RONALD BARON

CEO AND PORTFOLIO MANAGER

Retail Shares: BPTRX
Institutional Shares: BPTIX
R6 Shares: BPTUX

Dear Baron Partners Fund Shareholder:

Performance

Baron Partners Fund (the "Fund") performed well in 2017 on both a relative and absolute basis. The Fund rose 31.91% (Institutional Shares). The Fund's benchmark Russell Midcap Growth Index increased 25.27% and the S&P 500 Index increased 21.83% in 2017.

These strong calendar year results include the three months ended December 31, 2017 when the Fund increased only 1.14%. During the final quarter of 2017, the Russell Midcap Growth Index increased 6.81%, while the S&P 500 Index, which measures the performance of large-cap companies, increased 6.64%. During the quarter, three of Baron Partners Fund's four largest investments, **Tesla, Inc.**, **Vail Resorts, Inc.** and **Arch Capital Group Ltd.** fell in price. That penalized the Fund's performance by 3.11%.

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

	Baron Partners Fund Retail Shares[1,2,3]	Baron Partners Fund Institutional Shares[1,2,3,4]	Russell Midcap Growth Index[2]	S&P 500 Index[2]
Three Months[5]	1.08%	1.14%	6.81%	6.64%
One Year	31.54%	31.91%	25.27%	21.83%
Three Years	10.02%	10.31%	10.30%	11.41%
Five Years	16.73%	17.04%	15.30%	15.79%
Ten Years	7.90%	8.14%	9.10%	8.50%
Since Conversion (April 30, 2003)	13.48%	13.66%	11.74%	9.81%
Fifteen Years	13.12%	13.29%	11.96%	9.92%
Twenty Years	9.45%	9.58%	8.34%	7.20%
Since Inception (January 31,1992)	12.84%	12.93%	9.78%	9.72%

Tesla's shares declined when the company's production of its mid-market, Model 3 sedan fell several months behind its aggressive schedule. This was the result of Tesla's efforts to produce the car in a highly-automated plant, a "machine that makes the machine," a significantly more efficient car factory. Tesla's goal to manufacture a higher-quality electric car cost effectively was met with investor skepticism. When Tesla did not initially meet its announced schedule, skeptics considered their doubts warranted. Tesla had received nearly 500,000 orders accompanied by $1,000 deposits in the four weeks after its Model 3 was announced in March 2016…before anyone had a chance to even see that car "up close and personal" as they say. Tesla has recently been making significant progress in its manufacturing. Tesla M3s have increasingly been seen "in the wild" on the roads of California. M3 owners report being chased by…buyers awaiting delivery of their M3s who want to see and ask about that car and when they are given rave reviews, ask the owners if they would let them…sit in it!!!!

Vail Resorts' share price also fell in the fourth quarter when limited snowfall in Colorado caused reduced visitation to the resort in December. This is although about half of Vail lift tickets were purchased *last fall* through its discounted Epic season pass program before ski season began. This and the geographically diversified network of ski mountains owned by Vail insulates the company to a large extent from revenue volatility due to weather.

Arch Capital's shares fell in the quarter due to unusual storm activity that, surprisingly, did not cause as large an increase in insurance rates as many expected. This is the result of substantial liquidity throughout America's financial businesses. Arch's recent acquisition of a leading mortgage insurer provides it with an attractive diversifier to its property and casualty businesses. We believe this acquisition could have added as much as 10% to this company's asset value.

Tesla, Vail, and Arch stocks all increased in price and in value during 2017. We regard the events that caused the share prices of these companies to fall as non-recurring and continue to expect those businesses to grow significantly over the coming years.

Performance listed in the above table is net of annual operating expenses. Annual expense ratio for the Retail Shares as of December 31, 2016 was 1.78% (comprised of operating expenses of 1.35% and interest expense of 0.43%) and Institutional Shares was 1.52% (comprised of operating expenses of 1.09% and interest expense of 0.43%). *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 expenses 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 20% performance fee after reaching a certain performance benchmark. If the annual returns for the Fund did not reflect the performance fees the returns would be higher. The Fund's shareholders will not be charged a performance fee. The predecessor partnership's performance is only for periods before the Fund's registration statement was effective, which was April 30, 2003. 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 Midcap® Growth Index measures the performance of medium-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 Russell Midcap Growth Index, the S&P 500 Index 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 in the table 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.

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

Table II.
Performance
Periods Baron Partners 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 Partners Fund (Institutional Shares)	59.72%	4.00%
Russell Midcap Growth Index	110.65%	6.23%
S&P 500 Index	32.29%	8.87%

We believe the Fund's performance from 2014 through 2016, when its investments increased modestly although their underlying businesses continued to grow rapidly, is analogous to the 18-month period from October 1998 through March 2000 amid the Internet Bubble. Our investments then increased less than the market immediately prior to the bursting of the Internet Bubble. Baron Partners Fund, which owned no internet stocks, increased in value 59.72% annualized from 1998 to 2000, while its benchmark index increased 110.65%. For the next nine years through December 2008, though, the Fund outperformed its index by 623 basis points per year! (See Table III-Bush Years). Of course, past performance is no guarantee of future results

During the Internet Bubble, the Fund did not own strongly performing internet stocks because they did not meet our investment parameters. From 2014 through 2016, we did not own many of the strongly performing commodity, cyclical and leveraged companies for the same reason. However, from 2014 through 2016, the key performance indicators for 61.5% of our competitively advantaged, growth businesses grew significantly while their underlying stock prices grew modestly. We believe this was principally because 83% of our portfolio holdings were making investments that penalized their current earnings to achieve future growth. Further, 70.2% of the Fund's net holdings were in the process of expensive integrations of acquisitions also made to enhance their growth prospects. We believe the strong outperformance of Baron Partners Fund in 2017 was, in part, because those investments are beginning to bear fruit…which provides us with increasing confidence that the Fund's strong 2017 relative and absolute outperformance will continue. Of course, we cannot assure you that will be the case.

Baron Partners 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 Financial Panic	Obama/Trump Recovery and Quantitative Easing 2009-2017	Millennium 2000-2017	From Inception
	Annualized Returns				
	Inception 1/31/1992 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 1/31/1992 to 12/31/2017
Baron Partners Fund (Institutional Shares)	22.45%	1.54%	16.98%	8.99%	12.93%
Russell Midcap Growth Index	19.26%	(4.69)%	17.57%	5.85%	9.78%
S&P 500 Index	20.21%	(3.60)%	15.25%	5.40%	9.72%

"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 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 Partners Fund (Institutional Shares)	$11,479	14.79%	$47,080	370.80%
Russell Midcap Growth Index	$6,488	(35.12)%	$27,844	178.44%
S&P 500 Index	$7,188	(28.12)%	$25,788	157.88%

Baron Partners 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 (see Table III-Bush Years). But…we did make *something*…which resulted in a much better outcome than if you had invested in a passive index mirroring either the Russell Midcap Growth Index, our benchmark, or the S&P 500 Index. Both indexes lost money during the Bush Years.

Due to the "magic" of compounding, $10,000 invested in Baron Partners Fund on December 31,1999 is worth 4.7 times that amount, or $47,080 on December 31, 2017. Due to the losses experienced by the Russell Midcap Growth Index during the Bush Years, that is 69% more than an investment in a passive Russell Midcap Growth Index mutual fund!

We are pleased that our long-term investments in what we believe are competitively advantaged growth companies with exceptional managements enabled us to heed 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.

PORTFOLIO REVIEW

Baron Partners Fund's three holdings with the highest absolute returns in 2017 were **The Carlyle Group**, **CoStar Group, Inc.,** and **Panera Bread Co.** Carlyle announced plans to raise $100 billion in assets from its loyal and growing client base. The result should be significant improvement in its incentive income and distributable earnings over the coming years. Regardless, the Fund exited the position since Carlyle's limited partnership structure made it a less attractive investment for this concentrated Fund. CoStar's integrated acquisitions provide more cross-sell potential to its customers, who rely on the company for essential real estate information. Panera Bread's prior investment in technology and efficiencies was recognized by a European conglomerate, which acquired the business. Panera's knowledge and process can be shared with the acquirer's other brands.

The overwhelming majority of the Fund's holdings performed well during 2017. 21 stocks increased in value by double-digit percentages. Only six companies that we owned at the beginning of the year declined over the last 12 months. We exited or sharply reduced our exposure to five of those six positions. **Benefitfocus, Inc.** was the exception, as we used the headwinds caused by a salesforce restructuring and uncertainty about health care reform to increase our investment. Benefitfocus' opportunity remains large and the company's competitive position is intact, in our view.

The Fund used cash from these sales to purchase new investments in **Guidewire Software, Inc.**, **Space Exploration Technologies Corp. (SpaceX)** (a private company) and **Red Rock Resorts, Inc**. These businesses have tremendous competitive advantages in their respective fields. Guidewire provides essential systems for the global property and casualty insurance industry that is significantly underpenetrated. SpaceX is developing, we believe, the most cost-efficient vehicle to reach space. Red Rock Resorts is the dominant player in the highly regulated and growing Las Vegas locals gaming market. New projects and market growth should result in increased earnings over the coming years, in our view.

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%	1.50%
CoStar Group, Inc.	2005	0.7	10.7	10.67	1.46
The Charles Schwab Corp.	1992	1.0	68.9	17.66	1.08
FactSet Research Systems, Inc.	2007	2.5	7.5	7.33	0.50
Manchester United plc	2014	2.8	3.2	10.46	0.49

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 we believe should add value for shareholders. We think Hyatt has a strong balance sheet. (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 favorably impact future results. (Neal Rosenberg)

Shares of discount brokerage firm **The Charles Schwab Corp**. appreciated in the quarter. Schwab's core operations continue to perform well. Net new assets are growing steadily and new clients are joining the firm at a record pace. Schwab has been focused on sharing economies of scale with clients through price reductions, rebates, and low-cost products. Despite these lower fees, operating margins continue to expand to record levels through its scale and efficiencies, which we believe bodes well for Schwab's continued abilities to increase its client base and assets. (Michael Baron)

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	$21.9	$52.3	–8.72%	–1.57%
Arch Capital Group Ltd.	2002	0.6	11.9	–7.85	–0.92
Vail Resorts, Inc.	2008	1.6	8.6	–5.94	–0.62
Under Armour, Inc.	2016	16.0	6.5	–20.03	–0.50
The Carlyle Group	2012	0.7	2.2	–1.58	–0.30

INVESTMENT STRATEGY AND PORTFOLIO STRUCTURE

The objective of Baron Partners Fund is to double its value per share within five years. Of course, we may not achieve our objective. Our strategy to accomplish this goal is to invest for the long term in a focused portfolio of what we believe are competitively advantaged, well-managed, growing businesses at attractive prices across market capitalizations. We attempt to create a portfolio of less than 30 securities diversified by GICS sectors. These businesses are identified by our Firm's proprietary research. The Fund can use leverage, when appropriate, to enhance returns, although this does increase the volatility of the returns. As of December 31, 2017, Baron Partners Fund held 23 investments. The weighted median market capitalization of these growth companies was $7.7 billion. The top 10 positions represent 77.7% of total investments or 94.3% of net assets. Leverage was 21.3%.

While non-diversified, the Fund invests across many sectors. The weightings are significantly different than that of the Russell Midcap Growth Index, the index against which we benchmark the Fund's performance. Our allocations will likely change over time depending upon businesses' prospects, success, and perceived investment opportunities.

The long-term absolute and relative performance of the Fund has been very good. The Fund has returned 12.93% annualized since inception. This is 3.15% annualized better than its benchmark. Following the 2008-09 Financial Panic many businesses that did not meet our investment criteria experienced strong advances. Many of the strongest performing businesses were cyclical, leveraged or did not have what we believed to be sustainable competitive advantages. In our opinion, the inclusion of such businesses in

Baron Partners Fund's concentrated, long-term oriented portfolio, might boost Baron Partners Fund's short-term performance, but could negatively impact the Fund's long-term performance.

Stock correlations during the recovery were considerably higher than normal, due, in part, to very strong flows into passive investments. This means that in many instances, in our opinion, businesses with long-term prospects that were not clear, performed as well as those with favorable prospects. We are optimistic that the Fund will achieve strong relative and absolute performance, as it has over the past year, as investors gravitate to the fast growing, competitively advantaged businesses the Fund owns.

Portfolio Holdings

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

	Year Acquired	Market Cap When Acquired (billions)	Quarter End Market Cap (billions)	Amount (millions)	Percent of Total Investments
Tesla, Inc.	2014	$21.9	$52.3	$345.6	14.4%
CoStar Group, Inc.	2005	0.7	10.7	259.8	10.9
Arch Capital Group Ltd.	2002	0.6	11.9	217.8	9.1
Vail Resorts, Inc.	2008	1.6	8.6	196.7	8.2
Hyatt Hotels Corp.	2009	4.2	8.7	191.2	8.0
The Charles Schwab Corp.	1992	1.0	68.9	149.0	6.2
FactSet Research Systems, Inc.	2007	2.5	7.5	148.4	6.2
IDEXX Laboratories, Inc.	2013	4.7	13.6	140.7	5.9
Manchester United plc	2014	2.8	3.2	105.9	4.4
Gartner, Inc.	2013	5.7	11.2	104.7	4.4

Thank you for investing in Baron Partners Fund.

Thank you for joining us as fellow shareholders in Baron Partners Fund. We believe the growth prospects for the businesses in which Baron Partners Fund has invested are favorable and improving. Since, in our opinion, the share prices of our businesses do not reflect their prospects, we believe they remain attractive. Of course, there can be no guarantee this will be the case.

We are continuing to work hard to justify your confidence and trust in our stewardship of your family's hard-earned savings. We also remain dedicated to continuing to provide you with the information I would like to have if our roles were reversed. This is so you will be able to make an informed decision about whether this Fund remains an appropriate investment for you and your family.

Respectfully,

Ronald Baron
CEO and Portfolio Manager

Michael 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 using non-diversification and leverage, but there also is more risk. Specific risks associated with non-diversification and leverage include increased volatility of the Fund's returns and exposure of the Fund to greater loss in any given period. The Fund invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and made difficult to sell during market downturns. Leverage is the degree to which an investor or business is utilizing borrowed money. 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 Partners Fund by anyone in any jurisdiction where it would be unlawful under the laws of that jurisdiction to make such offer or solicitation.

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