to create a portfolio that would decline less in times of extreme stress. From that perspective, we passed a tough test this quarter. This was driven by owning companies with more stable business models that are capital-light such as **S&P Global** and **CME Group** and not owning more capital-intensive and cyclical businesses such as banks. Real estate was another good sector for us as our investments were down 4.0% compared to a 19.2% decline for the Index. **Equinix**, the leading global data center REIT was key behind this outperformance, as its stock rose 7.5%, benefiting from increased data center demand. We also didn't invest in Energy, which suffered from the double whammy of a COVID-19 driven demand shock, and the ongoing oil price-war between Russia and Saudi Arabia. Nor did we own airlines, brick and mortar retailers (after selling Sherwin-Williams and with the exception of Costco) or companies in the Materials sector, all areas that saw significant declines during the quarter. Not owning these names was not driven by a top-down view (since sector weightings are an output of our portfolio construction process), but rather due to not finding companies with wide and sustainable moats that meet our criteria. Looking a level deeper, most of the Fund's assets were in stocks that declined less than the Index, as we had nine investments down less than 10%. During uncertain times, high-quality companies such as the ones we own, tend to outperform. This is what we believe played out during the March quarter.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail and Institutional Shares as of September 30, 2019 was 6.22% and 4.91%, respectively, but the net annual expense ratio was 0.95% and 0.70% (net of the Adviser's 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 reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2030, unless renewed for another 11-year term 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 index is unmanaged. The index performance is not Fund performance; one cannot invest directly into an index. The S&P 500 Index measures the performance of 500 widely held large cap U.S. companies. The index and the Fund are with dividends, which positively impact the performance results.

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

3 Not annualized.

Baron Durable Advantage Fund

The most frequently asked question today is how is the Fund positioned to withstand the COVID-19-driven recession, and how do we expect it to perform when the economy returns to normal?

First, the companies we own tend to have several characteristics that make their business models more durable and resilient during downturns. Many of them sell a critical product or service that customers will only stop buying if they go out of business. For example, Adobe's software is used every day by millions of creative designers to do their jobs, Microsoft's cloud offering powers critical workloads for businesses, and S&P Global's and Moody's ratings are necessary stamps of approval for bond issuers. Our holdings also have rock-solid balance sheets, above-average margins, and more sustainable growth characteristics, which enable them to outperform during downturns, as well as over long periods of time across market cycles.

Second, we believe that high-quality businesses, such as those we own in this Fund, tend to come out from downturns stronger, with wider moats and higher market shares. This is driven by customers consolidating their spending on the best vendors, culling anything that is not critical. The stronger companies have the financial freedom and flexibility to keep investing for the future, while competitors must inevitably focus all their energy on the here and now in order to survive.

Lastly, we thought it may be worthwhile to check how the companies we own today have performed during the 2008-2009 global financial crisis and how they did coming out of it. While the reasons behind that recession are different from this one, the history and implications of the global financial crisis could offer some insights and perspectives on the durability and resilience of our investments in times of an economic crisis, and their performance coming out of it. Between October 9, 2007, when the S&P 500 Index peaked and March 9, 2009, when it bottomed, the Index declined 55%. Twenty-seven holdings in the Fund were publicly traded during that time. They were down less than the Index, declining 52% on a weighted average basis. Not as encouraging as we had hoped, although many of them were younger and less prepared for a severe downturn then. However, when we examined a period from the previous market peak on October 9, 2007 until March 31, 2020, we saw the numbers that we expected. During those 12.5 years, the Index rose 115% cumulatively, while our holdings increased by an impressive 503% (weighted average), with all but one of them outperforming the Index. Looked at differently, $10,000 hypothetically invested in the Index on October 9, 2007 would be worth $21,500 at the end of the first quarter of 2020, while the same $10,000 hypothetically invested in the names we own in the Fund (at our weights) would be worth $60,300. The single most important reason behind this performance is the fact that these businesses were able to compound their intrinsic value over the last 12.5 years at a much faster rate than the average company in the Index. We believe that will continue to be the case.

Table II.

Top contributors to performance for the quarter ended March 31, 2020

	Quarter End Market Cap (billions)	Percent Impact
Equinix, Inc.	$ 53.4	0.10%
Microsoft Corporation	1,199.6	0.02

Equinix, Inc. is a global operator of network-dense, carrier-neutral colocation data centers. Shares of Equinix were up 7.5% during the quarter due to robust quarterly bookings/demand, in-line full-year guidance, perceived defensive position relative to other categories of real estate that sold off during the quarter, and strong data center demand, driven by COVID-19. We retain conviction in Equinix due to the long runway behind cloud adoption and IT outsourcing (according to Gartner, cloud represented only 6% of the $3.7 trillion IT spending in 2019), its unique position as one of the only operators that can offer a global platform, and the continued execution on strategic M&A transactions to enhance its moat.

Microsoft Corporation is a software mega cap that has crossed the chasm from the client-server and PC era to today's world of digital transformation and cloud. The Microsoft of today is a cloud leader through its Azure, Office 365, Dynamics 365, and Teams offerings, among others. Shares outperformed, ending the first quarter up 0.2%, as Microsoft's successful transition to cloud-based subscriptions has made its business more durable to downturns (with 90% of its commercial revenue base being paid on an annuity basis), while becoming also more relevant than ever for its customers' digital transformation efforts.

Table III.

Top detractors from performance for the quarter ended March 31, 2020

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
The Walt Disney Company	$174.0	–1.08%
Accenture plc	104.2	–0.95
Iqvia Holdings Inc.	20.8	–0.92
HEICO Corporation	9.2	–0.92
Mastercard Incorporated	242.8	–0.92

The Walt Disney Company is the global leader in entertainment. The company monetizes its IP through movies, a new over-the-top Disney+ offering, theme parks, and through other distribution channels. Shares of Disney declined 33.2% during the quarter over concerns regarding the impact of COVID-19, particularly at the theme parks and movie production segments. These headwinds, in addition to weakness in the cable and linear television network offerings and a slow expected recovery for travel and entertainment coming out of the COVID-19 pandemic, will have meaningful negative impact on the company's profitability for some time to come. We therefore sold our shares, reallocating to higher conviction ideas.

Accenture plc provides consulting and technology services to corporate clients around the world. The company reported solid quarterly results with 8% FX-neutral revenue growth and very strong 21% bookings growth. However, the stock fell 22.1% as management reduced guidance to reflect slower economic growth and uncertainty from the COVID-19 pandemic. While growth may slow down, we believe Accenture is well equipped to weather this downturn, helping its clients adapt to the changing economic environment, while longer term, benefiting from accelerating digital transformation trends.

Shares of **Iqvia Holdings Inc.**, a global provider of health care information and professional services including Contract Research Organization ("CRO") and contract sales to the biopharmaceutical industry, fell 30.1% during the first quarter, along with other CROs, on concerns of clinical trial disruptions due to COVID-19. While new patient enrollment and new trial initiations have been impacted, work has not ground to a halt and trials are not being cancelled. Every attempt is being made to continue ongoing trials for life-saving drugs and whenever possible, work is being done online. With $11 billion in 2019 sales and a total addressable market exceeding $230 billion, Iqvia has a significant runway for growth for years to come.

HEICO Corporation is an aerospace & defense company offering alternative aerospace aftermarket parts as well as system sub-components for the aerospace & defense industry. The stock declined 28.6% in the quarter given the unprecedented drop off in commercial air travel due to COVID-19. Historically, challenging environments have helped HEICO gain market share as customers look to it to help them save costs. Furthermore, low fuel prices will help existing fleets operate longer, which will increase HEICO's addressable market. Finally, HEICO's defense business will continue to grow as substantial budget increases in recent years flow through to outlays in future years and as defense spending is utilized for fiscal stimulus.

Mastercard Incorporated is a leading global payment network. The company reported good quarterly financial results with 16% revenue growth and 26% EPS growth and provided guidance for mid-teens revenue growth in 2020. However, the stock underperformed later in the quarter, ending the first quarter down 18.9% as the COVID-19 pandemic caused a slowdown in consumer spending, driving management to withdraw full-year guidance. The announced retirement of CEO Ajay Banga also weighed on sentiment. We continue to own the stock due to Mastercard's wide moat, high barriers to entry, and the opportunity to keep growing for many years as it benefits from the continued growth in global consumer spending as well as the secular shift from cash to electronic payments (with cash still used in over 80% of global transactions).

Portfolio Structure

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level (rather than benchmark weights) determining the size of each individual investment. Sector weights tend to be an outcome of the portfolio construction process and are not meant to indicate a positive or a negative "view."

The top 10 positions represented 45.6% of the Fund, the top 20 were 72.3%, and we exited the quarter with 34 investments. Information Technology and Health Care, our biggest exposures, represented 53.0% of the Fund. Financials, Communication Services, Industrials, Real Estate, and Consumer Staples represented another 40.7% of the Fund with cash as the remaining 6.3%.

Table IV.
Top 10 holdings as of March 31, 2020

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Microsoft Corporation	$1,199.6	$492.1	6.0%
Adobe Inc.	153.3	440.4	5.3
S&P Global Inc.	59.0	415.4	5.0
Moody's Corporation	39.6	407.8	4.9
Mastercard Incorporated	242.8	360.9	4.4
Accenture plc	104.2	349.5	4.2
Alphabet Inc.	798.9	346.5	4.2
Danaher Corporation	96.5	334.8	4.1
IHS Markit Ltd.	23.9	312.1	3.8
Fidelity National Information Services, Inc.	75.0	304.1	3.7

Recent Activity

We initiated four new investments during the quarter: **Facebook**, **Visa**, **MSCI**, and **Brookfield Asset Management**. We also took advantage of flows into the Fund and added to 19 existing holdings. We exited five positions that we believed would either face disproportionate headwinds from COVID-19, or those that we had less conviction in compared to other names.

Table V.
Top net purchases for the quarter ended March 31, 2020

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Facebook, Inc.	$475.5	$237.4
Visa, Inc.	316.2	224.8
HEICO Corporation	9.2	149.4
MSCI, Inc.	24.6	122.5
Fidelity National Information Services, Inc.	75.0	109.6

During the first quarter, we bought shares in **Facebook, Inc.**, the world's largest social network, with nearly 2.5 billion users. We bought the stock despite the near-term headwinds created by an expected reduction in advertising spending due to COVID-19, as we remain optimistic that the company's vast and engaged network of users along with the ongoing monetization of Instagram, and future monetization on WhatsApp and Messenger, will lead to durable growth in intrinsic value. Facebook is pivoting from news feed to stories as an ad format, similar to what the company achieved when it pivoted from desktop to mobile shortly after its IPO and we expect them to be successful in this effort. The company continues to be the only game in town in "social" and remains the largest beneficiary of strong consumer engagement. The company utilizes its leadership position in mobile and AI to provide global advertisers targeted marketing capabilities at scale.

We also bought shares in **Visa, Inc.**, a leading global payment network. During the quarter, Visa reported solid financial results with 10% revenue growth and 12% EPS growth and announced the acquisition of Plaid, which connects fintech companies with banks, expanding Visa's addressable market as it moves from being strictly focused on payments to being at the center of funds movement for any purpose around the world. Management calls this a "network-of-networks" strategy where Visa facilitates all types of money movement, whether it's through cards, ACH, or digital wallets. Despite the near-term headwinds from the impact of COVID-19, we believe that Visa is a great business, operating in a duopoly with Mastercard, with significant long-term opportunity to grow its intrinsic value as cash transactions still represent approximately 80% of global transaction volume.

We also bought **MSCI, Inc.**, the global provider of investment decision support tools and the de facto standard for measuring global market performance. MSCI is an example of a great durable business, it is asset light, has high margins, a leading market position (50% to 90% market share depending on the asset class), and a product that is critical to its customers' businesses–since its index, multi-asset portfolio and risk analytics solutions are deeply embedded in its clients' workflows. We believe that MSCI is also well positioned to benefit from the continuing development of emerging markets, passive investing, and the growth of global financial assets, driving sustainable growth in its intrinsic value for years to come.

The last new name we added during the quarter is **Brookfield Asset Management, Inc.**, one of the largest global alternative asset managers primarily focused on infrastructure, real estate investments, renewable power and credit with over $540 billion in assets under management and $290 billion of fee-bearing capital. We believe Brookfield is well positioned both defensively (conservative financing and no near-term debt maturities) and offensively (well funded with approximately $65 billion of liquidity) in the current environment. Brookfield represents a compelling investment opportunity due to its superior investment track record, global operating platform, scale of assets under management (resulting in lower competition for large deals), and a diverse product offering allowing it to be the "go to" choice for asset allocation needs of an institutional investor. In addition, we believe that Brookfield would benefit from the secular growth in allocations to alternative assets due to the consistently low interest rate environment (the current institutional allocation of 25% is likely to increase to 40% to 60% over the next decade). Also, Brookfield is positioned to take a bigger portion of this growing pie because institutions are consolidating with top asset managers who are getting a disproportionate share of the assets.

We also took advantage of our inflows to continue building our **HEICO Corporation** and **Fidelity National Information Services, Inc.** positions.

Table VI.
Top net sales for the quarter ended March 31, 2020

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
Apple, Inc.	$1,112.6	$267.4
Merck & Co., Inc.	211.1	145.4
The Sherwin-Williams Company	52.9	127.2
LVMH Moet Hennessy Louis Vuitton SE	167.6	126.9
The Walt Disney Company	174.0	125.5

During the first quarter, we existed our positions in **The Walt Disney Company** and **LVMH Moet Hennessy Louis Vuitton SE** since we believe those names would be significantly impacted by COVID-19, due to their exposure to travel. We also sold our **The Sherwin-Williams Company** shares as well as some of our **Apple, Inc.** shares since we saw better opportunities in other names. Lastly, we sold our **Merck & Co., Inc.** position due to increasing concerns about its overdependence on one product, Keytruda, and not having high conviction in its new product pipeline.

Outlook

Standing on January 1, 2020, few could have guessed that within three months, the world would nearly come to a halt as country after country grapples with COVID-19. Even as the virus spread in China throughout January and started to spread around the world during February, most investors shrugged the risk off as the S&P 500 Index made new highs. As we stand here today (beginning of April), there are over 1.5 million cases of COVID-19 in more than 200 countries and territories around the world. As countries are trying to flatten the curve of the spread to give the necessary breathing room for their health care systems, economies are being temporarily put on hold, with movement limitations and mandated business closures. A recession is now unavoidable.

How deep and how long will it last? The answer depends on how well people practice social distancing, how much additional capacity we can provide to hospitals, the level of risk the government will be willing to take with respect to the exit strategy, and finally the fiscal and monetary support the government and the Fed will provide. Many experts have opinions, but as is usually the case in forecasting macro outcomes, no one really knows, so we spend no time trying to answer these questions.

Instead, we focus all of our efforts on making sure that our businesses have rock solid financial positions, enabling them to withstand a prolonged recession (if one were to occur), and that their management teams have the right balance, patience, and forward-looking thinking to do the right thing in the near term (from supporting their employees to helping customers) while not taking their eye off the long term. As we look at our portfolio, we believe that our portfolio companies will come out of this stronger as they gain market share over weaker competitors. Therefore, we don't believe that the intrinsic value of our businesses has declined significantly due to COVID-19, giving us the conviction to add when prices come down.

It is our belief that investing in great businesses at attractive valuations will enable us to earn excess risk-adjusted returns for our shareholders over the long term. We do so by investing in businesses with strong and durable competitive advantages, proven track records of successful capital allocation, high returns on invested capital, and high free cash flow generation, a significant portion of which is regularly returned to shareholders in the form of dividends or share repurchases. We hope to maximize long-term returns without taking significant risks of permanent loss of capital. We are optimistic about the prospects of the companies in which we are invested while continuing to search for new ideas and opportunities.

Sincerely,

Alex Umansky
Portfolio Manager

Investors should consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds. You may obtain them from its distributor, Baron Capital, Inc., by calling 1-800-99BARON or visiting www.BaronFunds.com. Please read them carefully before investing.

Risks: The Fund invests primarily in large cap equity securities which are subject to price fluctuations in the stock market. The Fund may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.