Dear Baron Focused Growth Fund Shareholder:

Performance

2017 was a strong year for Baron Focused Growth Fund (the "Fund"). The Fund increased 26.59% (Institutional Shares), outperforming its benchmark, the Russell 2500 Growth Index, by 213 basis points. The Fund's risk-adjusted return, "alpha" since inception, was an even stronger 4.93%. This was the result of the Fund's lower-than-market volatility. The Fund increased 2.67% in the fourth quarter of 2017, underperforming the Russell 2500 Growth Index, which rose 6.35% during the period, however. The S&P 500 Index, which measures the performance of large-cap companies, also outperformed the Fund in the quarter, increasing 6.64%.

Key performance indicators for Baron Focused Growth Fund's portfolio businesses continued to make good fundamental progress as did most of its stocks. However, following strong share price appreciation over 2017's first nine months, the Fund's two largest holdings, **Vail Resorts, Inc.** and **Tesla, Inc.**, fell in the fourth quarter, penalizing the Fund's period returns by 2.34%. Shares of Vail Resorts, despite strong season pass sales last fall, declined 5.94% in the quarter when the ski season started below expectations due to poor snowfall. Shares of Tesla declined 8.72% in the three months due to a slower-than-expected ramp of its mass market Model 3 production. At the date of this letter, Colorado is being blanketed by a snowstorm and Tesla's M3 production is increasing. Regardless of the declines in the fourth quarter, both companies' businesses and stocks performed well during 2017. Tesla's stock gained 45.70% and Vail Resorts gained 34.43%. We believe the setbacks experienced by both businesses in the quarter were temporary and there has been no change to either Tesla's or Vail's competitively advantaged, long-term growth prospects. Due to substantial appreciation since we purchased Vail and Tesla, the value of their shares combined now represents 29.5% of the Fund's net assets.

Baron Focused Growth Fund's other top holdings outperformed in the quarter. **Hyatt Hotels Corp.** and **CoStar Group, Inc.** were rewarded with higher multiples and resultant strong share price appreciation following better-than-expected results. Many of our companies are continuing to take share leading to expanding margins and increased cash flows, which were often used to invest in their businesses, repurchase shares, and boost dividends.

RONALD BARON

CEO AND PORTFOLIO MANAGER

Retail Shares: BFGFX
Institutional Shares: BFGIX
R6 Shares: BFGUX

Table I.
Performance
Annualized for periods ended December 31, 2017

	Baron Focused Growth Fund Retail Shares[1,2,3]	Baron Focused Growth Fund Institutional Shares[1,2,3,4]	Russell 2500 Growth Index[2]	S&P 500 Index[2]
Three Months[5]	2.58%	2.67%	6.35%	6.64%
One Year	26.36%	26.59%	24.46%	21.83%
Three Years	7.47%	7.75%	10.88%	11.41%
Five Years	9.82%	10.10%	15.47%	15.79%
Ten Years	6.42%	6.64%	9.62%	8.50%
Fifteen Years	12.66%	12.81%	12.16%	9.92%
Since Inception (May 31,1996)	10.94%	11.04%	8.04%	8.66%

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 1.43% and 1.13%, respectively, but the net annual expense ratio was 1.35% and 1.10% (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 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 Reflects the actual fees and expenses that were charged when the Fund was a partnership. The predecessor partnership charged a 15% performance fee through 2003 after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees for the years the predecessor partnership charged a performance fee, the returns would be higher. The Fund's shareholders are not charged a performance fee. The performance is only for the periods before the Fund's registration statement was effective, which was June 30, 2008. 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 2500™ Growth Index measures are classified as growth and the S&P 500 Index of 500 widely the performance of small to medium-sized U.S. companies that held large cap U.S. companies. The indexes 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 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.

Baron Focused Growth Fund

Although Baron Focused Growth Fund has outperformed since inception, it has underperformed in two distinct periods.

Table II.
Performance
Periods Baron Focused Growth Fund underperformed

	Internet Bubble	Baron Growth Stocks Underperform 2014-2016
	Annualized Returns	
	10/8/1998 to 3/9/2000	12/31/2013 to 12/31/2016
Baron Focused Growth Fund (Institutional Shares)	41.77%	0.45%
Russell 2500 Growth Index	126.53%	5.45%
S&P 500 Index	32.29%	8.87%

While the Fund's three- and five-year performance lags its benchmark Russell 2500 Growth Index, most of this underperformance is the consequence of 2014 to 2016 results. As we described in the December 31, 2016 shareholder report, this can be attributed to three factors. First, 84.4% of those portfolio companies have been making substantial investments in their businesses that penalized their current earnings but are setting the stage for them to become larger, more profitable businesses. Secondly, 69.5% of these businesses made acquisitions during 2014 to 2016 that also penalized their current earnings but which offer significant growth opportunities. Finally, during the Fund's 2014 to 2016 underperformance, we restructured the Fund's portfolio, investing an even greater percentage of its assets in companies penalizing short-term profits to invest for future growth. We also reduced the number of holdings and concentrated even more on companies that we believe offer the greatest growth potential relative to their businesses' risks.

While we are disappointed with the three- and five-year performance of the Fund, the investments our businesses made from 2014-2016 are beginning to earn returns. Key performance indicators for 83.1% of the Fund's holdings are now experiencing greater than 16% annualized growth. We believe faster growth than peers is the principal reason their stock prices outperformed in 2017.

We believe the Fund's underperformance from 2014 through 2016, which has negatively impacted its trailing three- and five-year returns, is analogous to instances when after brief periods of underperformance, the Fund subsequently outperformed for an extended period. For example, in the 18-month period from October 1998 through March 2000, at the height of the Internet Bubble, the Fund, which owned no internet stocks, increased in value 41.77% annualized while the benchmark increased 126.53% annualized… just prior to the Internet Bubble bursting and the index falling materially.

Similar to Baron Focused Growth Fund's relatively strong performance in the post-Internet Bubble period, we expect the Fund's performance to continue. This is though we can certainly make no guarantee this will be the case.

Since its inception on May 31, 1996, the Fund's 11.04% annualized performance has exceeded that of its benchmark by an average of 300 basis points per year. This means that a $10,000 investment in Baron Focused Growth Fund over 21 years ago would now be worth $95,888! If an investor had instead invested $10,000 in a passive index fund that mirrored the Russell 2500 Growth Index, it would be worth $53,063.

Baron Focused Growth Fund's beta has averaged 0.77 since inception. This means the Fund has been 77% as volatile as the benchmark. As a result of Baron Focused Growth Fund's strong absolute and relative returns and lower risk, the Fund has achieved 4.93% annual "alpha," a measure of risk-adjusted performance, since its inception.

Baron Focused Growth Fund outperformed since inception and since the millennium.

Table III.
Performance
Periods of euphoria and stress

	Clinton Years 1992-2000 12/31/99 P/E 33x	Bush Years 2000-2008 9/11; Iraq; Afghanistan; Housing Bubble; Financial Panic	Obama/Trump Years Recovery and Quantitative Easing; Fed Tightening 2009-2017	Millennium 2000-2017	From Inception
	Annualized Returns				
	Inception 5/31/1996 to 12/31/1999	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2017	12/31/1999 to 12/31/2017	Inception 5/31/1996 to 12/31/2017
Baron Focused Growth Fund (Institutional Shares)	27.87%	2.72%	13.48%	7.97%	11.04%
Russell 2500 Growth Index	17.60%	(3.99)%	17.54%	6.23%	8.04%
S&P 500 Index	26.58%	(3.60)%	15.25%	5.40%	8.66%

"Investment Rule Number One. Don't lose money. Rule Number Two. Don't forget Rule Number One." Warren Buffett. Chairman. Berkshire Hathaway.

Table IV.
Performance
Millennium to Present. The Impact of Not Losing Money.

	12/31/99 - 12/31/08		12/31/99 - 12/31/17	
	Value $10,000	Cumulative	Value $10,000	Cumulative
Baron Focused Growth Fund (Institutional Shares)	$12,732	27.32%	$39,738	297.38%
Russell 2500 Growth Index	$ 6,931	(30.69)%	$29,680	196.80%
S&P 500 Index	$7,188	(28.12)%	$25,788	157.88%

Baron Focused Growth Fund didn't make much money from the peak of the Internet Bubble December 31,1999 through the trough of the Financial Crisis December 31, 2008. But…we did make *something*…which gave you a much better outcome than if you had invested in a passive index mirroring either the Russell 2500 Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during the Bush Years.

After outperforming from inception through December 1999, for the nine years from December 31, 1999 through December 31, 2008, Baron Focused Growth Fund outperformed its index by 6.71% per year. (see Table III – Bush Years)

Due to the "magic" of compounding, $10,000 invested in Baron Focused Growth Fund on December 31,1999 is worth 3.97 times that amount, or $39,738 on December 31, 2017. Due to the losses experienced by the Russell Midcap Growth Index in Bush Years, that is 33.9% more than an investment in a passive Russell 2500 Growth Index mutual fund.

We are pleased that our long-term investments in what we believe are competitively advantaged, exceptionally well-managed growth companies enabled us to be heedful of Buffett's "don't lose money" admonition during the Bush Years. Of course, past performance is no guarantee of future results.

Table V.
Top contributors to performance for the quarter ended December 31, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Hyatt Hotels Corp.	2009	$4.2	$ 8.7	19.02%	2.09%
Red Rock Resorts, Inc.	2017	2.6	3.9	46.77	1.36
CoStar Group, Inc.	2014	6.2	10.7	10.66	1.10
Choice Hotels International, Inc.	2010	1.9	4.4	21.77	1.10
Iridium Communications Inc.	2014	0.6	1.2	15.11	0.64

Shares of global hotelier **Hyatt Hotels Corp.** increased in the quarter after the company announced plans to sell $1.5 billion of hotels over the next three years and become more of a fee-based business. We think these sales could increase Hyatt's fee business from 50% to 60% and improve stability overall. Management plans to use the proceeds to repurchase shares, which should add value for shareholders, in our view. Hyatt has a very strong balance sheet, which we think it can leverage to grow over time. (David Baron)

Shares of **Red Rock Resorts, Inc.**, an operator of casinos in the Las Vegas locals market, increased in the quarter on revenue and margins that beat investor expectations. Management said it expects that an influx of construction workers and continued regional population growth will act to accelerate gaming revenue in the market. The announced $485 million renovation of the Palms, which the company expects to generate a return in the mid-teens over time, should also create value, in our view. (David Baron)

Shares of **CoStar Group, Inc.**, a real estate information and marketing services company, increased in the fourth quarter. Business trends were excellent, with revenue growth of 16% and bookings growth above 30%. We are excited about the upsell of Loopnet Premium Searcher customers to the flagship CoStar information product. We believe this transition could potentially contribute an incremental $150 to $200 million of recurring revenue with almost no added cost. We also think CoStar has an opportunity to optimize its Premium Lister product, which could potentially impact future results. (Neal Rosenberg)

Table VI.
Top detractors from performance for the quarter ended December 31, 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	$31.2	$52.3	–8.72%	–1.38%
Vail Resorts, Inc.	2013	2.3	8.6	–5.94	–0.95
Benefitfocus, Inc.	2014	0.7	0.8	–19.76	–0.80
Financial Engines, Inc.	2014	1.8	1.7	–22.33	–0.72
Arch Capital Group Ltd.	2003	0.9	11.9	–7.85	–0.40

Tesla, Inc. makes electric vehicles (EVs), solar products and energy storage solutions. Shares fell on news of production issues with the Model 3 EV. As the slowed ramp-up negatively impacts cash flow, investor expectations that Tesla will look to raise cash put pressure on the stock. Though the company unveiled two promising new products, Model 3 continues to be the main driver for the stock as it will take time to bring these to production. We believe Tesla will solve its production issues and expect Model 3 to play a key role in its strategy to bring EVs to the mass market. (Ishay Levin)

Shares of **Vail Resorts, Inc.**, a global operator of ski resorts, decreased in the fourth quarter on concerns about snow levels during the holidays as snow was sparse at its resorts in Colorado, Utah, and California. However, this lack of snow was offset slightly by higher snow levels at its resorts in Canada and Vermont. Season pass sales for the current season are up 20%, which, when combined with Vail's more geographically diversified portfolio of resorts, should significantly mitigate the impact of the low early season snowfall, in our view. (David Baron)

Shares of benefits software vendor **Benefitfocus, Inc.** declined this quarter, detracting from performance as uncertainty around health care reform froze sales cycles. We expect other short-term headwinds, including longer implementation periods, slower employer signings related to a sales restructuring, and channel conflict with brokers, to abate in 2018. We retain conviction due to our belief that the company's addressable opportunity is large and expanding, its competitive position is continuing to improve, it has a sizeable brokerage opportunity, and it is progressing on margins. (Neal Rosenberg)

Investment Strategy & Portfolio Structure

The objective of Baron Focused Growth Fund is to double its value per share within five years. Our strategy to accomplish this goal is to invest for the long term in a focused portfolio of what we believe are appropriately capitalized, well-managed, small- and mid-cap growth businesses at attractive prices. We attempt to create a portfolio of less than 20 securities diversified by GICS sectors that will be approximately 80% as volatile (as measured by beta) as the market. These businesses are identified by our Firm's proprietary research and time-tested investment approach.

As of December 31, 2017, Baron Focused Growth Fund held 13 investments. The Fund sold **Financial Engines, Inc.** and **Masonite International Corp.** in the quarter to make an investment in **Space Exploration Technologies Corp. (SpaceX)**, a private company. We believe SpaceX has the potential for significant growth over the next five to six years and could eventually become one of the largest companies in the U.S. The Fund's average portfolio turnover for the past three years was 12.7%. This means the Fund has an average holding period for its investments of almost eight years. This contrasts sharply with the average mid-cap growth mutual fund which typically "turns over" its portfolio every 19 months. From a quality characteristic standpoint, the Fund's investments have higher sales and earnings growth than the average holdings in the benchmark, are more conservatively financed (evidenced by lower debt to market capitalization ratio), and offer more consistent earnings (lower beta). We believe these metrics are important to help limit risk for this concentrated portfolio.

While focused, the Fund is diversified by sector. The Fund's weightings are significantly different than that of the Russell 2500 Growth Index, as the Fund is heavily weighted in Consumer Discretionary, with over 50% of the portfolio in this sector vs. just 15% for the Index. The Fund is further diversified by investments in businesses at different stages of growth and development. For example, we classify the holdings of Baron Focused Growth Fund as one of three types: rapid, early stage growth businesses; companies with irreplaceable assets that offer pricing power and a hedge against inflation; and finally, foundational, long-term holdings that continue to steadily grow sales and earnings while returning excess free cash to shareholders.

Table VII.
Investments in Less Seasoned Growth Companies

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Tesla, Inc.	14.5%	2014	24.3%
CoStar Group, Inc.	10.8	2014	38.8
Iridium Communications Inc.	4.8	2014	73.3
Red Rock Resorts, Inc.	4.5	2017	53.5
Guidewire Software, Inc.	3.9	2013	60.7
Space Exploration Technologies Corp.	3.8	2017	1.2
Benefitfocus, Inc.	3.2	2014	–1.0

Rapidly growing firms account for approximately 45.5% of the Fund's assets. On current metrics, these businesses are often more expensive than the market; however, we think they will continue to grow and have the potential to generate exceptional returns over time. Examples of these companies include electric vehicle leader **Tesla, Inc.**, commercial satellite company **Iridium Communications Inc.**, Las Vegas locals' casino operator **Red Rock Resorts, Inc.**, and commercial real estate data supplier **CoStar Group, Inc.**

Table VIII.
Investments with Irreplaceable Assets

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
Vail Resorts, Inc.	15.0%	2013	269.9%
Hyatt Hotels Corp.	13.0	2009	162.6
Manchester United plc.	5.7	2012	47.9

Companies with what we believe represent irreplaceable assets comprise approximately 33.6% of the assets. **Vail Resorts, Inc.**, owner of the premier ski resort portfolio in the world, upscale lodging brand **Hyatt Hotels Corp.**, and storied soccer franchise **Manchester United plc** are all examples of companies we believe possess meaningful brand equity and barriers to entry in their businesses that equate to pricing power over time.

Table IX.
Foundational Investments: Growth, Dividends, and Share Repurchases

	Percent of Net Assets	Year Acquired	Cumulative Return Since Initial Purchase
FactSet Research Systems, Inc.	7.5%	2008	319.1%
Choice Hotels International, Inc.	6.0	2010	268.8
Arch Capital Group Ltd.	4.7	2003	731.0

Steady growers that continually return excess free cash to shareholders represent approximately 18.3% of the portfolio. For example, **Choice Hotels International, Inc.** employs a capital-light franchise model for its economy hotel brands that allows the company to return cash to shareholders through buybacks and dividends while still achieving strong revenue and earnings growth no matter the stage of the lodging cycle. As the leading specialty P&C insurance underwriter in its industry, **Arch Capital Group Ltd.** generates a steady stream of cash flow that it uses for acquisitions, debt reduction and share buybacks. Recently, the company acquired AIG's mortgage insurance subsidiary at what we believe was an unusually attractive price and that complements Arch's underwriting philosophy. We expect this acquisition will lead to even faster growth in earnings and book value per share.

Portfolio Holdings

For the quarter ended December 31, 2017, the Fund's top 10 holdings comprised 86.5% of net assets. A number of these investments have been successful and were purchased when they were smaller businesses. We believe they continue to offer significant appreciation potential although we cannot guarantee that will be the case.

The top five positions in the portfolio, Vail Resorts, Tesla Inc., Hyatt Hotels, CoStar Group, and FactSet Research Systems, Inc., all have, in our view, significant competitive advantages due to irreplaceable assets, strong brand awareness, technologically superior know-how, or exclusive data that is integral to their operations. We think these businesses cannot be easily duplicated, which enhances their potential for superior earnings growth.

Table X
Top 10 holdings as of December 31, 2017

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Net Assets
Vail Resorts, Inc.	2013	$ 2.3	$ 8.6	$28.9	15.0%
Tesla, Inc.	2014	31.2	52.3	28.0	14.5
Hyatt Hotels Corp.	2009	4.2	8.7	25.0	13.0
CoStar Group, Inc.	2014	6.2	10.7	20.8	10.8
FactSet Research Systems, Inc.	2008	2.5	7.5	14.5	7.5
Choice Hotels International, Inc.	2010	1.9	4.4	11.6	6.0
Manchester United plc	2012	2.3	3.2	10.9	5.7
Iridium Communications Inc.	2014	0.6	1.2	9.3	4.8
Arch Capital Group Ltd.	2003	0.9	11.9	9.1	4.7
Red Rock Resorts, Inc.	2017	2.6	3.9	8.6	4.5

Thank you for investing in Baron Focused Growth Fund.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We are also continuing to try to provide you with information I would like to have if our roles were reversed. This is so you can make an informed judgment about whether Baron Focused Growth Fund remains an appropriate investment for your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

David 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 in small and medium-sized companies and using non-diversification, but there also may be more risk. Specific risks associated with non-diversification include increased volatility of the Fund's returns and exposure of the Fund to greater risk of loss in any given period. Securities of small and medium-sized companies 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 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 Focused Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2500 Growth Index) is 1.00 by definition.

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

Alpha: measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.