DEAR BARON INTERNATIONAL GROWTH FUND SHAREHOLDER:

PERFORMANCE

Baron International Growth Fund (the "Fund") advanced 7.33% (Institutional Shares) for the fourth quarter of 2017, and 37.33% for the full year, while its principal benchmark index, the MSCI ACWI ex USA Index, gained 5.00% for the fourth quarter and 27.19% for the calendar year. International and emerging market ("EM") equities delivered strong annual returns powered by healthy economic growth, strong earnings, and favorable policy support. In addition, elections and political risks were resolved favorably during the year in several countries such as Japan, France, the Netherlands, India, Brazil, Chile, Argentina, and South Africa, helping fuel confidence and valuation support. Looking forward, we believe the recent outperformance by international and EM equities may be in the early innings as many countries are introducing productivity-enhancing reforms, while political winds have shifted in a market-friendly direction. Further, unlike the U.S., most international economies have not yet advanced into a monetary tightening phase. We are pleased with our full year 2017 absolute and relative performance, particularly considering our below market beta, which tends to support our relative performance in more challenging market conditions. We remain optimistic that our differentiated discipline and process position us well over the long term to take advantage of substantial investment opportunities across our broad universe.

MICHAEL KASS

PORTFOLIO MANAGER

Retail Shares: BIGFX
Institutional Shares: BINIX
R6 Shares: BIGUX

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

	Baron International Growth Fund Retail Shares[1,2]	Baron International Growth Fund Institutional Shares[1,2,3]	MSCI ACWI ex USA Index[1]	MSCI ACWI ex USA IMI Growth Index[1]
Three Months[4]	7.28%	7.33%	5.00%	5.97%
One Year	36.94%	37.33%	27.19%	32.25%
Three Years	11.93%	12.20%	7.83%	9.69%
Five Years	10.74%	11.01%	6.80%	8.25%
Since Inception (December 31, 2008)	12.77%	13.05%	9.17%	10.31%

For the fourth quarter and full year of 2017, we outperformed both our benchmark MSCI ACWI ex USA Index and the international all-cap growth index by a comfortable margin. During the quarter, the largest driver of relative performance was stock selection effect in the Information Technology (IT) and Health Care sectors. Within IT, while solid performance was broad based, **RIB Software SE** of Germany had the greatest impact. During the quarter it announced significant contract wins as well as new partners representing an endorsement of the company's YTWO initiative. **Square Enix Holdings Co., Ltd.**, the Japanese online game developer, and **Mellanox Technologies Ltd.**, an Israeli semiconductor-based high-performance computing and data center solution provider, also had a notable positive impact on performance in this sector. Strong relative performance in Health Care was largely attributable to our recent investment in **argenx SE**, a Netherlands-based biotech company, which released positive data related to its antibody discovery platform late in the quarter. Partially offsetting the above, adverse stock selection effect in the Consumer Discretionary sector was driven by the aggregate effect of several positions posting modest declines in an up market. For the full year, our substantial outperformance against the MSCI ACWI ex USA Index was concentrated in the IT, Health Care and Industrial sectors, modestly offset by the negative impact of our typical and modest cash position. By country, the largest drivers for the year were Japan and China, both of which enter 2018 as overweight positions relative to the index, and where a multitude of attractive reform initiatives form the foundation for our longer-term thematic concentrations.

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 1.53% and 1.24% (restated to reflect current management fee), but the net annual expense ratio was 1.20% and 0.95% (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 The Fund has changed its primary benchmark to the MSCI ACWI ex USA Index given its broad acceptance as the standard benchmark measuring international markets equity performance. The Fund will maintain the MSCI ACWI ex USA IMI Growth Index as a secondary benchmark. The MSCI ACWI ex USA Index Net USD is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large- and mid-cap securities across developed and emerging markets, excluding the United States. The MSCI ACWI ex USA IMI Growth Index Net USD is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the performance of large-, mid-, and small-cap growth securities across developed and emerging markets, excluding the United States. The indexes and Baron International Growth Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results.
2 The performance data 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.

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

	Percent Impact
RIB Software SE	1.05%
argenx SE	0.94
Bolsas y Mercados Argentinos S.A.	0.63
Square Enix Holdings Co., Ltd.	0.59
KOSÉ Corporation	0.54

RIB Software SE is a German company servicing the global construction industry with a productivity-enhancing software solution. Shares appreciated during the fourth quarter thanks to RIB's rapidly growing software licenses business, which also carries an above-average margin. Historically a German company, RIB is now reaching clients globally, and we believe its recent joint venture with a contract manufacturer allows RIB to win new clientele.

argenx SE is a Netherlands-based biotech company focused on cancer and autoimmune disorder treatments. Shares rose sharply 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 expect the stock to continue rallying as results from trials of argenx's products for treating immune thrombocytopenia purpura, a blood disorder, and pemphigus vulgaris, a skin and mucus membrane disease, become available in 2018.

Bolsas y Mercados Argentinos S.A. owns the only vertically integrated exchange and is the sole custodian for securities in Argentina. The stock rose sharply in the quarter following Argentina's October primary election results, which support the government's ambitious plans to enact market-friendly reforms. In addition to this positive development, we think the planned capital market and tax reforms will allow faster development of the equity market and increased bond market access for local issuers, which could in turn drive higher trading and custody activities at Bolsas y Mercados.

Square Enix Holdings Co., Ltd. is a leading video game content producer based in Japan. Its core IP portfolio consists of well known titles such as *Final Fantasy Dragon Quest*. Square Enix stock increased as a result of margin expansion efforts through a growing proportion of digital downloads. Square Enix' mobile and multiplayer online games continue to gain traction in both domestic and overseas market.

KOSÉ Corporation is the third largest Japanese skincare products company with a broad portfolio of brands. KOSÉ benefited from a shift in Chinese travelers from Korea to Japan, increasing cosmetics consumption levels in the latter. The company has been reporting strong margins, driven by both operational improvements and its growing prestige category. We believe KOSÉ is poised for long-term growth based on the increasing number of women in the workforce and an aging population.

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

	Percent Impact
Wix.com Ltd.	–0.31%
UniCredit S.p.A.	–0.24
Bitauto Holdings Limited	–0.22
BNP Paribas S.A.	–0.19
Ctrip.com International, Ltd.	–0.17

Wix.com Ltd. is an Israeli internet company providing an operating system to help micro businesses build and maintain a website and operate their businesses more efficiently. With over 110 million registered users and 3 million premium users, Wix is the industry leader. Shares of Wix declined in the fourth quarter after the company guided at the end of the third quarter for increased R&D spend (leading to lower near-term margins). We retain conviction in Wix due to the large market opportunity, strong cohort economics, its brand name, and its innovative culture.

UniCredit S.p.A. is an Italian bank with operations throughout Europe. The stock declined after the company's investor day, as management gave conservative guidance for capital distribution targets. We believe this disappointment acted as a trigger for investors to take profits following previous strong performance and ahead of Italy's general election in March 2018, which could potentially add volatility to local equities. We have conviction in UniCredit given a strong balance sheet, a credible path to restoring profitability, and discounted valuation.

Bitauto Holdings Limited is one of two dedicated online auto financing platforms in China. Shares declined in the quarter following significant gains earlier in 2017 due to profit taking. We retain conviction in Bitauto because the company's core fundamentals remain intact. Online auto advertising and financing sectors remain poised for multiyear growth in China, and Bitauto remains a top player to benefit from that trend.

BNP Paribas S.A. is a French bank with operations within France and across Europe and the U.S. Shares fell in the quarter after the company reported revenue growth that missed analyst expectations for the third quarter. We retain conviction because we believe BNP will experience improvement in return on equity (ROE) over the next three years from lower provision expenses and increasing efficiencies. We see upside to management's target of achieving 10% ROE by 2020, based on conservative assumptions of economic growth and interest rates.

Ctrip.com International, Ltd. is the dominant online travel agent in China. Shares fell in the fourth quarter amid investor concerns about a new Chinese regulation on cross-selling travel methods. We retain conviction. Management believes Ctrip will adjust accordingly, and we think Ctrip's international air business, a rapidly growing segment with high margins, will offset the negative impact of the regulation. Ctrip is well positioned to capitalize on the growing dominance of Chinese travelers globally, and its 1 trillion RMB bookings target by 2020 is achievable, in our view.

Portfolio Structure

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

	Percent of Net Assets
RIB Software SE	3.3%
Square Enix Holdings Co., Ltd.	2.5
Eurofins Scientific SE	2.5
Mitsubishi UFJ Financial Group, Inc.	2.1
Constellation Software, Inc.	2.1
Vivendi SA	2.1
BNP Paribas S.A.	2.0
Takeda Pharmaceutical Company Limited	1.9
KOSÉ Corporation	1.8
argenx SE	1.8

Table V.
Top five holdings as of December 31, 2017 – Developing Countries

	Percent of Net Assets
Tencent Holdings, Ltd.	2.2%
JM Financial Limited	2.0
Alibaba Group Holding Limited	1.9
Baidu, Inc.	1.9
Bolsas y Mercados Argentinos S.A.	1.3

Exposure by Country: At the end of the fourth quarter of 2017, we had 70.6% of our investments in developed countries and 25.8% in developing and frontier countries, with the remaining 3.6% in cash. We seek to maintain broad diversification by country at all times. A detailed review of the Fund's holdings by country is available at the back of this Baron Funds Quarterly Report.

Table VI.
Percentage of securities in developed markets as of December 31, 2017

	Percent of Net Assets
Japan	19.7%
United Kingdom	8.5
France	7.6
Germany	7.2
Netherlands	4.4
Canada	4.0
Israel	3.3
Switzerland	2.9
United States	2.6
Spain	2.4
Norway	2.2
Italy	1.5
Ireland	1.4
Australia	1.2
Belgium	0.9
Hong Kong	0.8

Table VII.
Percentage of securities in developing and frontier markets as of December 31, 2017

	Percent of Net Assets
China	9.8%
India	5.8
Argentina	2.5
Russia	1.9
Brazil	1.7
Mexico	1.3
Korea	1.2
Panama	0.7
Indonesia	0.7
Nigeria	0.2

The Fund may invest in companies of any market capitalization, and we strive to maintain broad diversification by market cap. As of December 31, 2017, the Fund's median market cap was $11.2 billion, and it had approximately 60.2% in large- and giant-cap companies, 29.7% in mid-cap companies, and 6.5% in small- and micro-cap companies, as defined by Morningstar, with the remainder in cash.

Recent Activity

During the fourth quarter, we initiated several positions while also adding to several others. Our largest new investment was **Linde AG**, the German medical and industrial gas and engineering company that is merging with Praxair, Inc., a leader in the U.S. market, thereby creating a dominant global position. We believe the combination can result in a step-change in profitability, with ample opportunity to raise pricing and reduce cost due to increased scale and a more favorable competitive position. We further believe the industry has entered a cyclical upturn, and that the company will deploy excess capital efficiently in coming years. We added to our European credit recovery theme by initiating a position in **Komplett Bank ASA**, a fast-growing Norwegian consumer bank operating exclusively online. The company has successfully leveraged its parent company's position as the largest e-commerce player in the Nordic region to enter the consumer banking and payments arena. We also established a new investment in **Tullow Oil plc.** We believe Tullow has exciting exploration and production potential from its attractive African assets, and recent catalysts will allow the company to deleverage appropriately. In addition, we established a new position in **argenx SE**, a Netherlands-based biotech company, which boasts an exciting antibody discovery platform that we believe could eventually address several complex diseases. We also made significant additions to positions in **Mitsubishi UFJ Financial Group, Inc.**, a leading Japanese bank with a significant presence in the U.S., and **Takeda Pharmaceutical Company Limited** (also of Japan and highlighted in our previous letter) that we believe is successfully streamlining its operations under a new management team.

During the quarter we sold our positions in **MYOB Group Limited,** the Australian accounting software firm, **Domino's Pizza Group plc**, and **Howden Joinery Group Plc**, all due to concerns over potentially deteriorating fundamentals. We sold **Zee Entertainment Enterprises Ltd**. and **Sociedad Química y Minera de Chile SA** over valuation concerns after substantial appreciation.

During the year, we developed and invested in new themes related to a European credit recovery, as well as broad reforms in Japan and Argentina. We also substantially added to our Japan recruiting and employment theme.

Baron International Growth Fund

Outlook

In our recent quarterly letters, we have suggested that international and EM economies and equities had entered a sweet spot, and were likely to exhibit sustainable outperformance. In addition, last quarter we highlighted the positive implications of accelerating global growth and trade flows alongside improving credit quality in the Chinese banking system, particularly in the context of a tightening in housing and speculative financial credit. We concluded that the odds of a near-term overshoot to the upside in global, and particularly, international and EM equities were rising. As global growth demonstrated clear acceleration in the fourth quarter amid passage of stimulative tax legislation in the U.S., we believe this overshoot is now underway. We have no prediction as to how far the current optimism will advance in the near term, however on a forward looking basis, we now believe the global markets are likely at some point in the year ahead to experience increased volatility, and would not be surprised to see the first notable market correction in some time.

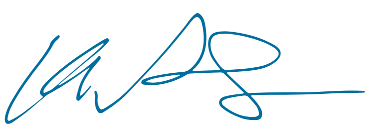
The principal reasons for the shift in our outlook since last quarter are the coordinated acceleration in global growth and rise in confidence, as well as a notable change in official policy orientation in China following the key Party Congress in November. While strong global growth and confidence is certainly a good thing, we believe the downside is a likely rise in future inflation readings and risk of economic overheating; indeed, energy and commodity prices are on the rise along with bond yields in several countries. Although equity markets are currently embracing the message, we believe it is likely a matter of time before tight labor conditions drive wage inflation, which we believe would elevate fears of more global tightening than the market is currently discounting. In our view, the balance of a strong economic and earnings environment, alongside the rising risk of incremental liquidity tightening, suggests increased volatility is coming, eventually resulting in a cooling off period and a consolidation or broad trading range environment.

Importantly, we feel such a consolidation would be a healthy development, curing excess optimism rather than foreshadowing a more concerning decline. We reiterate our last quarter's suggestion that several key international economies appear earlier in their economic and monetary cycles, and thus would be reasonably well positioned to absorb the impact of a U.S.-led liquidity tightening. We would also reiterate that large pockets of the international markets, notably Japan, certain European countries, and much of the developing world, are not only early in introducing market-friendly reforms, but also appear considerably less vulnerable to a wave of populism that, in our view, threatens to compromise future corporate profit margins and returns to capital owners. Most international and EM equity markets trade at notable discounts to the U.S. Thus, we continue to believe that the current phase of outperformance of international and EM equities may still be in the early innings.

Regarding the policy shift in China, just days after the conclusion of November's Party Congress, a series of official tightening measures were unleashed. While such a development was always within our range of expectations, our takeaway is that liquidity and credit to the property, non-bank financial, and asset management sectors will be further constrained. We also expect the relaxation of consumer credit availability, which we reported on in recent letters, will be partially reversed. To us, the key implication is that while China represented an upside surprise to global growth, corporate earnings, and equity performance in 2017, it may represent a drag on growth and earnings expectations in the year ahead.

In conclusion, while we remain in a sweet spot for international economic growth and corporate earnings, the marked appreciation of the past year, high current optimism, and a likely moderation of abundant global liquidity support cause us to temper expectations for further substantial gains in the near term; however, the longer-term and more secular drivers remain encouraging, and we believe our unique forward-looking and bottom-up, fundamental approach and process position us well to identify and take advantage of attractive international investments as they arise. Thank you for investing in the Baron International Growth Fund.

Sincerely,



Michael Kass
Portfolio Manager

Kyuhey August
V.P., 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.

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. This may result in greater share price volatility. Specific risks associated with investing in small and medium-sized 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 manager 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.

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Beta: measures a fund's sensitivity to market movements. The beta of the market is 1.00 by definition.