Dear Baron Fifth Avenue Growth Fund Shareholder:

Performance

Baron Fifth Avenue Growth Fund (the "Fund") declined 1.4% (Institutional Shares) during the third quarter, which compared to a gain of 1.2% for the Russell 1000 Growth Index ("R1KG") and a gain of 0.6% for the S&P 500 Index ("SPX"), the Fund's benchmarks. Year-to-date, the Fund is up 10.4%, which trails the returns of 14.3% and 15.9% for its two benchmarks, respectively.

Table I.
Performance
Annualized for periods ended September 30, 2021

	Baron Fifth Avenue Growth Fund Retail Shares[1,2]	Baron Fifth Avenue Growth Fund Institutional Shares[1,2,3]	Russell 1000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	(1.48)%	(1.42)%	1.16%	0.58%
Nine Months[4]	10.22%	10.44%	14.30%	15.92%
One Year	19.13%	19.44%	27.32%	30.00%
Three Years	22.62%	22.93%	22.00%	15.99%
Five Years	24.20%	24.52%	22.84%	16.90%
Ten Years	20.34%	20.65%	19.68%	16.63%
Fifteen Years	12.29%	12.52%	13.33%	10.37%
Since Inception (April 30, 2004)	11.78%	11.98%	12.31%	10.33%

ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BFTHX
Institutional Shares: BFTIX
R6 Shares: BFTUX

This was not a good quarter for us. We were down a bit, and our benchmarks were up a bit. While the investing environment had shifted back to a headwind again, relative to the kinds of companies that we tend to favor, it was our stock selection that was the culprit.

From an attribution perspective, the Fund's underperformance was driven entirely by poor stock selection, which detracted from performance everywhere except for Communication Services and Real Estate. On the other hand, overweights in Health Care and Information Technology ("IT") and underweights in Industrials and Consumer Discretionary added value.

Looking under the hood within IT, a portion of our underperformance was driven by being overweight the worst performing sub-industries such as internet services & infrastructure and data processing & outsourced services, which were down 24.8% and 5.8%, respectively, in the R1KG. Our stock selection was also disappointing in IT, with **Wix**, **Twilio**, and **RingCentral** accounting for most of the weakness in the sector. Within Health Care, our life sciences tools & services holdings (**10X Genomics** and **Illumina**) were responsible for all of our performance shortfall in the sector due to a resurgence of the COVID Delta variant, which slowed down lab activity, negatively impacting those businesses in the near term. Offsetting some of those headwinds was favorable stock selection in Communication Services, namely driven by our **ZoomInfo** and **Alphabet** positions, along with an underweight in Industrials, which together added 86bps to our relative results.

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, 2020 was 1.05% and 0.78%, but the net annual expense ratio was 1.00% and 0.75% (net of the Adviser's fee waivers, restated to reflect current fee waivers). 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, 2032, 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.

The Fund's 3Q 2021 historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

[1] The **Russell 1000® Growth Index** measures the performance of large-sized U.S. companies that are classified as growth and the **S&P 500 Index** of 500 widely held large cap U.S. companies. 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. The indexes and the Fund include reinvestment of dividends, net of withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

[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] 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.

Baron Fifth Avenue Growth Fund

On an absolute performance basis, we had a few more detractors than contributors with 9 double-digit gainers against 10 double-digit decliners. **Acceleron**, **ServiceNow**, **Alphabet**, **EPAM**, **Dynatrace**, **Datadog**, **Snowflake**, **ZoomInfo**, and **Intuitive Surgical** contributed over 25bps each to absolute returns. **Wix**, **Twilio**, **RingCentral**, **10X Genomics**, **Alibaba**, **Zoom Video**, **Illumina**, **Amazon**, and **PayPal** detracted over 25bps each. All in all, there was just a bit more bad than good, which is how we ended up down 1.4% for the quarter.

Two of the most important questions we must answer prior to making an investment are "What is the source of the company's competitive advantage?" followed by "Why is it sustainable?" Similarly, more and more often we find our investors posing the same two questions to us. The importance of having an edge in our business is fairly obvious. If we expect to generate excess risk-adjusted returns over a benchmark and do it over the long term, there must be something unique and differentiated and *repeatable* about the way we do it. There must be some sort of an *edge,* otherwise, the expectation for excess returns would be entirely irrational.

We can think of five sources of competitive advantage in the business of investing: informational, analytical, behavioral, time arbitrage, and structural. An informational edge is typically referred to or interpreted as having access to information that other market participants do not have. An analytical edge is the ability to analyze the same information everyone has, only in a differentiated way – build better models, conduct better due diligence, and perform more rigorous valuation work. A behavioral edge is harder to explain, and even harder to execute, but to us, it means creating an environment most conducive to better decision-making, while overcoming behavioral biases. A time arbitrage edge refers to a long-term ownership mindset and longer-term thinking, while a structural edge can be seen in the strength of the manager's platform, as well as the mandate's flexibility and the size of the opportunity set.

The informational edge has largely been arbitraged away over time. Since the introduction of fair disclosure regulations and the widespread adoption of mobile internet, all interested parties can access all legally available information at the same time. Still, there is an advantage in knowing what questions to ask, what information to consider and to ignore, and how to properly weigh it. We think we may have a slight edge in that. Similarly, the analytical edge is becoming increasingly more difficult to harvest. While we hire the very best people we can, so does the competition. This is the most competitive arena in the world! The stock market is a complex adaptive system that is constantly learning and becoming smarter from the collective inputs. If we have an analytical edge, it is once again likely to be slight. Time arbitrage, behavioral, and structural are where we believe we really set ourselves apart.

"Buy, sell, repeat! No room for 'hold' in whipsawing markets"[1] urged the headline of a 2020 Reuters article. In years past, information was delayed, and trading was costly. Investors would typically call their investment advisor if they were concerned about the market and wanted to sell a stock, and the advisor would at least get an opportunity to explain what is going on, and a shot at advocating patience. Now trading is free (not only commission-wise, but bid-ask spread-wise as well) and Schwab's robo-adviser is not going to "talk" anyone out of taking action. At the same time, you have high-frequency and algorithmic trading vacuuming up every ounce of inefficiency that is being created by Robinhood's daily "warriors." Even before ML and AI, computers and algorithms could recognize patterns much faster than human beings. In the short term, human logic and intuition can't possibly compete with the speed or size of capital being deployed by the algos. But computers do not know how to assess a business' uniqueness and competitive advantage. They do not know how to value culture or price ingenuity. We do. These factors may not impact the day-to-day price of a stock, but they will determine whether a company will likely be a successful investment. While most market participants are focused on trying to figure out whether consensus expectations are too high or too low for the next quarter or two, we are focused on answering entirely different questions – How big can the business be at maturity? How sustainable are its competitive advantages? How critical are the problems they solve for customers, and could they solve more problems over time? How much value does every dollar that is reinvested back into the business generate? Is management building the right culture? The average holding period for a U.S. stock in 2020 was 5.5 months. The Fund's turnover in 2020 was 10.7%, which translates to a holding period of 9.3 years! Our long-term ownership mindset and longer-term thinking is a significant edge in our view.

Over many years, we have developed an investment process focused on minimizing behavioral biases. Confirmation bias is when investors start with a view and then go look for data that fits and confirms that view rather than vice-versa. Recency bias is assigning more weight in decision making to the most recent news and events. Groupthink is often a dangerous pitfall when there is a breakdown in diversity. We work to minimize those biases by practicing probabilistic thinking – making investment decisions against a range of possible outcomes and their respective probabilities and consequences. Seeking disconfirming evidence and differing points of view are *core* to our research approach and due diligence process. For instance, rather than interview the partners and customers of our companies, we focus much of our due diligence on the partners and customers of their *competitors*. Requiring conviction in the *duration of growth* enables us to assign a more appropriate weight to recent developments and assess them against our long-term thesis. It also helps us to be patient if the stock price goes against us. Most of these investment blind spots, once identified and internalized, are no longer blind spots. But we take it a step further. We deliberately focus on creating an environment that is most conducive to good, balanced decision-making with an emphasis on separating our emotions from facts to enable objective investment decision making. We buy only when we gain conviction in the duration of growth, with a presence of a margin of safety relative to our estimate of intrinsic value. We sell when our original thesis is no longer valid, when we judge the shares to be meaningfully overvalued, or if we believe we have made a mistake. This all seems simple enough, but it takes years of practice and is by no means easy. Knowledge alone is not enough. It takes time and perseverance to learn how to translate knowledge into behavior. We believe our behavioral edge is quite meaningful.

Finally, Baron Capital's platform as well as the Fund's ability to invest in the best ideas anywhere in the world give us a meaningful structural advantage. Over its nearly 40-year history, the Firm has built a culture, an organizational structure, and a reputation as a *high-quality, long-term investor*. We are solely focused on investing in unique, competitively advantaged, growing businesses for the long term. The incentives for *ALL* of our investment professionals are driven by success in long-term investment outcomes. The vertical structure of our research team enables us to accumulate deep industry expertise, better identify disruptive change

[1] https://www.reuters.com/article/us-health-coronavirus-short-termism-anal/buy-sell-repeat-no-room-for-hold-in-whipsawing-markets-idUSKBN24Z0XZ

dynamics, and build pattern recognition over time. Our collaborative culture promotes diversity of opinions and enables us to make better decisions, while continuously learning from one another.

When we add it all up, we think there is reason to continue to be optimistic about what lies ahead.

Table II.
Top contributors to performance for the quarter ended September 30, 2021

	Quarter End Market Cap (billions)	Percent Impact
Acceleron Pharma Inc.	$ 10.5	0.55%
ServiceNow, Inc.	123.3	0.49
Alphabet Inc.	1,779.8	0.46
EPAM Systems, Inc.	32.3	0.42
Dynatrace Holdings LLC	20.2	0.35

Acceleron Pharma Inc. is a biotechnology company with the rare profile of having two blockbuster assets in the pipeline: cardiovascular drug sotatercept and anemia drug luspatercept. Sotatercept helps cure pulmonary arterial hypertension ("PAH"). PAH is caused by the progressive structural remodeling of the pulmonary arteries, which eventually results in heart failure and death. Acceleron's drug sotatercept acts by rebalancing signaling, thereby reversing the vascular remodeling seen in PAH. This would be the first PAH drug with the potential to reverse the disease. Shares increased 37.1% during the quarter on news that Acceleron was the target of a potential acquisition by Merck, which was announced in late September.

ServiceNow, Inc. offers cloud-based solutions focused on improving workflow efficiency through automation and digitalization. ServiceNow's stock appreciated 13.2% during the quarter due to an upbeat analyst day and a strong quarterly report that described improving growth and profitability trends, supported by market demand, ServiceNow's leadership positioning, and the expanding capabilities of its flexible platform. After 2020's complex spending environment, which was characterized by longer sales cycles, we expect the accelerated demand from digital transformation initiatives at enterprise customers in 2021 to continue into 2022.

Alphabet Inc. is the parent company of Google, the world's largest search and online advertising company. Shares of Alphabet were up 8.0% in the quarter driven by further acceleration in ad spending (with total revenues up 62% year-over-year, and a 2-year CAGR of 26%), strong cloud revenue growth (up 54% in the second quarter year-over-year), and continued cost controls (operating margins reached 31%). We remain excited about Alphabet's merits as it continues to benefit from growth in mobile and online video advertising, which accrues to its core assets of search, YouTube, and the Google ad network. We are further encouraged by Alphabet's investments in AI, autonomous driving (Waymo), and life sciences (Verily, Calico).

EPAM Systems, Inc. provides outsourced software development services to business customers. Shares continued their upward trend and gained 11.6% during the quarter driven by strong financial results (revenues up 39% year-over-year) that exceeded Street expectations. EPAM operates at the forefront of digitization by helping customers optimize ways to interact with their clients, enabling them to become more engaging, responsive, and efficient. Following last year's COVID-driven slowdown, investments in digital transformation have risen in priority, and EPAM has seen a strong recovery in demand and revenue growth. We remain excited about EPAM's long runway for growth underpinned by the need for digital transformations and the company's strong execution in addressing this growing demand. Despite years of strong double-digit growth, it still accounts for less than 3% of the $150 billion annual spending on digital engineering services.

Dynatrace Holdings LLC is a software company offering a full-stack solution that consists of application performance monitoring, infrastructure, and log management. Dynatrace shares appreciated 21.5% during the quarter as the company reported strong results, underpinned by robust customer demand as a result of accelerating digital transformation trends. With its new, function-rich platform, and continued investments in sales and marketing, Dynatrace is experiencing record competitive win rates. We have high conviction in Dynatrace's long growth duration driven by the secular tailwinds of cloud computing, increasingly complex technology stacks (multi-cloud hybrid environments), and a growing demand for application monitoring.

Table III.
Top detractors from performance for the quarter ended September 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
Wix.com Ltd.	$ 11.1	–0.73%
Twilio Inc.	56.5	–0.67
RingCentral, Inc.	19.9	–0.66
10X Genomics, Inc.	16.1	–0.51
Alibaba Group Holding Limited	519.9	–0.38

Wix.com Ltd. is the leading provider of cloud software that helps micro-businesses build and maintain their websites as well as operate their businesses. Shares of Wix declined 32.5% during the third quarter due to a slowdown in new customer additions as a result of abating positive COVID trends, which drove a pull-forward in demand and a material rerating of the stock during the early stages of the pandemic. We continue believing in Wix's long-term opportunity as it helps small businesses digitize, which has become crucial, especially in a post-COVID world. Over time, Wix would also benefit from continued innovation on its platform, expanding the set of solutions it offers small business owners.

Shares of **Twilio Inc.**, the leading Communications Platform-as-a-Service provider, corrected 19.1% during the third quarter despite reporting over 50% year-over-year organic revenue growth in its second quarter results. This decline was driven by investor concerns around a potential slowdown from the accelerated growth trends seen during the last 18 months as well as gross margin pressure, which was slightly below consensus. The margin pressure resulted from higher messaging volumes and strong international growth, where margins are lower due to higher connection fees. We continue to believe that the accelerating pace of digitization will enable Twilio to grow at high rates for many years and that margins will improve over time as its product portfolio scales.

Despite an acceleration in revenue and higher guidance, shares of **RingCentral, Inc.**, a leading Unified Communications-as-a-Service provider, lagged during the quarter. RingCentral's stock declined 25.1% on investor fears around the company's ability to maintain business growth trends realized over the last 18 months and increasing competition from Microsoft and Zoom. We believe the market is large enough to support multiple long-term winners and that RingCentral can continue innovating at a fast rate, sustaining pricing, and winning market share, which will support accelerated growth rates for years to come.

10X Genomics, Inc. sells products that combine hardware, software, and chemistry to provide life sciences researchers with single-cell, spatial, and in situ (targeted gene expression maps on specific tissue sections) views of biological systems. Shares corrected 25.7% in the quarter after rising 38.3% in the first half as high-valuation, high-growth companies in tools/diagnostics came under pressure following renewed uncertainty around the impact of the Delta variant on lab activity. We view 10X Genomics as a leader in cutting-edge life sciences research and maintain long-term conviction.

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were down 14.5% for the period held, driven by the continued crackdown of Chinese regulators on large technology platforms. We decided to sell our position due to the widening range of possible outcomes on the regulatory front and the increased risk in the business.

Portfolio Structure

The Fund's portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level determining the size of each 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." As of September 30, 2021, our top 10 positions represented 45.8% of the Fund and the top 20 were 73.1%. IT, Health Care, Communication Services, Consumer Discretionary, and Financials made up 96.4% of net assets. The remaining 3.6% was made up of **Equinix**, a REIT classified in Real Estate; **GM Cruise** and **SpaceX**, our two private investments classified in Industrials; and cash.

Table IV.
Top 10 holdings as of September 30, 2021

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Amazon.com, Inc.	$1,663.7	$63.3	7.6%
Alphabet Inc.	1,779.8	58.1	6.9
ServiceNow, Inc.	123.3	39.9	4.8
Facebook, Inc.	956.9	39.5	4.7
EPAM Systems, Inc.	32.3	36.3	4.3
Adobe Inc.	273.9	31.5	3.8
Intuitive Surgical, Inc.	118.2	31.2	3.7
Veeva Systems Inc.	44.2	28.9	3.5
ASML Holding N.V.	309.2	27.5	3.3
Mastercard Incorporated	343.1	27.0	3.2

Recent Activity

During the quarter, we initiated two new investments – the Southeast Asian e-commerce leader, **Sea**, and a leading cloud-based platform for the restaurant industry, **Toast**. We also added to eight existing holdings as we continued putting the Fund's inflows to work.

Table V.
Top net purchases for the quarter ended September 30, 2021

	Quarter End Market Cap (billions)	Amount Purchased (millions)
Sea Limited	$176.0	$8.1
Shopify Inc.	169.2	6.4
NVIDIA Corporation	517.9	6.0
Square, Inc.	110.3	5.7
Toast, Inc.	25.1	4.0

Our largest purchase in the quarter was our new position in **Sea Limited**. Sea is a pan-Southeast Asian technology conglomerate with a #1 regional position in e-commerce (under the Shopee brand), a highly profitable global digital gaming business (led by the hit game *Free Fire*), and a nascent, fast-growing regional digital financial services business. Sea started a decade ago as a regional distributor of digital mobile games, found immense success with its proprietary *Free Fire* game (which has become one of the largest mobile gaming properties in the world in recent years), and has since been investing the cash generated from that segment into its fintech and e-commerce segments, the latter of which became the largest platform in Southeast Asia in 2020 and expanded into Latin America last year. We view e-commerce and digital financial services as particularly large opportunities across Southeast Asia, owing to the region's low e-commerce penetration (less than 10% region-wide, less than 5% in some countries like Vietnam and the Philippines) and large un/under-banked populations. We are impressed by Sea's execution, particularly its ability to hyper-localize its offering for seven ASEAN countries in both e-commerce and gaming and its ability to leverage technology to overcome barriers to historical e-commerce adoption, particularly logistics. These have powered its emergence as the largest e-commerce platform across the region despite having started much later than its incumbent competitors. We expect that lead to continue to expand. Although global digital gaming has historically been a cyclical, hit-driven business, we like that Sea is aggressively reinvesting its gaming cash flows into these larger, longer duration opportunities, and expect the gaming segment to become an ever-decreasing fraction of total value over the next half decade while e-commerce and fintech become multiple times larger.

We also initiated a new position in **Toast, Inc.**, a cloud-based end-to-end restaurant technology platform. Toast's platform provides a comprehensive suite of cloud software products and financial technology solutions, enabling customers to manage their restaurants more efficiently. Toast's solutions include a point-of-sale module (which is integrated with payment processing) along with solutions for operations, digital ordering and delivery, marketing and loyalty, team management, and back office. Toast is the clear market leader in the SMB restaurant segment, benefiting from high customer satisfaction rates, which drive strong inbound and referral business. Toast differentiates itself from competitors with its hyper-local, feet-on-the-street go-to-market strategy, getting to know the restaurants in each local market and upselling customers over time. Over two-thirds of its employees are from the restaurant industry, so the company truly understands the pain points customers face and is driving innovation accordingly. We believe that as restaurants continue to undergo digital transformation at an accelerated pace, Toast will be a big beneficiary given its leading market position and best-in-class product. At only 5.6% penetration of U.S. restaurants (Toast powers 48,000 restaurants out of the 860,000 restaurants in the U.S.) and 3% penetration of its $15 billion recurring revenue addressable market, Toast has a long runway for growth

underpinned by adding more customers and expanding existing customer relationships. Over time, we also believe that Toast has the potential to penetrate the Enterprise portion of the restaurant industry (customers with over 50 locations) as well as international markets (22 million total locations) and further expand its addressable market.

In a continuation of our decisions in the second quarter, we added to several higher-conviction, newer positions in the Fund including the leading commerce software platform, **Shopify Inc.**, the artificial intelligence leader, **NVIDIA Corporation,** and the fintech leader, **Square, Inc.** All three positions exited the quarter at a 3.0% weight, just below our top 10 position sizing.

Table VI.
Top net sales for the quarter ended September 30, 2021

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (millions)
Alibaba Group Holding Limited	$519.9	$20.3
BridgeBio Pharma, Inc.	7.3	7.6
ASML Holding N.V.	309.2	1.8
Illumina, Inc.	63.5	1.7
Splunk, Inc.	23.4	1.7

We trimmed three positions: **ASML Holding N.V.**, **Illumina, Inc.**, and **Splunk, Inc.**; and exited three others: **Alibaba Group Holding Limited**, **BridgeBio Pharma, Inc.**, and **Airbnb**. While China has historically been a fertile ground for the types of companies we find attractive (big ideas, beneficiaries of disruptive change, platform businesses), the regulatory developments over the last 12 months have made investing in China increasingly challenging. As a result, we sold our position in Alibaba. We also sold our smaller holdings in BridgeBio and Airbnb (a stub position that we could not graduate into a core position due to valuation). Proceeds were reallocated to companies in which we saw more positively skewed risk/reward profiles.

At the end of the quarter, the Fund had 39 investments. This number includes three private holdings (**Rivian**, **GM Cruise**, and **SpaceX**), which together represent less than 1.0% of the Fund's net assets.

OUTLOOK

The October release of the inflation numbers for September showed that CPI remained solidly above 5% (5.4% actually) and that the economy continues to improve with unemployment dipping below 5% again, raising/confirming expectations for the beginning of Fed tapering, and driving a reversal in the 10-year U.S. Treasury bond yield, which after hitting a low of 1.2% in July, is now hovering around 1.6%. Higher interest rates ostensibly present a headwind to growth stocks for the reasons that we explained in prior letters. However, for now the market appears to be interpreting them differently. Quarter-to-date through October 21, the R1KG is actually up 6.4%, and the Fund is up 7.4%. David Schneider, our Head Trader and inflation afficionado, explained it this way: "You don't get it. Tapering sooner and raising rates earlier and perhaps more aggressively, means the Fed is more likely to get ahead of it and nip inflation in the bud, which will flatten the longer part of the yield curve, which is obviously bullish for high-growth stocks." So, wait… higher interest rates are good for growth equities? David is definitely right. I do not get it.

In any case, the market will do what it will do. We think rotations, pullbacks, and corrections are generally necessary and healthy, and they often create attractive opportunities for long-term investors like ourselves. With 10-year U.S. Treasury bonds yielding below 2% and inflation running around 5% (or higher), real interest rates continue to be *well below 0%*, which is a great backdrop for businesses that are able to reinvest excess cash flow at high rates of a return. In other words, the types of businesses that we tend to favor. We continue to focus on the quality of our decisions, and on taking what we believe are high percentage shots.

Every day we live and invest in an uncertain world. Well-known conditions and widely anticipated events, such as Federal Reserve rate changes (up and down), ongoing trade disputes, government shutdowns, and the unpredictable behavior of important politicians the world over, are shrugged off by the financial markets one day and seem to drive them up or down the next. We often find it difficult to know why market participants do what they do over the short term. The constant challenges we face are real and serious, with clearly uncertain outcomes. History would suggest that most will prove passing or manageable. The business of capital allocation (or investing) is the business of taking risk, managing the uncertainty, and taking advantage of the long-term opportunities that those risks and uncertainties create. We are confident that our process is the right one, and we believe that it will enable us to make good investment decisions over time.

We are optimistic about the long-term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities while remaining patient and investing only when we believe the target companies are trading significantly below their intrinsic values.

Sincerely,

Alex Umansky
Portfolio Manager

Baron Fifth Avenue Growth Fund

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. There is no guarantee that these objectives will be met.

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