Dear Baron Global Advantage Shareholder:

Performance

The Baron Global Advantage Fund declined approximately 2% in the third quarter and is up 4% year-to-date, both roughly in-line with its benchmarks. We continue to maintain a healthy lead over the benchmarks over the last twelve months and since inception. While we would characterize the quarterly results as somewhat uneventful, we had a number of sizable winners as well as portfolio holdings that got hit unusually hard. We did very well with investments in China, large cap U.S., and in the Information Technology sector, with **TAL Education Group**, **Baidu**, **Facebook**, **Mellanox Technologies**, and **Mobileye** all posting at least double digit gains and making meaningful contributions to quarterly returns. On the other hand, we gave up most of last quarter's gains in Brazil, took it on the chin in Europe, and saw most of our small cap investments decline precipitously with **Coupons.com**, **Benefitfocus**, **AO World**, **Grifols** and **Acxiom** all posting substantial stock price declines.

We think this is a favorable environment for managers who are looking to invest in businesses at substantial discounts to their intrinsic values. We have continued to find new ideas and our "pipeline" of compelling investment candidates is the largest it's ever been. One place we will *not* be finding them any time soon is Russia.

Table I.
Performance (Retail Shares)†
Annualized for periods ended September 30, 2014

	Baron Global Advantage Fund[1,2]	MSCI ACWI Growth Index[1]	MSCI ACWI Index[1]
Three Months[3]	(2.02)%	(1.71)%	(2.31)%
Nine Months[3]	4.00%	3.60%	3.73%
One Year	17.29%	11.32%	11.32%
Since Inception (April 30 , 2012)	15.11%	12.21%	12.79%

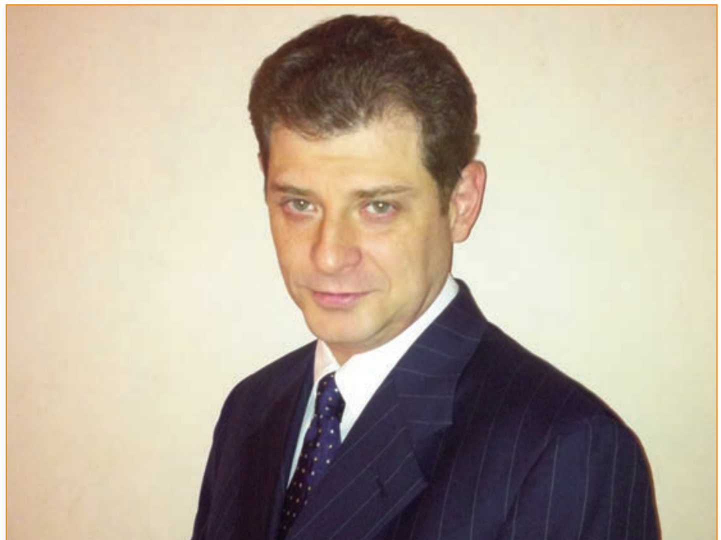
Performance listed in the table above is net of annual operating expenses. Annual operating expense ratio for the Retail Shares as of December 31, 2013 was 5.51%, but the net annual expense ratio is 1.50% (net of the Adviser's fee waivers). *The performance data quoted represents past performance. Past 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*

† 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.



ALEX UMANSKY
PORTFOLIO MANAGER

Retail Shares: BGAFX
Institutional Shares: BGAIX

We have generally been very bullish on the Emerging Markets, especially China, India, and Indonesia. The emergence of the middle class has allowed these countries to develop their own economic eco-systems. The emerging markets economies, in aggregate, did not suffer a down year in 2008 or 2009 and the three countries mentioned above did not post even a single down quarter! In many respects, the global financial crisis of '08-'09 was a wonderful stress test that the emerging economies passed with flying colors. These countries tend to have younger populations, high local savings rates, and infrastructure needs that are <u>*new*</u> in nature (rather than rehab projects like highways and airport renovations that last forever but do not really lead to new efficiencies or opportunities). This being a global fund, looking for competitively advantaged companies that could also benefit from these beneficial long-term trends is always high on our priority list.

In the middle of September, I spent 10 days in Hong Kong and Macau visiting companies and meeting with managements of companies that we own and that we are researching. During the visit, I got an opportunity to attend a dinner with Vladimir Pozner. The name may sound familiar because he recently was a correspondent for NBC Olympics' late-night show with Bob Costas during the Winter Games in Sochi, providing American audiences with a Russian point of view. My interest in Mr. Pozner goes back more than 25 years, when he co-hosted a series of "tele-bridges" opposite Phil Donahue. Those televised discussions between Soviet and American viewers (many of them students) were widely credited with ushering glastnost and perestroika into the consciousness of the Russian people and left an unforgettable impression on a certain 16-year old boy hoping to one day immigrate to the United States.

Pozner is fluent in seven languages. A recipient of numerous awards (including 3 Emmys), he currently hosts one of the most popular talk shows on Russia's largest network (state owned, of course) and is viewed by many in the West as Mr. Putin's mouthpiece. Impressive intellect notwithstanding, few have managed to stay this relevant for this long even in the West, where things change and progress naturally, let alone in a place where regime changes (from Chernenko to Gorbachev,

BARON FUNDS® 1987

to Yeltsin, to Putin, to Medvedev, to Putin ... alright, the last two don't count) typically cause wholesale substitutions. Rather than begrudging Mr. Pozner his political "flexibilities," I thought it was more prudent to focus on his insights.

Russia today is still a Soviet country. Current leaders were born and bred under the Soviet philosophy and Soviet doctrines. In its entire existence, Russia never had democracy. Gorbachev proved to be more visionary and more courageous than anyone could have hoped for. Prior to "allowing" for German unification, Gorbachev received hard, written commitments (from James Baker and George H.W. Bush) that NATO would not expand eastward. Not even an inch. The final written agreement was signed between NATO and the Soviet Union. However, on December 26, 1991, the Soviet Union ceased to exist, and NATO felt their commitments were no longer binding.

Russians were weary of NATO's expansion plans. But the turning point for Russian politics occurred on March 24, 1999, when the allies commenced air strikes on Serbia. Bitterly opposed to the bombings, the Russians were powerless to do anything about it. NATO had never come to the defense of any country. Russia sees NATO as purely an offensive force and views its expansion as one of the main threats to its national security.

Never mind the historical "brotherly" ties of Russia to Ukraine. Pozner likened Ukraine's bordering location to the South of Russia to that of Cuba vis-à-vis the United States. Khrushchev understood that the U.S. was not going to tolerate Russian military presence this close to its borders. In Pozner's view, Russia will never allow NATO to be in Ukraine, nor will it ever allow Ukraine to leave its sphere of influence. Interestingly, a professor of political science at the University of Chicago penned an article in the most recent issue of the *Foreign Affairs* magazine arguing that the West is to blame for the current crises in Ukraine because it supported NATO's enlargement and the EU's expansion into Russia's natural sphere of influence.[1] I wonder if the professor snuck into the same dinner...

We thought the economic sanctions, especially once joined by Germany and the rest of the EU, would make Mr. Putin pause. With oil prices coming down hard (almost 70% of all Russian export revenues come from oil & gas), inflation running above 8%, and prospects for economic growth evaporating, many observers expect Putin to soften his stance and seek a constructive resolution. We are not among them. While we have always limited the Fund's exposure to Russia to below 4%, we no longer find it investable. And so, we eliminated positions in the shares of Yandex and QIWI, despite the fact that both appear to be trading at sizable discounts to their intrinsic values.

Table II.
Top contributors to performance for the quarter ended September 30, 2014

	Quarter End Market Cap (billions)	Percent Impact
TAL Education Group	$ 2.8	0.99%
Facebook Inc.	204.5	0.77
Mellanox Technologies Ltd.	2.0	0.76
Baidu, Inc.	76.5	0.46
Mobileye N.V.	11.4	0.42

[1] John Mearsheimer, "Why the Ukraine Crisis is the West's Fault," Foreign Affairs, September/October 2014 issue. http://www.foreignaffairs.com/articles/141769/john-j-mearsheimer/why-the-ukraine-crisis-is-the-wests-fault).

Shares of leading Chinese tutoring services provider **TAL Education Group** rose 27% in the third quarter. Performance was driven by strong earnings, with 45% revenue growth and improved gross margins on a favorable mix-shift towards small classes. The company also expanded into three new cities, bringing its physical presence to 19 cities. The spending on private education as a percent of GDP in China is considerably below that of the U.S. and other western countries, while the competition for admission to top universities is equally fierce, if not more so. Given its strong reputation in math and science, high barriers to entry, and strong margin and cash flow characteristics, we think TAL Education is well positioned for solid growth over the next few years.

Shares of **Facebook Inc.**, the world's largest social network, were up 17% in the third quarter, driven by improvements in consumer engagement and mobile monetization. We believe that Facebook is one of the primary beneficiaries of a structural shift of advertising dollars to online from all other mediums. With 1.25 billion active monthly users, 950 million mobile, and 750 million daily active users, Facebook presents global advertisers with a platform unlike any other. The company is still in the early stages of scaling and building out its monetization structures and stands to benefit from expected improvements in the price of advertising on its platform. We think Facebook is continually expanding the size of its addressable market by acquiring and investing in newer synergistic offerings such as Instagram, WhatsApp, and Oculus VR.

Mellanox Technologies Ltd. supplies semiconductor-based systems for computing, storage and communications applications that connect servers to servers and servers to storage. Mellanox's stock rose 29% on reports of better second quarter results and third quarter guidance, as the latest generation of Intel chips spurred customer demand for high performance interconnect systems. We believe we are still in the early innings of the Mellanox growth story.

Shares of **Baidu, Inc.**, China's leading Internet search provider, rose 17% in the third quarter due to strong second quarter results, with outsized revenue growth of 59% year-over-year and lower-than-expected expense growth. Importantly, Baidu's mobile monetization continues to improve, with mobile now comprising 30% of revenues. We believe Baidu will remain a leading Internet platform in China, with attractive growth prospects over the long term.

We acquired a very small position in shares of **Mobileye N.V.** when the company went public during the quarter. Mobileye is a leading provider of software and systems design for camera-based advanced driver assistance systems. We believe the company has a significant lead in the race to autonomous driving, a trend that will improve transportation safety and efficiencies. We are in the very early days of what we believe to be a multi-decade growth opportunity of significant size and scale. Unfortunately, the stock ripped from the first trade rising 114% in less than two months of trading. We did not get a chance to buy additional shares as the stock never traded at a level necessary to satisfy our requirement for a margin of safety.

Table III.
Top detractors from performance for the quarter ended September 30, 2014

	Quarter End Market Cap (billions)	Percent Impact
Coupons.com Incorporated	$0.9	–1.01%
Benefitfocus, Inc.	0.7	–0.78
AO World plc	1.3	–0.66
Grifols SA	13.4	–0.59
Acxiom Corp.	1.3	–0.46

Shares of **Coupons.com Incorporated**, a leading digital couponing platform, declined 55% on news of disappointing second quarter results. Digital coupons represented less than 1% of total U.S. consumer packed goods (CPG) coupon distribution volume in 2012, but accounted for almost 7% of all U.S. CPG coupon redemptions. We believe that, as a market leader, Coupons.com has considerable room for expansion going forward.

Shares of **Benefitfocus, Inc.** fell 42% in the third quarter, partly due to a secondary offering in July that increased the public float by more than 30%. Benefitfocus is the leading provider of cloud-based benefits software, offering an integrated suite of solutions to help customers more efficiently shop, enroll, manage, and exchange benefits information. We think Benefitfocus serves an addressable market more than 100 times larger than its current business, which should allow it to compound revenue at more than 30% annually for years to come.

AO World plc is the leading online seller of major domestic appliances in the U.K., with a 10% market share. Shares fell 31% in the third quarter due to contractions in valuations for the online sector in the UK over the past several months. We think AO's unique supply chain and customized software give it a strong competitive advantage, and we believe it can be several times larger over the next few years as it expands into new product categories and continental Europe. It took its first step overseas with its September 30 launch of a website in Germany.

Shares of plasma products company **Grifols SA** declined 20% in the third quarter, after the company reported a weak second quarter, including one-time expenses in conjunction with the integration of its recently acquired Novartis diagnostics unit, and incremental price competition in a small commoditized product line. We regard these developments as either one-off or regionally isolated events that do not impact Grifols' competitive advantage derived from its vast plasma collection network, coupled with what we expect to be significant growth of the plasma industry.

Acxiom Corp. is the leading provider of database marketing solutions and IT outsourcing services to large enterprise customers. Shares of Acxiom were down 24% in the quarter due to a slower customer ramp in the company's new Audience Operating System (AOS) platform, and weaker revenue guidance on the company's core database solutions business. We expect AOS growth to accelerate through the rest of the year, and a new sales initiative to improve revenue in the core business as well.

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."

During the quarter, compared to the MSCI ACWI Growth Index, the Fund was overweight Information Technology, Telecommunication Services, Consumer Discretionary, and Energy and underweight Consumer Staples, Industrials, Financials, Materials and Health Care (or pretty much everything else).

The top 10 positions represented 41.9% of the Fund, the top 20 were 68.3%. We exited the quarter with 40 holdings.

Table IV.
Top 10 holdings as of September 30, 2014

	Quarter End Market Cap (billions)	Quarter End Investment Value (thousands)	Percent of Net Assets
Sarana Menara Nusantara Tbk PT	$ 3.5	$384.9	5.1%
Facebook Inc.	204.5	371.6	5.0
Google, Inc.	394.0	367.2	4.9
Amazon.com, Inc.	149.0	335.0	4.5
TAL Education Group	2.8	331.6	4.4
Just Eat plc	2.7	291.9	3.9
SoftBank Corp.	84.6	291.4	3.9
Illumina, Inc.	22.9	280.3	3.7
Mellanox Technologies Ltd.	2.0	246.7	3.3
Alibaba Group Holding Ltd.	219.0	238.5	3.2

Exposure by Country

Table V.
Percentage of securities by country as of September 30, 2014

	Percent of Net Assets
United States	39.5%
China	12.9
Indonesia	8.1
United Kingdom	6.7
Brazil	5.7
Israel	4.1
India	3.9
Japan	3.9
Canada	3.3
Spain	2.3
Netherlands	1.7
Norway	1.0

Recent Activity

Table VI.
Top net purchases for the quarter ended September 30, 2014

	Quarter End Market Cap (billions)	Amount Purchased (thousands)
Alibaba Group Holding Ltd.	$219.0	$231.0
Amazon.com, Inc.	149.0	61.2
Westlake Chemical Partners LP	0.8	58.5
TerraForm Power, Inc.	2.9	56.8
Mobileye N.V.	11.4	27.3

We have written about our interest in **Alibaba Group** over the last two years. In fact our excitement about Alibaba's prospects was a significant factor behind our investment in **Softbank Corp.** Alibaba made its long anticipated debut on September 19. We were able to acquire a small position at the IPO price of $68 per share. The stock opened for trading at $92.70, traded as high as $99.70 and closed at $93.89, up 38%. Ordinarily, we are reluctant to "chase" stocks and prefer to exercise restraint and patience in building positions (Facebook and Twitter were good examples). This time we chose to make an exception. We committed 3.5% of the Fund's assets to this investment. Our thesis on Alibaba is that it is unique as the largest and most dominant e-commerce platform in China. With 280 million active buyers (190 million mobile), Alibaba is poised to disproportionately benefit from increased penetration of Internet, mobile, and e-commerce in China. With greater than 50% market share of all online transactions and an unparalleled eco-system around its platform, Alibaba benefits from the network effect and enjoys significant economies of scale, which should allow the company to continue to grow fast (35-40% three to five year CAGR) in a very profitable manner. We believe there is a very long runway for growth with significant future monetization opportunities. The IPO price of $68 represented > 50% discount to our estimate of Alibaba's intrinsic value. Based on our current projections, we believe Alibaba could be worth $275-$300 five years in the future.

Table VII.
Top net sales for the quarter ended September 30, 2014

	Quarter End Market Cap or Market Cap When Sold (billions)	Amount Sold (thousands)
Yandex N.V.	$9.4	$91.3
Pacira Pharmaceuticals, Inc.	3.5	90.1
Qiwi plc	1.0	78.1
Arista Networks, Inc.	4.6	70.0
Youku Tudou, Inc.	3.7	12.8

Outlook

While we expect the markets to remain volatile, we remain constructive on the overall environment. Over the last 50 years, despite the doubling of the population, average global income per capita has tripled, life expectancy has risen by a third, and child mortality is down 70%. Literacy rates are up meaningfully, and average IQs are considerably higher even after adjusting for inflation and better nutrition. People are healthier, smarter, and more prosperous than they have ever been. All predictions of doom have repeatedly proved wrong. Despite disasters and reverses, quality of life and material wealth and prosperity have continued to increase everywhere in the world (although, not equally distributed), and we think that's unlikely to change.

Our goal remains to maximize long-term returns without taking significant risks of permanent loss of capital.

Thank you for investing in the Baron Global Advantage Fund.

Sincerely,

Alex Umansky
Portfolio Manager
October 20, 2014

For more information about this Fund please scan this QR code with any bar code reader on your mobile device.

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.

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