Dear Baron Global Advantage Fund Shareholder:

Performance

We had a really good year!

Baron Global Advantage Fund (the "Fund") returned 9.9% (Institutional Shares) in the fourth quarter and was up 49.8% in 2017, which somehow was only good for 3rd place in the Wall Street Journal's Global Stock category rankings.[1] We don't really care! OK, we do, but honestly, just a little bit. Over the last 12 months we outperformed both of our benchmarks in every quarter, which led to a large margin for the year, as can be seen from the accompanying table. Many things broke in our favor and very few went against us, which is what you need to produce a result like this. We had *18 investments* that rose over 50%. Seven of them were up over 70%, five over 85%, *three over 120%*, and we owned one, **Sage Therapeutics**, that appreciated 206%. In addition to a satisfying batting average, we enjoyed a great slugging percentage as some of our biggest winners were our largest positions. **Alibaba Group** (up 96%) was our largest investment for most of the year, **TAL Education** (up 155%), **Amazon** (up 56%), **Naspers** (up 85%), **Facebook** (up 53%), **Mobileye** (up 67%), **Illumina** (up 71%), and **ASML** (up 56%) have been core holdings in the Fund for many years. In fact, with the turnover ratio of just under 28%, the foundation for this year's success was clearly laid down in prior years. Equally as important, and for the first time since the launch of this Fund over five years ago, we avoided any significant detractors. The top 15 winners contributed at least 115 basis points each to the overall results, while 26 investments accounted for over 60 basis points each. Our worst detractor, **Petrobras**, cost us 37 basis points, while **Acxiom** and **Adamas Pharmaceuticals** detracted 26 basis points each.

ALEX UMANSKY

PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX
R6 Shares: BGLUX

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

	Baron Global Advantage Fund Retail Shares[1,2]	Baron Global Advantage Fund Institutional Shares[1,2]	MSCI ACWI Growth Index[1]	MSCI ACWI Index[1]
Three Months[3]	9.82%	9.89%	6.59%	5.73%
One Year	49.60%	49.82%	30.00%	23.97%
Three Years	13.27%	13.49%	10.88%	9.30%
Five Years	14.67%	14.91%	12.10%	10.80%
Since Inception (April 30, 2012)	13.64%	13.87%	11.28%	10.42%

According to Morningstar*, for the period ended December 31, 2017, the Baron Global Advantage Fund ranked in the top 1% for all Global Stock Funds for its 1-year performance.

The Fund ranked in the top 5% for its 3-year performance, the top 4% for its 5-year performance.

Performance listed in the table above is net of annual operating expenses. Annual expense ratio for the Retail Shares and Institutional Shares as of December 31, 2016 was 3.71% and 3.40% (restated to reflect current management fee), but the net annual expense ratio is 1.15% and 0.90% (restated to reflect current fee waivers), respectively. *The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser has reimbursed certain Fund expenses (by contract as long as BAMCO, Inc. is the adviser to the Fund) and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month-end, visit www.BaronFunds.com or call 1-800-99BARON.*

1 Wall Street Journal's Global Stock category rankings are based on total returns for the top 10 funds ranked by one-year performance as of December 29, 2017. Total returns include capital appreciation and reinvested distributions.

* As of 8/31/207, Morningstar calculates the **Morningstar US Fund World Large Stock Category** Average using the Morningstar 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 12/31/2017, the category consisted of 860, 720, 589 and 533 share classes for the 1-, 3-, 5-year and since inception (4/30/2012) periods. Morningstar ranked **Baron Global Advantage Fund Institutional** Share Class in the 1st, 5th, 4th and 5th percentiles, respectively.

† The Fund's historical performance was impacted by gains from IPOs and/or secondary offerings. There is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs and secondary offerings will be the same in the future.

1 The indexes are unmanaged. The MSCI ACWI indexes cited are unmanaged, free float-adjusted market capitalization weighted indexes reflected in US dollars. The MSCI ACWI Growth Index Net USD measures the equity market performance of large and mid cap growth securities across developed and emerging markets. The MSCI ACWI Index Net USD measures the equity market performance of large and mid cap securities across developed and emerging markets. The indexes and the Baron Global Advantage Fund include reinvestment of dividends, net of foreign withholding taxes, 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 FUNDS 1987

Baron Global Advantage Fund

Since its inception on April 30, 2012, the Baron Global Advantage Fund has returned 108.8% cumulatively, compared to 83.3% for the MSCI ACWI Growth Index, and 75.4% for the MSCI ACWI Index – the Fund's benchmarks. Over this time period, the Baron Global Advantage Fund has outperformed the Morningstar US Fund World Large Stock Category Average by 36.0%. An excellent result, in our view.

As we enter 2018, United States, China, and India represent the three largest geographical exposures in the Fund. As the largest economy in the world with the most established capital markets and a well-understood opportunity set, companies domiciled in the U.S. of A. comprise over half of the MSCI All Country World and will ostensibly make up the largest part of our portfolio for years to come. On the other hand, China, the 2nd largest economy in the World, and India, the 7th largest, represent only 3.8% and 1%, respectively. Over the last few years, we have articulated again and again why we believed China was being "missed" or under-allocated to by global investors and why we thought many Chinese companies represented attractive long-term opportunities. According to MSCI, China was the best performing market in its index last year returning 81%. The internet sector, where most of our Chinese investments were concentrated, returned 94%. The Fund averaged about an 18.5% exposure to Chinese stocks last year generating 650 basis points of relative outperformance due to this allocation effect. Though we think India is 5 to 10 years behind China in terms of its infrastructure and economic development, our pattern recognition suggests that most global investors will be similarly slow in recognizing the investment opportunities that are starting to present themselves there.

Since the election of Prime Minister Narendra Modi in May of 2014, we have been investing more time into researching Indian companies. There is a lot to like about the world's largest democracy. For starters – compelling demographics. The national median age is just 27.6 years old, with more than two thirds of the Indian population below the age of 35. Mr. Modi ran on a platform of political and economic reform and the early returns have been promising. We think it is still early, but we are starting to see progress and real changes taking hold. More entrepreneurs are getting access to capital and investing into their businesses for the long term. Similarly to China over the last decade, we are now observing the beginning stages of the rise in disposable incomes and the emergence of the middle class. We think many companies in India are starting to look attractive from a long-term perspective. We exited 2017 with four investments in Indian companies representing 8.3% of the portfolio. We expect that number to rise over the course of the next few years.

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

	Quarter End Market Cap (billions)	Percent Impact
argenx SE	$ 2.0	2.19%
Naspers Limited	122.6	1.72
Sage Therapeutics, Inc.	6.8	1.71
Amazon.com, Inc.	563.5	1.22
EPAM Systems, Inc.	5.7	0.80

argenx SE is a Netherlands-based biotech company focused on cancer and autoimmune disorder treatments. Shares rose in the fourth quarter after the Phase 2 clinical trial of the company's ARGX-113 showed effective results for treating myasthenia gravis, a rare autoimmune disorder that causes muscle weakness. We remain optimistic about argenx's prospects as results from trials of the company's products for treating immune thrombocytopenia purpura, a blood disorder, and pemphigus vulgaris, a skin and mucus membrane disease become available in 2018.

Based in Cape Town, South Africa, **Naspers Limited** is (now) a $123 billion conglomerate with assets in internet services, television, and digital media, as well as other technology assets. The stock rose 29% in the fourth quarter, and 85% during the year largely due to appreciation in shares of the Chinese internet powerhouse Tencent, in which Naspers holds a 34% ownership stake. Among the company's other impressive investments are a sizable stake in India's e-commerce leader Flipkart, 29% holding in Russian publicly traded internet company Mail.ru, as well as 140 additional internet assets to which Mr. Market is currently assigning no value as Naspers is trading at a 40% discount to its stake in the publicly traded Tencent. We are optimistic about Tencent's opportunities, but moreover, believe that Naspers can win in many different ways, and the presence of unusually large positive optionality is what gives us conviction in sizing this as the eighth largest investment in the Fund.

Sage Therapeutics, Inc. is focused on developing novel drugs for central nervous system disorders. Recent developments have significantly raised the company's profile with investors given positive clinical trial results of lead assets in postpartum depression and major depression that, in our view, have led to strong performance of the stock. Additionally, Sage has announced expansion into disease indications like Parkinson's and tremor and we believe the maturation of the pipeline combined with eventual commercial execution bode well for the company's future prospects.

Amazon.com, Inc. continues to benefit from its flywheel strategy, where more participation from Prime members drives greater loyalty and purchasing on Amazon.com in a prime example (pun intended) of the benefits of network effect. During the last quarter, Amazon closed its $13.7 billion acquisition of Whole Foods and provided more details on its intentions to enter the auto parts and the health care sectors, with the latter likely prompting CVS's acquisition of Aetna. While penetration of e-commerce is rising rapidly, Amazon continues to increase its total addressable market at an unprecedented pace. Health care spending in the U.S. is over $3 trillion annually, with $450 billion spent on prescription drugs and another $200 billion spent on medical devices. We think Amazon's opportunity here could be significant over time. In the meantime, AWS remains the runaway leader in the vast, and still rapidly growing, cloud infrastructure market by a wide margin. We expect the $17 billion in last year's revenues to more than double by 2020 and to approach $60 billion by 2022. Amazon remains one of our highest conviction investment ideas and we think a good bet to become the most valuable company on earth sometime in the future.

EPAM Systems, Inc. provides outsourced software development to business customers using highly-skilled, low-cost employees primarily in Eastern Europe and Russia. The stock outperformed after the company reported strong quarterly results with 27% revenue growth and better-than-expected margins. Demand for EPAM's services remains high across most verticals and geographies, leading management to raise full-year expectations. We continue to own the stock because we believe that EPAM has differentiated capabilities and a long runway for growth.

Table III.
Top detractors from performance for the quarter ended December 31, 2017

	Quarter End Market Cap or Market Cap When Sold (billions)	Percent Impact
TAL Education Group	$14.9	–0.49%
Ctrip.com International, Ltd.	22.6	–0.45
Expedia, Inc.	18.2	–0.41
Glaukos Corporation	0.9	–0.29
Wix.com Ltd.	2.6	–0.27

TAL Education Group is a leading Chinese K-12 tutoring company, operating 575 learning centers in 36 cities across China. After nearly tripling in the prior nine months, shares of TAL gave up some of the gains as the most recent guidance for company's gross margins disappointed some investors. We think lower gross margins are temporary and are due to the rapid expansion phase TAL has entered in 2017, as newly-opened learning centers take several quarters to mature and reach profitability. While we remain optimistic regarding TAL's long-term prospects as a market leader in a fast-growing private education space in China, we have allowed the size of our position to get diluted as the stock is rapidly approaching our estimate of its intrinsic value.

Ctrip.com International, Ltd. is the dominant online travel agent (OTA) in China. The shares underperformed in the most recent quarter due to concerns about pricing pressure in the company's air ticket business and its ability to cross-sell various products. A Chinese regulatory body imposed certain restrictions on the way in which OTAs could cross-sell certain types of products. We think after a reasonably short, transitionary period, the company will adjust to this regulatory change without much detriment to their business. Additionally, the international air business, which carries higher margin and is growing rapidly, will offset the negative impact of the new cross-selling rules. Chinese travelers now represent the fastest growing and largest segment of travelers globally, and Ctrip remains the best positioned company to capitalize on that trend.

Shares of **Expedia, Inc.**, the world's second largest global travel agency, performed poorly during the fourth quarter. The company surprised investors by announcing an accelerated pace of investments into calendar 2018 causing it to take down margin and profitability guidance. While these investments are expected to adversely impact profitability for this year, they should provide the company with higher growth and improved monetization going forward. The cloud investments should ultimately reduce the company's capital expenditures, and yield higher levels of free cash flow. We are watching the company's execution carefully and have allowed the size of our position to get diluted for the time being. The shares could prove to be substantially undervalued by investors should the current investment cycle play out the way we think it will.

Glaukos Corporation is a pioneer of minimally invasive glaucoma surgery. This procedure implants a stent, the "iStent," into the eye's clogged outflow drain to reduce pressure and slow glaucoma. Our research has uncovered some execution issues as a Medicare mandated price increase (applied universally to average sales prices) caused commercial insurance reimbursement issues leading to volume deceleration, lower guidance, and eventual share underperformance. An abundance of challenges, including increased competition, unclear penetration into front-line usage, and potential for continued reimbursement hurdles caused us to exit the position.

Wix.com Ltd. provides an operating system to help micro businesses build and maintain websites and operate their businesses more efficiently. Wix has over 110 million registered users, and 3 million premium users, and is the leader in the industry. Shares of Wix performed poorly in the fourth quarter after the company increased guidance for future R&D spend (leading to lower near-term margins) on the most recent quarterly earnings call. We retain a small position in Wix, due to our belief in the large market opportunity, strong cohort economics, and its innovative culture.

PORTFOLIO STRUCTURE

The portfolio is constructed on a bottom-up basis with the quality of ideas and conviction level having the highest roles in determining the size of each individual investment. Sector or country 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 45.1% of the Fund, and the top 20 were 65.6%. Over 93% of the Fund's assets are invested in stocks in the Information Technology, Consumer Discretionary, Health Care, and Financials sectors, as classified by GICS, with over half of the assets invested in companies that are domiciled outside of the United States.

Table IV.
Top 10 holdings as of December 31, 2017

	Quarter End Market Cap (billions)	Quarter End Investment Value (millions)	Percent of Net Assets
Alibaba Group Holding Limited	$441.6	$3.1	7.2%
Naspers Limited	122.6	3.1	7.2
Amazon.com, Inc.	563.5	2.8	6.5
Facebook, Inc.	515.0	1.9	4.3
Alphabet Inc.	729.3	1.7	4.0
argenx SE	2.0	1.7	3.8
EPAM Systems, Inc.	5.7	1.5	3.5
Housing Development Finance Corporation Limited	42.8	1.4	3.3
TAL Education Group	14.9	1.2	2.7
Mellanox Technologies Ltd.	3.3	1.1	2.6

EXPOSURE BY COUNTRY

Table V.
Percentage of securities by country as of December 31, 2017

	Percent of Net Assets
United States	43.9%
China	15.9
India	8.3
South Africa	7.2
Netherlands	5.6
Israel	3.5
Japan	3.4
Canada	2.5
Taiwan	1.5
Argentina	1.5
United Kingdom	1.4

Recent Activity

During the quarter we initiated six new investments and added to 27 existing positions. We also closed out three investments. We exited the year with 43 holdings.

Table VI.
Top net purchases for the quarter ended December 31, 2017

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
KEYENCE CORPORATION	$ 68.1	$851.9
Naspers Limited	122.6	818.2
argenx SE	2.0	777.8
Housing Development Finance Corporation Limited	42.8	757.4
AxoGen, Inc.	1.0	525.0

KEYENCE CORPORATION is a leading global supplier of sensors and vision solutions for factory automation (FA). FA is a secular growth opportunity as it enhances labor productivity and improves quality outcomes. KEYENCE will be a key beneficiary given its core expertise in providing customized solutions across a wide range of industries. It actively monitors customer outcomes, which allows it to continually enhance product offering (i.e., leverages machine learning / big data). Earnings are expected to compound 12% to 15% CAGR over the next three-to-five years with growing penetration of machine vision solutions across various geographies/ industries.

We added to our already significant investment in **Naspers Limited** this quarter, as we continue to be excited by its portfolio of assets, which we believe is meaningfully mispriced by the market. This is one of our highest conviction long-term investment ideas.

Based in Breda, Netherlands, **argenx SE** is a clinical-stage biotechnology company focused on research and development of human monoclonal antibodies for the treatment of cancer and oncological, autoimmune, and inflammatory diseases. Our research was validated by a recent publication of a Phase 2 clinical trial for ARGX-113 for several autoimmune diseases, that showed efficacy for treating myasthenia gravis patients. We believe once commercialized, the product would help patients manage their disease in a significantly better way than what is currently available and spare them the burden of current treatment paradigms. We expect to gain further conviction later in the year as we get data from trials in immune thrombocytopenia purpura and pemphigous vulgaris by the end of 2018.

Incorporated in 1977 as the first specialized mortgage company, **Housing Development Finance Corporation Limited** is India's largest and most reputable lender. Today, the company is a $43 billion financial conglomerate with prospering mortgage origination, asset management, life insurance, and real estate businesses. At roughly 20% of the market, it is the largest housing finance company in the country with gross loans in excess of $45 billion. We think the backdrop is particularly favorable as India's 9% penetration rate of mortgages as a percent of nominal GDP is one of the lowest in the world. It is 20% in Thailand, 22% in China, 32% in Malaysia, mid 60's in the U.S. and U.K. and 90% in Denmark. Recent government support towards housing through meaningful tax incentives, and partnerships with the private sector has made housing significantly more affordable, which combined with rising annual incomes will likely accelerate the demand for mortgages. HDFC Ltd.'s mortgage book has been growing consistently between 16% and 18% and we expect this growth to rise over the next few years. HDFC Ltd. is the only AAA rated private mortgage issuer in India, and as such it has a significant funding advantage over its competitors. This allows the company to issue loans at both lower rates and higher profit margins. The company enjoys the best cost-to-income ratio (approximately 7% compared to 13%-16% for its peers) due to its scale and distribution advantages and we think their management team (who we met over half a dozen times in the last two years) is second to none! There is also positive optionality from the recently spun out Life Insurance business and the announced IPO of the Asset Management businesses.

We initiated a small position in **AxoGen, Inc.**, a medical device company which makes an off-the-shelf processed human nerve allograft (a nerve taken from a cadaver) for bridging severed nerves. The company's principal product, Avance, is as effective as autografts (nerves taken from another part of the same patient's body) but avoids the comorbidities associated with a second surgical site and saves procedure time and costs. We think Avance is in the early stages of adoption and has a long runway for growth with expanding applications and patents and regulatory barriers against competition. AxoGen has several other products in the portfolio which we believe add significant positive optionality to the overall investment thesis.

Table VII.
Top net sales for the quarter ended December 31, 2017

	Market Cap When Sold (billions)	Amount Sold (thousands)
Glaukos Corporation	$ 0.9	$415.3
Check Point Software Technologies Ltd.	17.2	307.4
First Republic Bank	13.9	283.8

Glaukos Corporation is a pioneer of minimally invasive glaucoma surgery. This procedure implants a stent, the "iStent," into the eye's clogged outflow drain to reduce pressure and slow glaucoma. Our research has uncovered some execution issues as a Medicare mandated price increase (applied universally to average sales prices) caused commercial insurance reimbursement issues leading to volume deceleration, lower guidance, and eventual share underperformance. An abundance of challenges, including increased competition, unclear penetration into front-line usage, and potential for continued reimbursement hurdles caused us to exit the position.

Check Point Software Technologies Ltd. is an IT security vendor selling cybersecurity software and services solutions. We've been reducing this investment due to concerns about increasing competitive pressure. As the software portion of the cybersecurity market is transitioning from perpetual to ratable, the firewall segment of the company's business is going through another significant transition due to the shift to the cloud. With the shares trading close to our estimate of the company's intrinsic value, we decided to step to the sidelines and re-evaluate the thesis post the transitions.

We eliminated our position in **First Republic Bank** after becoming concerned about the Net Interest Margin compression from a flattening yield curve and the lack of expected benefit from the impact of tax reform. The shares also approached our estimate of intrinsic value after a run-up in the stock.

Outlook

2017 proved to be a rewarding year for global growth investors and many of our companies have performed exceedingly well. With the Fund returning almost 50%, it has undeniably been a favorable environment for the way in which we invest. After lackluster earnings growth in a prior year, corporate profits are on pace for double-digit growth in 2017. Moreover, the outlook for 2018 is even more optimistic, driven by a reduction in corporate tax rates, and an improved backdrop for Financials, Energy, and Industrials companies. More relevant to our portfolio, digital ad spending and e-commerce growth are actually accelerating, with spending on cloud computing still growing more than 60% (and faster than that in Asia). The digitization phenomenon that we believe will continue for years to come is starting to reach inflection points in many new areas where not only media and retail, but health care, transportation, and consumer banking are in the midst of full blown disruptions. We believe this should continue to favor many of the companies in which we are invested.

Every day we live and invest in a world full of uncertainty. Fed policy, China's economy, energy prices, politics, terrorism – these are all serious challenges 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 believe that our process is the right one and that it will enable us to make good investment decisions over time.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital. We focus on identifying and investing in what we believe are unique companies with sustainable competitive advantages that have the ability to compound capital at high rates of return for extended periods of 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.

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 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.

Growth stocks can react differently to issuer, political, market and economic developments than the market as a whole. Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets, resulting in greater share price volatility. Securities of small and medium-sized companies may be thinly traded and more difficult to sell. 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 Global Advantage Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.