DEAR BARON GROWTH FUND SHAREHOLDER:

PERFORMANCE

During 2017, Baron Growth Fund (the "Fund") returned 27.35% (Institutional Shares) and outperformed its benchmark by 518 basis points. Most encouraging, all of the Fund's outperformance came from favorable stock selection, the core of the Fund's investment process. Baron Growth Fund also performed well, gaining 5.35% during the three months ended December 31, 2017. The Russell 2000 Growth Index, the small-cap benchmark against which we compare the Fund, rose 4.59%, and the S&P 500 Index, which measures the performance of large-cap stocks, rose 6.64%.

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

	Baron Growth Fund Retail Shares[1,2]	Baron Growth Fund Institutional Shares[1,2,3]	Russell 2000 Growth Index[1]	S&P 500 Index[1]
Three Months[4]	5.30%	5.35%	4.59%	6.64%
One Year	27.04%	27.35%	22.17%	21.83%
Three Years	8.83%	9.11%	10.28%	11.41%
Five Years	13.23%	13.52%	15.21%	15.79%
Ten Years	8.31%	8.55%	9.19%	8.50%
Fifteen Years	11.06%	11.22%	11.57%	9.92%
Since Inception (December 31,1994)	13.06%	13.17%	8.14%	10.05%

Baron Growth Fund has significantly outperformed its benchmark and peers over the long term. A $10,000 investment in Baron Growth Fund (Institutional Shares) at its inception on December 31, 1994 and held through December 31, 2017 would be worth $171,945. This is 2.8 times the $60,544 value of a $10,000 investment in its benchmark Russell 2000 Growth Index over the same period!

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CEO AND PORTFOLIO MANAGER

Retail Shares: BGRFX
Institutional Shares: BGRIX
R6 Shares: BGRUX

Further, Baron Growth Fund's return from inception was achieved with a significantly lower volatility than its benchmark as measured by its beta of 0.67. The Fund's long-term investment strategy is different than that of most small-cap managers and passive strategies that sell their best investments solely for market cap reasons. Although we restrict the Fund's purchases to small-cap companies, due to appreciation a meaningful percentage of the Fund's investments have become mid-cap companies.

Baron Growth Fund's performance also compares well against surviving mid-cap growth funds. Since inception, the Fund ranks in the top 7% of funds in the Morningstar Mid-Cap Growth Category. Baron Growth Fund ranks in the top 3% of Small Growth funds that existed in December 1994. The Fund is number 2 of 59 surviving small-cap mutual funds…which obviously means, as second ranked car rental company Avis used to say, we need to "try harder."*

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail shares and Institutional shares as of September 30, 2017 was 1.30% and 1.04%, 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 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 indexes are unmanaged. The Russell 2000® Growth Index measures the performance of small-sized U.S. companies that are classified as growth and the S&P 500 Index of 500 widely held large cap U.S. companies. The 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.

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.

* Morningstar moved Baron Growth Fund from the **Small Growth Category** effective 5/31/2011 to the **Mid-Cap Growth Category**. The Fund's investment mandate has been, and continues to be, to invest in small-cap growth stocks for the long term. Because of its long-term approach, the Fund could have a significant percentage of its assets invested in securities that have appreciated beyond their market capitalization at the time of the Fund's initial investment. As a result, we provide comparative performance data for the Morningstar Mid-Cap Growth Category and the Baron-Adjusted Morningstar Small Growth Category, created to include Baron Growth Fund's Retail, Institutional, and R6 shares.

As of 8/31/2017, Morningstar calculates its category averages using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

The **Morningstar US Fund Mid-Cap Growth Category** consisted of 617, 490, 362 and 60 funds for the 1-, 5-, 10-year and since inception (12/31/1994) periods. Morningstar ranked **Baron Growth Fund** in the 25th, 56th, 32nd and 7th percentiles, respectively.

The **Baron-Adjusted Morningstar Small Growth Category** consisted of 687, 547, 409 and 59 share classes for the 1-, 5-, 10-year and since inception (12/31/1994) periods. Morningstar ranked **Baron Growth Fund** in the 18th, 60th, 49th and 3rd percentiles, respectively.

BARON FUNDS 1987

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

Table II.
Performance
Periods Baron 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 Growth Fund (Institutional Shares)	67.61%	2.20%
Russell 2000 Growth Index	108.38%	5.05%
S&P 500 Index	32.29%	8.87%

Baron Growth Fund has outperformed its benchmark over the long term largely due to its positive stock selection, driven by intensely researched, low turnover, competitively advantaged companies. Since the composition of Baron Growth Fund's portfolio investments are generally accorded materially different weights than its Russell 2000 Growth benchmark, when cyclical, leveraged or commodity benchmark stocks which do not have characteristics attractive to us outperform, during discrete periods Baron Growth Fund has underperformed.

We believe Baron Growth Fund's underperformance from 2014 through 2016 is analogous to instances when, after similar periods of underperformance, the Fund substantially outperformed like it has in 2017. One instance especially stands out. During 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 67.61% annualized while the index increased 108.38% annualized. For the next nine years through December 2008 (see Table III-Bush Years), Baron Growth Fund outperformed its index by 717 basis points per year.

We believe that Baron Growth Fund is similarly poised for strong relative returns following its underperformance vs. its benchmark from 2014 to 2016. Baron Growth Fund's disappointing performance from 2014 to 2016 was principally because 78.5% of the growing businesses in which the Fund invested penalized their current earnings as they invested to become larger…which investments are now paying off! Although their stocks underperformed during that period, key performance indicators for 83.2% of its businesses increased more than 16% annualized from 2014 to 2016. Of course, there is no guarantee this will remain the case.

Baron 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, Quantitative Easing, Fed Tightening 2009-2017	Millennium 2000-2017	From Inception
	Annualized Returns				
	Inception 12/31/1994 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 12/31/1994 to 12/31/2017
Baron Growth Fund (Institutional Shares)	29.90%	2.46%	15.76%	8.91%	13.17%
Russell 2000 Growth Index	18.99%	(4.71)%	16.39%	5.31%	8.14%
S&P 500 Index	28.56%	(3.60)%	15.25%	5.40%	10.05%

Table IV.
Performance Based Characteristics as of December 31, 2017

	Time Interval				
	Inception 12/31/1994 to 12/31/1999	10/8/1998 to 3/9/2000	12/31/1999 to 12/31/2008	12/31/2008 to 12/31/2017	Inception 12/31/1994 to 12/31/2017
Alpha (%)	13.61	5.37	5.05	3.07	7.11
Beta	0.77	0.62	0.58	0.75	0.67

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

Table V.
Performance.
Millenium 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 Growth Fund (Institutional Shares)	$12,448	24.48%	$46,483	364.83%
Russell 2000 Growth Index	$6,476	(35.24)%	$25,381	153.81%
S&P 500 Index	$7,188	(28.12)%	$25,788	157.88%

If you were unlucky enough to purchase Baron Growth Fund in December 1999, immediately before the Internet Bubble burst, the worst possible time, and sell at the worst possible time, amid the Financial Panic in December 2008, you would have earned 24.48%, 2.46% annualized. If instead you had invested in a passive index fund that performed similarly to the Fund's benchmark, the Russell 2000 Growth, you would have lost 35.24% of your money, a 4.71% decline per year. This represents a 7.17% per year excess return for Baron Growth Fund compared to a passive index investment (see Table III-Bush Years).

During the recovery period from December 2008 through December 2017, one of the best periods in U.S. stock market history, Baron Growth Fund increased in value 15.76% annualized, a little less than the 16.39% annualized for its index. For the entire 18-year period from 2000 through 2017, however, Baron Growth Fund gained 364.83% compared to 153.81% for its benchmark. We think this is a compelling argument for investing with an active manager like us, who bases long-term investment decisions on intensely researching businesses' fundamentals.

Baron 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 (Bush Years). 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 2000 Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during the Bush Years. (See Tables III and IV.)

Due to the "magic" of compounding, $10,000 invested in Baron Growth Fund on December 31,1999 is worth 4.6 times that amount, or $46,483 on December 31, 2017. Due to the losses experienced by the Russell 2000 Growth Index in the Bush Years, that is 83.1% more than an investment in a passive Russell 2000 Growth Index mutual fund!

We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with exceptional management teams enabled us to adhere to Buffett's "don't lose money" admonition during the Bush Years. Of course, past performance is no guarantee of future results…even if we hope our efforts to protect the downside will continue to be successful.

Table VI.
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
Choice Hotels International, Inc.	1996	$0.4	$ 4.4	21.77%	0.69%
Primerica, Inc.	2010	1.1	4.5	24.78	0.68
ANSYS, Inc.	2009	2.3	12.5	20.26	0.67
Penn National Gaming, Inc.	2008	2.5	2.9	33.95	0.54
Red Rock Resorts, Inc.	2016	2.3	3.9	46.39	0.54

Shares of **Choice Hotels International, Inc.**, a global franchisor of hotels mainly in the economy and mid-scale segments, increased in the quarter. The company reported third quarter revenue per available room that beat analyst expectations and a robust development pipeline amid market share expansion. As Choice Hotels scales its new Cambria and Ascend brands and revamps its Comfort brand, it should realize increased cash flow, in our view. The company could use the proceeds for additional dividend payouts and share repurchases. (David Baron)

Primerica, Inc. provides term life insurance and investment products in the U.S. and Canada. The stock outperformed after the company reported strong quarterly results with 11% revenue growth and 19% EPS growth. Revenue growth was good across both segments, and margins stabilized in the Term Life segment after a couple of quarters of weakness. Additional delays to certain aspects of the DOL's fiduciary rule also provided a lift to the share price. (Josh Saltman)

Shares of simulation software vendor **ANSYS, Inc.** increased in the fourth quarter due to powerful secular trends and reinvigorated growth under a new management team. Organic revenue growth grew 12%, while bookings increased by 38% after the company signed the largest deal in its history. Management continues to reinvest aggressively back into the business, which is weighing modestly on near-term margins but should result in sustainable double-digit revenue growth trends. The company has nearly $1 billion in cash on its balance sheet, which can be used for accretive M&A and repurchases. (Neal Rosenberg)

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Total Return	Percent Impact
Vail Resorts, Inc.	1997	$0.2	$ 8.6	−5.94%	−0.48%
Arch Capital Group Ltd.	2002	0.4	11.9	−7.85	−0.47
Benefitfocus, Inc.	2013	1.3	0.8	−19.77	−0.26
Under Armour, Inc.	2005	1.0	6.1	−13.37	−0.22
Pegasystems, Inc.	2010	1.2	3.7	−18.16	−0.17

Shares of **Vail Resorts, Inc.**, a global operator of ski resorts, decreased in the fourth quarter on concerns about snow levels during the holidays. 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)

Arch Capital Group Ltd. is a specialty insurance and reinsurance company based in Bermuda. The stock declined amid waning expectations for significant rate increases in the reinsurance market and large losses from catastrophic events in the third quarter. Also, recent tax law changes will reduce Arch's tax advantage relative to peers, causing a sector rotation into domestic insurers. We retain conviction because we believe the impact of 2017 events will be short term, and Arch has a strong management team and underwriting discipline. (Josh Saltman)

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)

Recent Purchases

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount Purchased (millions)
LendingTree, Inc.	2017	$3.9	$4.1	$25.2
Houlihan Lokey, Inc.	2017	2.8	3.0	11.9
Altair Engineering Inc.	2017	1.1	1.5	11.3
Ollie's Bargain Outlet Holdings, Inc.	2017	2.8	3.3	10.6
The Carlyle Group	2012	0.7	2.2	9.8

Baron Growth Fund purchases *only* small-cap companies. In 2017, we initiated new positions in companies with average market capitalizations of $2.7 billion, and added to positions with average market capitalizations of $2.3 billion. However, since the Fund holds its growth company investments on average for more than 10 years, a significant percentage of its portfolio is invested in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investment. Please see Table XI. Baron Growth Fund's median market cap is $3.9 billion, while its weighted geometric average market cap is $6.0 billion. The Morningstar US market breakpoints for small- and mid-cap funds are $4.7 billion and $22.3 billion, respectively, as of December 31, 2017.

The Fund initiated positions in nine new small-cap businesses in 2017, which we highlight below. We believe these new investments serve large addressable markets, enjoy significant and growing barriers to entry, are benefiting from favorable secular trends, and are led by best-in-class management teams. We believe that all offer the opportunity to generate attractive returns over the next five years. Our initial investment tends to be modest, reflecting our desire to continue to conduct due diligence, our valuation discipline in light of strong market performance last year, and the view that our risk in an investment declines over time. This is consistent with our historical practice, and the largest positions in the Fund have become so through performance rather than through purchase.

2U, Inc. is a leading provider of software and services that enable universities to deliver high-quality online degree programs. Leading institutions such as Harvard, Yale, UNC, Berkeley, and Georgetown have already selected 2U to power at least one online degree offering. Online degrees powered by 2U are financially beneficial to the university, to the student, and to the company, and deliver outcomes that are at least as good as traditional on campus programs. Schools sign 10 - to - 15-year contracts with significant non-renewal penalties, which we believe speaks to the quality and criticality of 2U's offering. Today, 2U is focused exclusively on enabling U.S. graduate degree programs, which is an $80 billion opportunity. We believe that this market is sufficiently large to allow the company to grow in excess of 30% annually. Over time, we expect the company to expand into undergraduate degrees and into international markets, as well as expand its nascent presence in the short course market.

LendingTree, Inc. operates the nation's leading online loan marketplace. LendingTree connects consumers with multiple lenders to comparison shop across a range of credit products, including mortgages, credit cards, personal loans, and home equity loans. The service is free for consumers, while lenders pay referral fees. We believe that LendingTree provides financial institutions with a cost-effective and highly flexible source of customer acquisition, as customer acquisition spend, and therefore leads, can be adjusted on a near real-time basis. Today, LendingTree is capturing just over 3% of total domestic bank and credit union marketing spend. We believe that industry marketing spend will continue to shift online from offline over time, propelling LendingTree's growth. LendingTree has successfully expanded from mortgages to credit cards, and we believe it can also be successful in pursuing additional consumer credit applications. Finally, LendingTree benefits from a powerful network effect between consumers and lenders, and is well positioned to monetize persistent gains in volume.

Boyd Gaming Corporation is a regional gaming company that operates in 10 states plus the Las Vegas market. The company is benefiting from improving fundamentals in the Las Vegas locals market, which is enjoying strong population growth and declining unemployment along with limitations on the development of new gaming properties. Boyd continues to execute on a cost reduction plan, and we believe that the company can continue to move margins towards peer levels. In late 2017, the company acquired five new regional properties, which we believe Boyd can improve through better labor management and marketing optimization. These new properties will also be additive to Boyd's national customer database and allow enhanced targeting of new and existing players.

Ollie's Bargain Outlet Holdings, Inc. is an extreme value closeout retailer of general merchandise. The stores sell a wide selection of high-quality brand name merchandise at a 70% discount to specialty stores and a 20% to 50% discount to Walmart, Amazon, and other mass market discounters. Ollie's is a rare retail name that is largely insulated from e-commerce disruption due to its price advantage, restrictions on online advertising imposed by brands, and the unique "treasure hunt" experience of shopping at the store. The company has a strong competitive position, excellent brand relationships, and a highly loyal customer base. Ollie's has approximately 250 current locations, can grow square footage at a 15% annual rate for the next five years, and should benefit from lower real estate costs over time.

Houlihan Lokey, Inc. is a global investment bank with expertise in M&A, financing, restructuring, and financial advisory services. The company purely provides advisory services, and does not do any lending, sales & trading, or research. Houlihan is widely considered to be best-in-class in financial restructurings, which is a countercyclical market that is deep enough to sustain the business during favorable economic cycles, and grows meaningfully in downturns. In corporate finance, the company targets transactions that are below $1 billion in value. This is a large, high volume market segment that falls below the radar of large bulge bracket competitors. We believe that Houlihan is the largest advisor in this segment, but still has less than 2% market share. We expect the company to continue to expand share by adding headcount. We view the cash flow characteristics of the business favorably given its variable compensation, strong margins, and negligible capital requirements.

Altair Engineering Inc. provides multidisciplinary computer-aided engineering (CAE) software and services that are used to design and test products before the manufacturing process. Using CAE helps manufacturers test more designs, reduce mistakes, and speed time to market versus traditional development techniques. The CAE market is almost $5.7 billion currently, and will grow at high single-digit rates as designs become more complex, CAE software becomes easier to use, the technical capabilities of the software increase, and utilization of CAE moves earlier in the design cycle. We believe that Altair's recent enhancements to its portfolio of solvers and meaningful sales force expansion will enable it to take market share and grow at double-digit rates. Like all of our software investments, Altair generates very high incremental margins, and we believe that margins can double over the next several years, creating material earnings growth.

Camping World Holdings, Inc. is the largest RV dealer network in the U.S., and operates dealerships as well as a maintenance and repairs business. We expect organic growth to be driven by modest growth in the RV market, more meaningful growth in service and repairs, and improved attach rates of high-margin products like insurance and financing. We expect the company to leverage its growing scale to extract better costs from manufacturers, helping to drive some margin expansion. We also expect Camping World to continue to consolidate the highly fragmented RV retail industry, which includes almost 2,000 independent dealers that Camping World can operate more than twice as profitably as their current owners.

Denali Therapeutics Inc. is a biotechnology company focused on neurodegenerative disorders, which includes such diseases as Parkinson's, ALS, and Alzheimer's. Denali was founded by a team of former Genentech employees, and counts Illumina's Jay Flatley and Stanford President Marc Tessier-Lavigne as board members. The company is trying to apply molecular biology and genetics to unique targets in neurology in the same way that these disciplines were applied to oncology in the past. It will marry this with novel platform technology that enables antibodies to cross the blood brain barrier and unique biomarkers that enable the company to track target engagement. The company has six core programs which are mostly pre-clinical or are just now entering the clinic. Denali is the Fund's first biotechnology investment in the recent past. We purchased shares when Denali came public in November 2017. Of all the biotech investments that we could have made, we believe that the extraordinary size of the opportunity, the quality of management, and our historical interactions with two board members made this unique. The position presently represents just 10 basis points of the Fund, and we intend to keep the position size very small as we learn more.

Ellie Mae, Inc. is the leading provider of residential real estate loan origination capabilities to mortgage originators. Its core workflow tool, branded Encompass, is used by loan officers to originate and process loans, manage documents, comply with applicable laws and detect fraud. Today, more than 30% of all residential real estate loan originations are handled by the Ellie Mae platform, and share continues to grow annually. In addition to market share growth, we believe that Ellie Mae can drive revenue per loan from approximately $140 today towards $400 to $600 by providing more electronic data feeds to customers. Over time, we believe that Ellie Mae can expand from residential real estate loans into adjacencies including home equity and auto loans.

Portfolio Structure and Investment Strategy

Due to the Fund's low turnover, currently 5.08% on a three-year average basis, the Fund holds a significant percentage of its assets in securities that have appreciated beyond their market capitalizations at the time of the Fund's initial investment. Because those companies are penalizing their current earnings with expenditures for growth, Baron Growth Fund invested in them at what we believe were unusually attractive prices. We believe this strategy is the reason the Fund has so significantly outperformed its peers and its benchmark indexes over the long term.

Baron Growth Fund's strategy of investing for the long term is different than most other small-cap growth funds. Many of those funds invest top down in industries that they believe are likely to benefit in the near term from economic trends created by macro developments. Those funds turn over about 73% of their portfolios annually, on average. As a result, over the long term, in our opinion, they are likely to achieve average returns, at best. We believe, few, if any, investors are able to consistently predict unpredictable events. Further, even if they could predict the outcome of those events, we think it is unlikely they would be able to predict their impact on stocks and markets.

Table IX.
Top performing stocks owned more than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Choice Hotels International, Inc.	1996	2,077.5%
Vail Resorts, Inc.	1997	1,110.4%
IDEXX Laboratories, Inc.	2005	986.5%
Arch Capital Group Ltd.	2002	958.3%
Alexander's, Inc.	1999	864.7%
Mettler-Toledo International, Inc.	2008	758.8%

We exclusively purchase small-capitalization companies that we think can double in size in a five- or six-year period. Baron Growth Fund owns stock in 34 businesses that it has owned for more than five years. These investments represent 74.5% of the Fund's assets and have earned an annualized rate of return of 16.4% since they were purchased. This exceeds the performance of the Fund's benchmark by 4.3% per year. Most Fund investments that have been held for more than five years have realized approximately three- to seven-fold appreciation so far, and six have achieved returns in excess of eight times since their initial purchase. Five of these investments have achieved annualized returns that exceed their benchmark by more than 10%.

Table X.
Top performing stocks owned less than five years

	Year of First Purchase	Cumulative Total Return Since First Date of Purchase
Pinnacle Entertainment, Inc.	2013	664.2%
Marriott Vacations Worldwide Corp.	2013	236.2%
Bright Horizons Family Solutions, Inc.	2013	231.9%
Trex Company, Inc.	2014	204.8%
West Pharmaceutical Services, Inc.	2013	203.9%
Moelis & Company	2015	107.1%

As a group, investments held for less than five years represent 25.8% of the portfolio, and have exceeded our benchmark by 13.7% annualized. Of the 25 positions that we have owned for less than five years, 21 have outperformed our benchmark.

As a result of owning stocks that have generated outsized returns over a longer holding period, the market caps of approximately 66% of the Fund are above Morningstar's breakpoint classification of small-cap stocks. Over the last five years, Baron Growth Fund's weighted geometric average market cap has hovered slightly above the Morningstar small-cap breakpoint and far below the $22.3 billion highest market capitalization limit for mid-cap stocks.

Portfolio Holdings

As of December 31, 2017, Baron Growth Fund held 60 investments. The top 10 holdings represented 44.4% of the Fund's net assets. All these top 10 investments have grown dramatically since they were purchased when they were smaller businesses. We believe they all continue to offer significant further appreciation potential, although we cannot guarantee that will be the case. We believe the Fund's diversified portfolio offers investors potentially better-than-market returns with less risk than the market.

Table XI.
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.	1997	$0.2	$ 8.6	$466.8	7.5%
Arch Capital Group Ltd.	2002	0.4	11.9	340.4	5.4%
Gartner, Inc.	2007	2.3	11.2	291.2	4.7%
CoStar Group, Inc.	2004	0.7	10.7	283.6	4.5%
FactSet Research Systems, Inc.	2006	2.5	7.5	260.2	4.2%
ANSYS, Inc.	2009	2.3	12.5	236.1	3.8%
MSCI, Inc.	2007	1.8	11.4	234.1	3.7%
Choice Hotels International, Inc.	1996	0.4	4.4	233.4	3.7%
Marriott Vacations Worldwide Corp.	2013	1.5	3.6	216.3	3.5%
IDEXX Laboratories, Inc.	2005	1.9	13.6	215.8	3.4%

Thank you for investing in Baron Growth Fund.

Thank you for joining us as fellow shareholders in Baron Growth Fund. We believe the growth prospects for the businesses in which Baron Growth Fund has invested continue to be favorable.

We continue to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We will also continue to provide you with information that we would like to have if our roles were reversed. This is so you will be able to make an informed judgment about whether Baron Growth Fund remains an appropriate and attractive investment for your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

Neal Rosenberg
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 smaller companies, but there also may be more risk. Specific risks associated with investing in smaller companies include that the securities 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 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 Growth Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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

Beta: measures a fund's sensitivity to market movements. The beta of the market (Russell 2000 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.