Baron Asset Fund
Baron Growth Fund
Baron Small Cap Fund
Baron Opportunity Fund
Baron Fifth Avenue Growth Fund

September 30, 2011

Baron Asset Fund

Ticker Symbols:Retail Shares: BARAX

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Baron Funds®

Annual Financial Report

DEAR BARON FUNDS SHAREHOLDER:

In this report you will find audited financial statements for Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund (the "Funds") for the fiscal year ended September 30, 2011. The Securities and Exchange Commission (the "SEC") requires mutual funds to furnish these statements semi-annually to their shareholders. We hope you find these statements informative and useful.

We thank you for choosing to join us as fellow shareholders in Baron Funds. We will continue to work hard to justify your confidence.

Sincerely,

Kanels Barn

Ronald Baron Chief Executive Officer and Chief Investment Officer November 28, 2011 Linda S. Martinson Chairman, President and Chief Operating Officer November 28, 2011

Peggy Wong Treasurer and Chief Financial Officer November 28, 2011

This Annual Financial Report is for the Baron Investment Funds Trust, which currently has five series: Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund. If you are interested in the Baron Select Funds, which contains the Baron Partners Fund, Baron Focused Growth Fund, Baron International Growth Fund, Baron Real Estate Fund and Baron Emerging Markets Fund series, please visit the Funds' website at www.BaronFunds.com or contact us at 1-800-99BARON.

A description of the Funds' proxy voting policies and procedures is available without charge on the Funds' website, www.BaronFunds.com, or by calling 1-800-99BARON and on the SEC's website at www.sec.gov. The Funds' most current proxy voting record, Form N-PX, is also available on the Funds' website and on the SEC's website.

The Funds file their complete schedules of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at www.sec.gov. The Funds' Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC; information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-551-8090. A copy of the Funds' Forms N-Q may also be obtained upon request by calling 1-800-99BARON. Schedules of portfolio holdings current to the most recent quarter are also available on the Funds' website.

Some of the comments are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as "estimate," "may," "expect," "should," "could," "believe," "plan" and other similar terms. We cannot promise future returns and our opinions are a reflection of our best judgment at the time this report is compiled.

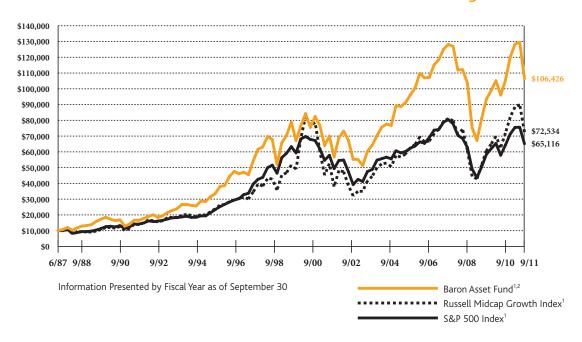
The views expressed in this report reflect those of the BAMCO, Inc. ("BAMCO" or the "Adviser") only through the end of the period stated in this report. The views are not intended as recommendations or investment advice to any person reading this report and are subject to change at any time without notice based on market and other conditions.

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. For more complete information about Baron Funds, including charges and expenses, call, write or go to www.baronfunds.com for a prospectus. Read it carefully before you invest or send money. This report is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Funds, unless accompanied or preceded by the Funds' current prospectus.



F U N D S' 767 Fifth Avenue NY, NY 10153 212-583-2100

Comparison of the change in Value of \$10,000 investment in Baron Asset Fund (Retail Shares)† In relation to the Russell Midcap Growth Index and the S&P 500 Index



AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED SEPTEMBER 30, 2011

	One Year	Three Years	Five Years	Ten Years	Since Inception (June 12, 1987)
Baron Asset Fund — Retail Shares ^{1, 2}	0.85%	0.88%	-0.15%	6.49%	10.22%
Baron Asset Fund — Institutional Shares 1, 2, 4	1.14%	1.08%	-0.03%	6.56%	10.25%
Russell Midcap Growth Index ¹	0.80%	5.89%	1.64%	6.70%	8.51%3
S&P 500 Index ¹	1.14%	1.23%	-1.18%	2.82%	8.02%

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings ("IPOs") and/or secondary offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPOs and secondary offerings in the future.

¹ The Russell Midcap Growth Index and the S&P 500 Index are unmanaged indexes. The Russell Midcap Growth Index measures the performance of mid-sized companies that are classified as growth. The S&P 500 Index measures the performance of larger cap equities in the stock market in general. The indexes and the Baron Asset Fund are with dividends, which positively impact the performance results.

² Past performance is not predictive of future performance. The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions, or redemption of Fund shares.

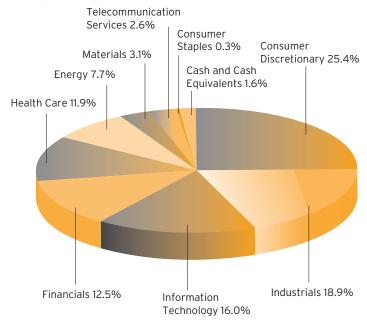
For the period June 30, 1987 to September 30, 2011.

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 prior to May 29, 2009 did not reflect this fee, the returns would be higher.

TOP TEN HOLDINGS AS OF SEPTEMBER 30, 2011

	% of Net
Baron Asset Fund	Assets
Gartner, Inc.	4.2%
Fastenal Co.	3.8%
IDEXX Laboratories, Inc.	3.7%
FactSet Research Systems, Inc.	3.6%
Ralph Lauren Corp.	3.4%
C. H. Robinson Worldwide, Inc.	3.1%
Equinix, Inc.	2.8%
Vail Resorts, Inc.	2.8%
Arch Capital Group, Ltd.	2.7%
Wynn Resorts, Ltd.	2.6%
	32.7%

SECTOR BREAKDOWN AS OF SEPTEMBER 30, 2011² (as a percentage of net assets)



Management's Discussion of Fund Performance

Baron Asset Fund † gained 0.85% for the fiscal year ended September 30, 2011, in line with the Russell Midcap Growth Index, which gained 0.80% and slightly underperforming the S&P 500 Index, which gained 1.14%.

Baron Asset Fund invests primarily in medium-sized growth companies for the long-term while using value-oriented purchase and sell disciplines¹. The Fund purchases companies that the Adviser believes have sustainable competitive advantages and strong financial characteristics, operating in industries with favorable macroeconomic trends led by strong management.

Despite strong fundamental business trends in many industries throughout much of the fiscal year, the stock market fell sharply in the September quarter amid concerns that America's economic recovery was "stalling," in large part due to lack of confidence in our politicians. As a result of highly partisan debates, one independent credit rating agency downgraded our country's credit rating. The U.S. stock market was also negatively impacted by the European banking crisis and ensuing political turmoil. High frequency trading increased the market's volatility.

All these factors served to cause a crisis of confidence among investors. In our view, the U.S. is not experiencing a systemic meltdown in its financial system, and this is not a repeat of 2008. TARP loans have been mostly repaid by banks and other financial institutions, providing a solid foundation for growth. Companies have solid balance sheets, and borrowing rates are at historic lows. While there is great market uncertainty, the management teams of our portfolio companies have more relative confidence than during the "Great Recession."

Leading apparel brand Ralph Lauren Corp. was the largest contributor to the Fund's performance for the year. The company delivered strong results throughout the year, even as consumer confidence waned in the third quarter of 2011. The company's investments in new product sourcing and distribution proved beneficial as profits grew faster than sales throughout the year. We see significant opportunities for continued growth given the brand's balanced positioning in both moderately priced department store products and high-end luxury labels.

DeVry, Inc., a provider of diversified post-secondary education, had the most negative impact on the Fund's performance for the year. Like other proprietary institutions, DeVry is experiencing enrollment declines as students, discouraged by the prolonged economic downturn, defer their decision to commit to college and the loans necessary to finance it. We remain positive on DeVry, given its focus on disciplines that should experience sustained job creation and its solid history of graduate placement. We believe DeVry brings capital and needed capacity to what will prove to be an increasingly constrained public system.

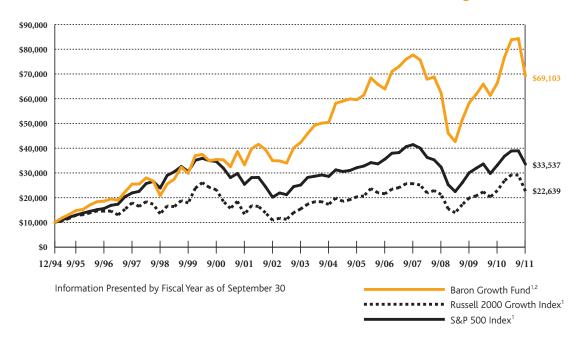
The Adviser expects to continue to invest in companies that, in our opinion, are undervalued relative to their long-term growth prospects and have the ability to sustain superior levels of profitability. We intend to continue to identify these companies through our independent research efforts. We expect the Fund will remain diversified not only by industry and investment theme, but also by external factors we believe could affect company performance. This approach to investing in companies, not trading of stocks, we believe will allow the Fund to produce above-average rates of return.

[†] Performance information reflects results of the Retail Shares.

¹ Prior to February 15, 2007, the Fund's strategy was to invest primarily in small- and mid-sized growth companies.

² Industry sector or sub-industry group levels are derived from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. and Standard & Poor's Financial Services LLC, unless otherwise stated that they have been reclassified or classified by the Adviser. All GICS data is provided "as is" with no warranties.

Comparison of the change in Value of \$10,000 investment in Baron Growth Fund (Retail Shares)† in relation to the Russell 2000 Growth Index and the S&P 500 Index



AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED SEPTEMBER 30, 2011

	One Year	Three Years	Five Years	Ten Years	Since Inception (December 31, 1994)
Baron Growth Fund — Retail Shares ^{1, 2}	4.08%	3.51%	1.55%	7.58%	12.23%
Baron Growth Fund — Institutional Shares 1, 2, 3	4.36%	3.72%	1.68%	7.64%	12.27%
Russell 2000 Growth Index ¹	-1.12%	2.07%	0.96%	5.45%	5.00%
S&P 500 Index ¹	1.14%	1.23%	-1.18%	2.82%	7.49%

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings ("IPOs") and/or secondary offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPOs and secondary offerings in the future.

The Russell 2000 Growth Index and S&P 500 Index are unmanaged indexes. The Russell 2000 Growth Index measures the performance of 2,000 small U.S. companies classified as growth. The S&P 500 Index measures the performance of larger cap equities in the stock market in general. These indexes and the Baron Growth Fund are with dividends, which positively impact the performance results.

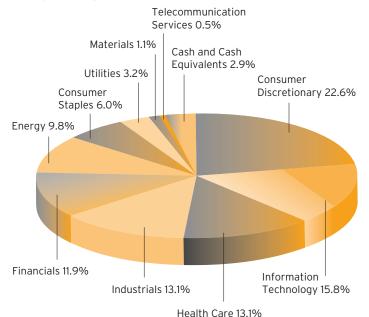
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³ Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns prior to May 29, 2009 did not reflect this fee, the returns would be higher.

TOP TEN HOLDINGS AS OF SEPTEMBER 30, 2011

	% of Net
Baron Growth Fund	Assets
ITC Holdings Corp.	3.2%
Dick's Sporting Goods, Inc.	3.1%
FactSet Research Systems, Inc.	2.7%
Mettler-Toledo International, Inc.	2.6%
Arch Capital Group, Ltd.	2.6%
DeVry, Inc.	2.5%
MSCI, Inc., Cl A	2.4%
Core Laboratories NV	2.3%
Morningstar, Inc.	2.2%
ANSYS, Inc.	2.1%
	25.7%

SECTOR BREAKDOWN AS OF SEPTEMBER 30, 2011¹ (as a percentage of net assets)



Management's Discussion of Fund Performance

Baron Growth Fund[†] gained 4.08% for the fiscal year ended September 30, 2011, compared to a 1.12% decline for the Russell 2000 Growth Index and a 1.14% gain for the S&P 500 Index.

Baron Growth Fund is a long-term investor in primarily small-sized growth companies. The Adviser, through its independent research of

companies, utilizes an investment approach that it believes allows it to look beyond the current market environment and invest based upon the potential profitability of a business, and, therefore, its value in the future.

Despite strong fundamental business trends in many industries throughout much of the fiscal year, the stock market fell sharply in the September quarter amid concerns that America's economic recovery was "stalling," in large part due to lack of confidence in our politicians. As a result of highly partisan debates, one independent credit rating agency downgraded our country's credit rating. This escalated a crisis of confidence among investors. In general, smaller companies sell off more than larger companies in times of economic uncertainty.

The U.S. stock market has also been negatively impacted by the European banking crisis, and ensuing political turmoil. High frequency trading increased the market's volatility. In our view, the U.S. is not experiencing a systemic meltdown in its financial system, and this is not a repeat of 2008. TARP loans have been mostly repaid by banks and other financial institutions, providing a solid foundation for growth. Companies have solid balance sheets, and borrowing rates are at historic lows. While there is great market uncertainty, the management teams of our portfolio companies have more relative confidence than during the "Great Recession."

Molycorp, Inc., owner of the largest rare-earth deposit outside of China, was the leading contributor to Fund performance during the year. The Fund began purchasing Molycorp in September 2010, coincident with China's implementation of production and export restrictions on its rare earths. Within weeks, Molycorp sold out its entire anticipated 2011 production and announced plans to double capacity by 2014. Molycorp's shares advanced sharply and the Fund sold a majority of its position in May 2011.

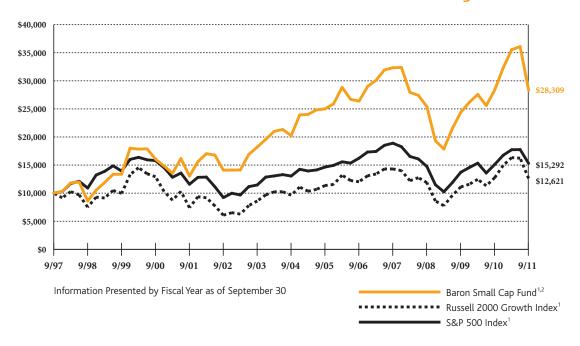
The largest detractor from Fund performance during the year was Strayer Education, Inc., a 115-year-old provider of post-secondary education to primarily working adults. Like other proprietary institutions, enrollment at Strayer declined due to the prolonged economic downturn, which discouraged students from committing to school and the loans necessary for financing their education. Long term, we believe the increasing need for a college education will outstrip constrained public supply giving this high-quality provider the opportunity to return to positive enrollment growth while expanding its geographic footprint.

We believe that our investment process, with its focus on research and long-term investing, will enable the Fund to take advantage of opportunities as they arise throughout the economic recovery. We intend to continue to invest in small businesses that we believe have the potential to grow substantially in the years ahead. We expect the Fund will remain diversified not only by industry and investment theme, but also by external factors we believe could affect company performance. This approach to investing in companies, not trading of stocks, we believe will allow the Fund to produce above-average rates of return.

[†] Performance information reflects results of the Retail Shares.

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COMPARISON OF THE CHANGE IN VALUE OF \$10,000 INVESTMENT IN BARON SMALL CAP FUND (RETAIL SHARES)† IN RELATION TO THE RUSSELL 2000 GROWTH INDEX AND THE S&P 500 INDEX



AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED SEPTEMBER 30, 2011

	One Year	Three Years	Five Years	Ten Years	Since Inception (September 30, 1997)
Baron Small Cap Fund — Retail Shares ^{1, 2}	-0.29%	3.68%	1.42%	8.07%	7.72%
Baron Small Cap Fund — Institutional Shares ^{1, 2, 3}	-0.05%	3.88%	1.53%	8.13%	7.76%
Russell 2000 Growth Index ¹	-1.12%	2.07%	0.96%	5.45%	1.68%
S&P 500 Index ¹	1.14%	1.23%	-1.18%	2.82%	3.08%

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings ("IPOs") and/or secondary offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPOs and secondary offerings in the future.

The Russell 2000 Growth Index and S&P 500 Index are unmanaged indexes. The Russell 2000 Growth Index measures the performance of 2,000 small U.S. companies classified as growth. The S&P 500 Index measures the performance of larger cap equities in the stock market in general. These indexes and the Baron Small Cap Fund are with dividends, which positively impact the performance results.

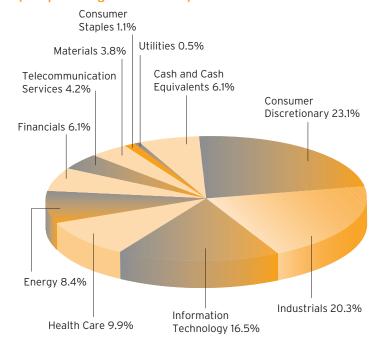
² Past performance is not predictive of future performance. The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions, or redemption of Fund shares.

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 prior to May 29, 2009 did not reflect this fee, the returns would be higher.

TOP TEN HOLDINGS AS OF SEPTEMBER 30, 2011

Baron Small Cap Fund	% of Net Assets
TransDigm Group, Inc.	3.3%
Penn National Gaming, Inc.	3.1%
SBA Communications Corp., Cl A	2.8%
Liberty Media Corp Liberty Capital, Cl A	2.7%
Waste Connections, Inc.	2.5%
Gartner, Inc.	2.3%
Equinix, Inc.	2.3%
Clean Harbors, Inc.	2.3%
Fossil, Inc.	2.2%
Polypore International, Inc.	2.1%
	25.6%

SECTOR BREAKDOWN AS OF SEPTEMBER 30, 2011¹ (as a percentage of net assets)



Management's Discussion of Fund Performance

Baron Small Cap Fund[†] declined 0.29% for the fiscal year ended September 30, 2011, outperforming the Russell 2000 Growth Index of small-cap stocks, which declined 1.12%, and underperforming the S&P 500 Index, which gained 1.14%.

Baron Small Cap Fund invests primarily in small-cap growth companies. The Fund is a long-term investor in what the Adviser believes are well-run small-cap growth businesses that can be purchased at prices that represent a significant discount to our assessment of true value.

Despite strong fundamental business trends in many industries throughout much of the fiscal year, the stock market fell sharply in the September quarter amid concerns that America's economic recovery was "stalling," in large part due to lack of confidence in our politicians. As a result of highly partisan debates, one independent credit rating agency downgraded our country's credit rating. This escalated a crisis of confidence among investors. In general, smaller companies sell off more than larger companies in times of economic uncertainty.

The U.S. stock market has also been negatively impacted by the European banking crisis, and ensuing political turmoil. High frequency trading increased the market's volatility. In our view, the U.S. is not experiencing a systemic meltdown in its financial system, and this is not a repeat of 2008. TARP loans have been mostly repaid by banks and other financial institutions, providing a solid foundation for growth. Companies have solid balance sheets, and borrowing rates are at historic lows. While there is great market uncertainty, the management teams of our portfolio companies have more relative confidence than during the "Great Recession."

Atlas Energy, Inc. was the leading contributor to Fund performance for the year. Atlas is one of the largest Marcellus shale acreage holders in Pennsylvania. Early in 2010, Atlas formed a joint venture with Reliance Corp. to fund the cost of drilling the shale over a three-year period. In November, 2010, Atlas agreed to be purchased by Chevron Corp. at a premium.

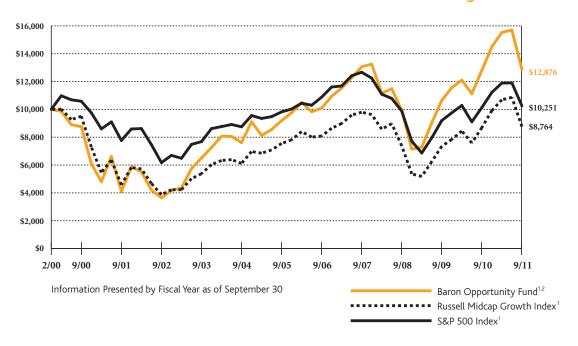
The largest detractor from Fund performance during the year was Strayer Education, Inc., a 115 year-old provider of post-secondary education to primarily working adults. Like other proprietary institutions, enrollment at Strayer declined due to the prolonged economic downturn, which discouraged students from committing to school and the loans necessary for financing their education. Long term, we believe the increasing need for a college education will outstrip constrained public supply giving this high-quality provider the opportunity to return to positive enrollment growth while expanding its geographic footprint.

Baron Small Cap's investments fall into three categories: Growth Stocks, Fallen Angels and Special Situations. The Fund intends to continue to invest in "Growth Stocks" that we believe have significant long-term growth prospects and can be purchased at what we believe are attractive prices because their prospects have not yet been discovered by investors. "Fallen Angels" are companies that we believe have strong long-term franchises but have disappointed investors with short-term results, creating what we believe is a buying opportunity. "Special Situations" include spin-offs and recapitalizations, where lack of investor awareness creates opportunities to purchase what we believe are strong businesses at attractive prices.

[†] Performance information reflects results of the Retail Shares.

Industry sector or sub-industry group levels are derived from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. and Standard & Poor's Financial Services LLC, unless otherwise stated that they have been reclassified or classified by the Adviser. All GICS data is provided "as is" with no warranties.

COMPARISON OF THE CHANGE IN VALUE OF \$10,000 INVESTMENT IN BARON OPPORTUNITY FUND (RETAIL SHARES)† IN RELATION TO THE RUSSELL MIDCAP GROWTH INDEX AND THE S&P 500 INDEX



AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED SEPTEMBER 30, 2011

	One Year	Three Years	Five Years	Ten Years	Since Inception (February 29, 2000)
Baron Opportunity Fund — Retail Shares ^{1, 2}	0.55%	9.03%	5.01%	12.11%	2.21%
Baron Opportunity Fund — Institutional Shares ^{1, 2, 3}	0.86%	9.25%	5.14%	12.18%	2.26%
Russell Midcap Growth Index1	0.80%	5.89%	1.64%	6.70%	-1.13%
S&P 500 Index ¹	1.14%	1.23%	-1.18%	2.82%	0.21%

[†] To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings ("IPOs") and/or secondary offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPOs and secondary offerings in the future.

¹ The Russell Midcap Growth Index and the S&P 500 Index are unmanaged indexes. The Russell Midcap Growth Index measures the performance of mid-sized companies that are classified as growth. The S&P 500 Index measures the performance of larger cap equities in the stock market in general. These indexes and the Baron Opportunity Fund are with dividends, which positively impact the performance results.

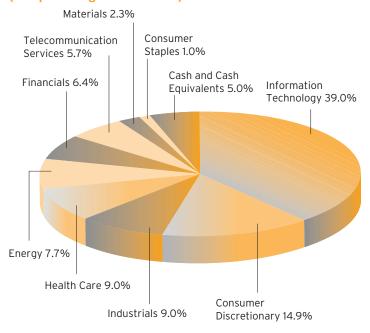
² Past performance is not predictive of future performance. The performance data in the table does not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions, or redemption of Fund shares.

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 prior to May 29, 2009 did not reflect this fee, the returns would be higher.

TOP TEN HOLDINGS AS OF SEPTEMBER 30, 2011

Baron Opportunity Fund	% of Net Assets
Equinix, Inc.	4.2%
Apple, Inc.	3.7%
Gartner, Inc.	3.6%
Polypore International, Inc.	3.6%
SBA Communications Corp., Cl A	3.2%
CARBO Ceramics, Inc.	3.0%
MSCI, Inc., Cl A	2.8%
Discovery Communications, Inc., Series C	2.7%
NII Holdings, Inc.	2.5%
ANSYS, Inc.	2.3%
	31.6%

SECTOR BREAKDOWN AS OF SEPTEMBER 30, 2011¹ (as a percentage of net assets)



Management's Discussion of Fund Performance

Baron Opportunity Fund[†] gained 0.55% in the fiscal year ended September 30, 2011 while the Russell Midcap Growth Index gained 0.80% and the S&P 500 Index gained 1.14%.

Baron Opportunity Fund, like the other Baron Funds, utilizes value purchase disciplines while investing in growth companies that the Adviser believes are driving or benefiting from innovation through development of pioneering, transformative or technologically advanced products and services.

Despite strong fundamental business trends in many industries throughout much of the fiscal year, the stock market fell sharply in the September quarter amid concerns about the "stalling" U.S. economic recovery, the European sovereign debt crises, and a lack of confidence in U.S. and European political leaders. Volatility created by high-frequency trading and the growth of ETFs, and the S&P's downgrade of the U.S. credit rating only served to escalate this crisis of confidence among investors. The U.S. stock market has been extremely volatile since the summer, gyrating wildly with every rumor out of Europe and every economic data point.

Polypore International, Inc. was the strongest contributor to Fund performance for the year. Even though its share price declined in the volatile September quarter, Polypore, which manufactures micro porous membranes used in batteries and dialysis equipment, sustained solid earnings growth throughout the year. Margins expanded along with demand for lithium-ion battery separators. The lithium-ion business continues to grow, driven by increasing demand for consumer electronic devices and the developing market for electric vehicles.

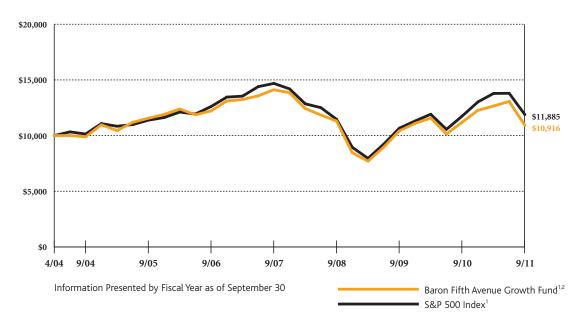
NII Holdings, Inc. was the biggest detractor from Fund performance during the year. A wireless communications company focused on Latin American markets, shares of NII Holdings experienced modest gains through the first nine months of the fiscal year before declining in the last fiscal quarter. The decline was mainly due to weakening of the Mexican Peso and the Brazilian Real relative to the U.S. dollar. Operationally, the company remains strong, with upcoming 3G launches in Mexico, and Brazil still on target.

We believe that our investment process, with its focus on research and long-term investing, will enable the Fund to continue to take advantage of opportunities as they arise. We expect to continue to invest in high-growth mid-sized businesses in any sector or industry that we believe will benefit from innovations and advances in technology.

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Comparison of the change in Value of \$10,000 investment in Baron Fifth Avenue Growth Fund (Retail Shares)† IN RELATION TO THE S&P 500 INDEX



AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED SEPTEMBER 30, 2011

	One Year	Three Years	Five Years	Since Inception (April 30, 2004)
Baron Fifth Avenue Growth Fund — Retail Shares ^{1, 2}	-2.50%	-1.15%	-2.23%	1.19%
Baron Fifth Avenue Growth Fund — Institutional Shares 1, 2, 3	-2.28%	-0.98%	-2.13%	1.26%
S&P 500 Index1	1.14%	1.23%	-1.18%	2.36%

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings ("IPOs") and/or secondary offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPOs and secondary offerings in the future.

¹ The S&P 500 Index is an unmanaged index. The S&P 500 Index measures the performance of larger cap equities in the stock market in general. The index and the Baron Fifth Avenue Growth Fund are with dividends, which positively impact the performance results.

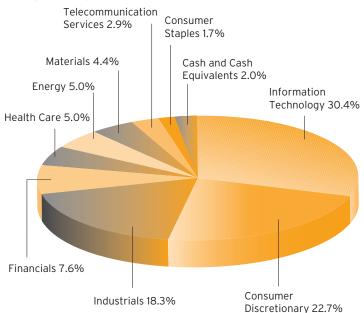
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³ Performance for the Institutional Shares prior to May 29, 2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns prior to May 29, 2009 did not reflect this fee, the returns would be higher.

TOP TEN HOLDINGS AS OF SEPTEMBER 30, 2011

Baron Fifth Avenue Growth Fund	% of Net Assets
Google, Inc., Cl A	4.0%
Apple, Inc.	3.9%
Yum! Brands, Inc.	3.4%
Amazon.com, Inc.	3.1%
American Tower Corp., Cl A	2.9%
Danaher Corp.	2.9%
Equinix, Inc.	2.8%
Kansas City Southern	2.8%
Visa, Inc., Cl A	2.8%
Intuitive Surgical, Inc.	2.8%
	31.4%

SECTOR BREAKDOWN AS OF SEPTEMBER 30, 2011¹ (as a percentage of net assets)



Management's Discussion of Fund Performance

Baron Fifth Avenue Growth Fund† declined 2.50% for the fiscal year ended September 30, 2011, while the Fund's relative index, the S&P 500 Index, gained 1.14%.

Baron Fifth Avenue Growth Fund focuses on the long-term fundamental prospects of the businesses in which it invests. This

contrasts with other investors' focus on historical operating results or current earnings expectations. The Adviser believes that historical results and the outlook for near-term earnings are often not indicative of superior longer-term prospects that can be identified through research efforts.

Despite strong fundamental business trends in many industries throughout much of the fiscal year, the stock market fell sharply in the September quarter amid concerns that America's economic recovery was "stalling," in large part due to lack of confidence in our politicians. As a result of highly partisan debates, one independent credit rating agency downgraded our country's credit rating. This escalated a crisis of confidence among investors. The U.S. stock market has also been negatively impacted by the European banking crisis and ensuing political turmoil. High frequency trading increased the market's volatility. Weaker performance in the most economically sensitive sectors, such as Energy, Materials, and Consumer Discretionary, negatively affected the portfolio.

The U.S. began its economic recovery in 2009 by promulgating unconventional government policies to rescue our automobile manufacturers and banks. We think these efforts saved jobs and industries and have provided us with a solid foundation for growth. In the past 10 years businesses have doubled their earnings, while the S&P 500 Index is up only 2.8% per year. In this low-return world we see stocks as inexpensive.

Propelled by the successful introductions of its iPad2 tablet computer and the iPhone 4, Apple, Inc. gained strongly and was the leading contributor to Fund performance for the year. Apple is one of the world's leading innovators of consumer digital products. We think the company continues to have significant growth potential, especially in the market for smart phones.

Molycorp, Inc., owner of the largest rare-earth deposit outside of China, was the biggest detractor from Fund performance during the year. Molycorp had performed well throughout the first half of the period, largely due to China's decision in 2010 to restrict production and exports. The Fund began purchasing shares in the Spring 2011. As the summer progressed and the economy softened, rare-earth prices fell, driving down Molycorp's share price. Additionally, the company announced the suspension of a joint venture with Hitachi Metals. We believe Molycorp will find a new partner for its magnet venture and that prices and demand for rare earths will stabilize and resume growing shortly.

The Adviser invests in what we believe are some of the best companies in America. The Fund is positioned, in our view, in blue-chip, best-of-breed growth companies with a strong emphasis on quality to reduce risk. We believe the key to long-term stock appreciation is consistent earnings growth. We invest in those companies that are market share leaders who dominate their industry, companies with strong franchises and a strong brand name, avoiding fads and other short-term, unsustainable trends. We target companies that are the low-cost operators in their industry with, in our view, high barriers to entry. We also try to invest in growth companies that are positioned in industries that are themselves growing as opposed to industries that are stagnant or structurally challenged.

[†] Performance information reflects results of the Retail Shares.

Industry sector or sub-industry group levels are derived from the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. and Standard & Poor's Financial Services LLC, unless otherwise stated that they have been reclassified or classified by the Adviser. All GICS data is provided "as is" with no warranties.

Baron Asset Fund September 30, 2011

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Shares		Cost	Value	Shares	Cost	Value
Common S	stocks (97.31%)			Common Stocks (continued)		
275,000	Discretionary (25.25%) Apparel, Accessories & Luxury Goods (4.38%) Fossil, Inc.¹ Ralph Lauren Corp. (formerly, Polo Ralph	\$ 22,650,984 \$	22,291,500	Energy (continued) Oil & Gas Exploration & Production (3.71%) 464,500 Concho Resources, Inc. ¹ 375,000 SM Energy Co. 750,000 Whiting Petroleum Corp. ¹	\$ 21,502,934 \$ 22,362,045 26,220,923	\$ 33,044,530 22,743,750 26,310,000
	Lauren Corp., Cl A)	10,829,791	74,577,500		70,085,902	82,098,280
		33,480,775	96,869,000	Total Energy	142,882,435	170,996,830
	Auto Parts & Equipment (1.07%) BorgWarner, Inc. ¹ Gentex Corp.	4,227,642 24,149,686	4,539,750 19,240,000	Financials (11.52%) Asset Management &		
		28,377,328	23,779,750	Custody Banks (1.38%)		
405,000	Automotive Retail (0.44%) CarMax, Inc. ¹	4,610,274	9,659,250	675,000 Eaton Vance Corp. 325,000 T. Rowe Price Group, Inc.	12,591,598 7,848,785	15,032,250 15,525,250
1,100,000	Broadcasting (1.87%) Discovery Communications, Inc., Cl A ¹	29,767,574	41,382,000	Investment Banking & Brokerage (2.42%)	20,440,383	30,557,500
500,000	Casinos & Gaming (2.60%) Wynn Resorts, Ltd.	1,660,930	57,540,000	4,750,000 Charles Schwab Corp. Office REITs (2.02%)	7,836,687	53,532,500
1 100 000	Education Services (1.84%)	4 104 147	40,656,000	123,500 Alexander's, Inc. ⁴	6,519,292	44,585,970
1, 100,000	DeVry, Inc. Hotels, Resorts &	4,194,147	40,636,000	Real Estate Services (0.79%) 1,300,000 CB Richard Ellis Group, Inc., Cl A ¹	14,831,561	17,498,000
	Cruise Lines (2.35%) Choice Hotels International, Inc. Hyatt Hotels Corp., Cl A ¹	4,185,563 24,084,647	25,262,000 26,664,500	Regional Banks (0.47%) 450,000 First Republic Bank ¹	11,878,902	10,422,000
	Internat Patall (2.000)	28,270,210	51,926,500	Reinsurance (2.73%) 1,850,000 Arch Capital Group, Ltd. ^{1,2}	20,334,022	60,448,750
	Internet Retail (2.86%) HomeAway, Inc. ¹ priceline.com, Inc. ¹	18,373,629 16,248,871	18,491,000 44,946,000	Specialized Finance (1.71%) 1,250,000 MSCI, Inc., Cl A ¹	37,405,087	37,912,500
		34,622,500	63,437,000	Total Financials	119,245,934	254,957,220
1,635,850	Leisure Facilities (2.79%) Vail Resorts, Inc.	32,279,772	61,818,772	Health Care (11.86%)		
300,000	Restaurants (0.37%) Dunkin' Brands Group, Inc. ¹	7,232,984	8,310,000	Health Care Distributors (0.98%) 350,000 Henry Schein, Inc. ¹	9,382,832	21,703,500
875,000	Specialty Stores (4.68%) Dick's Sporting Goods, Inc. ¹ Tiffany & Co. Tractor Supply Co.	23,324,713 27,677,226 23,457,323	28,441,000 53,217,500 21,892,500	Health Care Equipment (5.06%) 1,175,000 IDEXX Laboratories, Inc.¹ 85,000 Intuitive Surgical, Inc.¹	47,521,405 12,819,285	81,039,750 30,963,800
		74,459,262	103,551,000	11 11 0 5 11:1 (0.200)	60,340,690	112,003,550
Total Consu	mer Discretionary	278,955,756	558,929,272	Health Care Facilities (0.38%) 500,000 Community Health Systems, Inc. ¹	12,650,128	8,320,000
Consumer	Staples (0.32%)			Health Care Technology (1.31%) 425,000 Cerner Corp.1	20,349,446	29,121,000
	Packaged Foods & Meats (0.32%) Green Mountain Coffee			Life Sciences Tools & Services (2.38%) 376,000 Mettler-Toledo International, Inc.¹	27,323,190	52,624,960
	Roasters, Inc. ¹	5,360,642	6,970,500	Pharmaceuticals (1.75%) 400,000 Perrigo Co.	31,538,503	38,844,000
F	720/)			Total Health Care	161,584,789	262,617,010
750,000	Oil & Gas Drilling (1.37%) Helmerich & Payne, Inc.	23,128,329	30,450,000	Industrials (18.91%)		
165,000	Oil & Gas Equipment & Services (2.64%) CARBO Ceramics, Inc.	23,348,947	16,917,450	Air Freight & Logistics (4.28%) 1,000,000 C. H. Robinson Worldwide, Inc. 650,000 Expeditors International of	18,377,687	68,470,000
315,000	Core Laboratories NV ²	ories NV ² 21,719,124 28,296,450 Washington, Inc.	15,092,925	26,357,500		
	SEACOR Holdings, Inc. ¹				33,470,612	94,827,500
		49,668,204	58,448,550	Diversified Support Services (1.42%) 1,550,000 Ritchie Bros. Auctioneers, Inc. ²	38,130,924	31,294,500
				,, 3.03./ (4.00.0.03.5) [110.	, .50,521	,-5 -,550

Baron Asset Fund

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares			Cost		Value
Common S	tocks (continued)				
Industrials	(continued) Electrical Components & Equipment (1.50%)				
	Polypore International, Inc. ¹ Roper Industries, Inc.	\$	24,121,672 14,045,821	\$	21,195,000 12,059,250
			38,167,493		33,254,250
575,000	Environmental & Facilities Services (2.10%) Stericycle, Inc. ¹		16,499,475		46,414,000
525,000	Human Resource & Employment Services (0.50%) Robert Half International, Inc.		468,763		11,140,500
200,000	Industrial Machinery (0.44%) Stanley Black & Decker, Inc.		11,721,438		9,820,000
1,600,000	Research & Consulting Services (4.40%) Nielsen Holdings NV ^{1,2}		40,612,243		41,728,000
1,600,000	Verisk Analytics, Inc., Cl A ¹		42,492,692	-	55,632,000
	Trading Companies &		83,104,935		97,360,000
	Distributors (4.27%) Air Lease Corp. ¹ Fastenal Co.		13,543,231 50,069,098		9,600,000 84,864,000
			63,612,329	-	94,464,000
Total Indust	rials		285,175,969	Ξ	418,574,750
800,000	n Technology (16.02%) Application Software (5.39%) ANSYS, Inc.¹ FactSet Research Systems, Inc.		26,291,691 52,246,929 78,538,620	_	39,232,000 80,073,000 119,305,000
650,000	Communications Equipment (0.54%) Polycom, Inc. ¹		78,538,620 12,850,590		11,940,500
	Electronic Equipment & Instruments (0.79%) FLIR Systems, Inc.		15,406,183		17,535,000
250,000	Internet Software & Services (0.88%) LinkedIn Corp., Cl A ¹		16,334,646		19,520,000
700.000	IT Consulting & Other Services (6.98%) Equinix, Inc. ^{1,4}		56,983,955		62,181,000
2,650,000	Gartner, Inc. ¹	_	61,915,094 118,899,049	_	92,405,500 154,586,500
725.000	Systems Software (1.44%) MICROS Systems, Inc. ¹		35,883,646		31,834,750
	nation Technology		277,912,734	_	354,721,750
Materials (3.07%) Diversified Metals & Mining (0.71%)				
475,000	Molycorp, Inc.¹ Industrial Gases (1.30%)		25,658,018		15,613,250
450,000	Airgas, Inc. Specialty Chemicals (1.06%)		30,271,297		28,719,000
	Rockwood Holdings, Inc. ¹	_	36,089,397	_	23,583,000
Total Materi	ais	_	92,018,712	-	67,915,250

Shares	Cost	Value
Common Stocks (continued)		
Telecommunication Services (2.64%) Wireless Telecommunication Services (2.64%) 250,000 NII Holdings, Inc.¹ 1,500,000 SBA Communications Corp., Cl A¹ Total Telecommunication Services Total Common Stocks	\$ 7,261,464 48,885,000 56,146,464 1,419,283,435	\$ 6,737,500 51,720,000 58,457,500 2,154,140,082
Private Equity Investments (1.09%)		
Consumer Discretionary (0.14%) Hotels, Resorts & Cruise Lines (0.14%) 5,200,000 Kerzner International Holdings, Ltd., Cl A12,3,4,6	52,000,000	2,964,000
Financials (0.95%) Asset Management & Custody Banks (0.95%) 6,532,691 Windy City Investments		
Holdings LLC ^{1,3,4,6} 523,532 Windy City Investments	33,639,548	19,598,073
Holdings LLC ^{1,3,4,6,7}	942,357	1,492,065
Total Financials	34,581,905	21,090,138
Total Private Equity Investments	86,581,905	24,054,138
Principal Amount		
Short Term Investments (1.52%)		
\$33,718,879 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$33,718,907; (Fully collateralized by U.S. Treasury Note, 1.375% due 09/30/2018; Market value - \$35,407,313) ⁵	33,718,879	33,718,879
Total Investments (99.92%)	\$ 1,539,584,219	2,211,913,099
Cash and Other Assets Less Liabilities (0.08%)	1,869,744
Net Assets		\$ 2,213,782,843
Retail Shares (Equivalent to \$49.00 per share based on 39,282,087 shares outstanding)		\$ 1,924,878,978
Institutional Shares (Equivalent to \$49.30 per share based on 5,860,288 shares outstanding)		\$ 288,903,865

- % Represents percentage of net assets.
- Non-income producing securities.
- ² Foreign corporation.
- ³ At September 30, 2011, the market value of restricted and fair valued securities amounted to \$24,054,138 or 1.09% of net assets. None of these securities are deemed liquid. See Note 6 regarding Restricted Securities.
- The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.
- ⁵ Level 2 security. See Note 7 regarding Fair Value Measurements.
- ⁶ Level 3 security. See Note 7 regarding Fair Value Measurements.
- Position is subject to additional restriction.

All securities are Level 1, unless otherwise noted.

Baron Growth Fund

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Shares	Cost	Value	Shares	Cost	Value
Common Stocks (96.89%)			Common Stocks (continued)		
Consumer Discretionary (22.51%)			Energy (9.84%)		
Apparel Retail (0.46%) 1,464,900 Companhia Hering (Brazil) ²	\$ 21,638,953	\$ 24,471,485	Oil & Gas Drilling (0.70%) 925,000 Helmerich & Payne, Inc.	\$ 20,821,012 \$	37,555,000
Apparel, Accessories & Luxury Goods (1.67%) 1,350,000 Under Armour, Inc., Cl A ¹	43,660,051	89,653,500	Oil & Gas Equipment & Services (5.48%) 875,764 CARBO Ceramics, Inc. 1,388,272 Core Laboratories NV ²	59,006,928 43,036,240	89,792,083 124,708,474
Automotive Retail (0.22%) 750,000 Penske Automotive Group, Inc.	13,032,059	12,000,000	1,000,000 SEACOR Holdings, Inc. ¹	69,798,678	80,210,000
Casinos & Gaming (1.72%) 150,000 Ameristar Casinos, Inc. 2,700,000 Penn National Gaming, Inc.	2,651,936 75,975,993	2,407,500 89,883,000	Oil & Gas Exploration & Production (3.08%)	171,841,846	294,710,557
	78,627,929	92,290,500	1,600,000 Brigham Exploration Co. ¹ 300,000 Concho Resources, Inc. ¹	24,210,346 8,411,945	40,416,000 21,342,000
Distributors (1.91%) 4,250,000 LKQ Corp.¹ Education Services (4.63%)	55,839,251	102,680,000	1,400,000 Denbury Resources, Inc. ¹ 247,191 Oasis Petroleum, Inc. ¹ 1,350,000 SM Energy Co.	7,859,281 3,460,674 47,098,557	16,100,000 5,519,775 81,877,500
4,903,369 Anhanguera Educacional Participacoes SA (Brazil) ²	65,828,595	63,109,443	Oil 9 Cas Starage 9	91,040,803	165,255,275
3,625,000 DeVry, Inc. ⁴ 675,000 Strayer Education, Inc. ⁴	60,704,873 55,103,824	133,980,000 51,752,250	Oil & Gas Storage & Transportation (0.58%) 1,044,432 Targa Resources Corp.	29,322,280	31,071,852
	181,637,292	248,841,693	Total Energy	313,025,941	528,592,684
Home Improvement Retail (0.28%) 1,000,000 Lumber Liquidators Holdings, Inc.1	24,844,146	15,100,000	Financials (11.77%)		<u> </u>
Hotels, Resorts & Cruise Lines (1.66%)			Asset Management & Custody Banks (1.47%) 1,000,000 Cohen & Steers, Inc.	21,358,631	28,750,000
3,007,500 Choice Hotels International, Inc. ⁴ Internet Retail (0.66%)	74,341,448	89,382,900	1,500,000 Eaton Vance Corp. 925,000 Financial Engines, Inc. ¹	26,667,458 13,840,204	33,405,000 16,751,750
1,000,000 Blue Nile, Inc. ^{1,4}	32,886,089	35,280,000	_	61,866,293	78,906,750
Leisure Facilities (1.46%) 1,905,750 Vail Resorts, Inc. ⁴ 640,500 Whistler Blackcomb Holdings,	51,909,636	72,018,292	Consumer Finance (0.44% 540,841 Green Dot Corp., Cl A¹ 1,341,218 NetSpend Holdings, Inc.¹	25,652,314 14,625,890	16,939,140 6,893,860
Inc. (Canada)²	7,665,517	6,399,499		40,278,204	23,833,000
Publishing (2.35%) 2,100,000 Morningstar, Inc.	59,575,153 59,909,305	78,417,791 118,524,000	Diversified REITs (0.21%) 630,000 American Assets Trust, Inc.	12,812,872	11,308,500
1,300,000 The New York Times Co., Cl A ¹	11,869,753 71,779,058	7,553,000	Investment Banking & Brokerage (0.23%) 1,000,000 Jefferies Group, Inc.	9,859,745	12,410,000
Restaurants (2.38%) 800,000 Panera Bread Co., Cl A¹ 800,000 Peet's Coffee & Tea, Inc.¹.⁴	30,955,656 18,562,773	83,152,000 44,512,000	Life & Health Insurance (0.92%) 2,300,000 Primerica, Inc.		49,588,000
	49,518,429	127,664,000	Office REITs (1.99%)	50,679,918	49,366,000
Specialty Stores (3.11%) 5,000,000 Dick's Sporting Goods, Inc.1	86,074,246	167,300,000	135,000 Alexander's, Inc. ⁵ 3,400,000 Douglas Emmett, Inc.	28,435,048 47,518,561	48,737,700 58,140,000
Total Consumer Discretionary	793,454,104	1,209,158,869		75,953,609	106,877,700
C			Reinsurance (2.56%) 4,200,000 Arch Capital Group, Ltd. ^{1,2}	41,487,457	137,235,000
Consumer Staples (6.05%) Food Distributors (0.81%) 1,175,000 United Natural Foods, Inc. 1	47,190,530	43,522,000	Residential REITs (0.42%) 600,000 American Campus Communities, Inc.	16,235,192	22,326,000
Household Products (1.32%) 1,600,000 Church & Dwight Co., Inc.	29,177,096	70,720,000	Specialized Finance (2.38 9 4,222,433 MSCI, Inc., Cl A ¹	6) 96,041,636	128,066,393
Packaged Foods & Meats (3.92%) 1,084,823 Diamond Foods, Inc. 4,000,000 Dole Food Co., Inc. ¹ 109,115 Seneca Foods Corp., Cl A ¹	40,161,286 48,959,106 2,400,530	86,558,027 40,000,000 2,160,477	Specialized REITs (1.15%) 775,000 Alexandria Real Estate Equities, Inc. ⁵ 750,000 LaSalle Hotel Properties	29,669,521 16,636,141	47,577,250 14,400,000
1,325,000 TreeHouse Foods, Inc.1	52,766,413	81,938,000	Total Financials	46,305,662 451,520,588	61,977,250 632,528,593
Total Consumous Stools	144,287,335	210,656,504	Total i manelats		032,320,333
Total Consumer Staples	220,654,961	324,898,504			

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STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares		Cost	Value	Shares	Cost	Value
Common St	cocks (continued)			Common Stocks (continued)		
Health Care	e (13.07%)			Industrials (continued)		
	Health Care Equipment (2.80%) Edwards Lifesciences Corp.¹ \$ IDEXX Laboratories, Inc.¹	13,570,043 \$ 38,825,384	71,280,000 79,315,500	Research & Consulting Services (1.72%) 999,653 CoStar Group, Inc.1 \$ 400,000 IHS, Inc., CLA1	44,116,616 \$ 16,387,387	29,924,000
		52,395,427	150,595,500	600,000 Mistras Group, Inc. ¹	7,563,468	10,536,000
172,179	Health Care Facilities (1.68%) Community Health Systems, Inc.¹ Vanguard Health Systems, Inc.¹ VCA Antech, Inc.¹	82,205,284 3,099,222 34,889,375	67,806,336 1,749,339 20,774,000	Trading Companies & Distributors (0.82%) 812,050 Air Lease Corp.¹ 500,000 MSC Industrial Direct Co.,	68,067,471 19,894,672	92,411,967 15,591,360
	_	120,193,881	90,329,675	Inc., Cl A	17,821,237	28,230,000
	Health Care Services (0.70%) Chemed Corp. IPC The Hospitalist Co., Inc. ¹	21,302,479 2,062,500	32,976,000 4,461,250	Trucking (0.66%) 475,000 Landstar System, Inc.	37,715,909 11,073,375	43,821,360 18,791,000
	_	23,364,979	37,437,250	930,707 Zipcar, Inc. ^{1,6}	23,861,723	16,752,726
	Health Care Supplies (1.12%) Gen-Probe, Inc. ^{1,5} Neogen Corp. ¹	38,761,420 3,887,774	54,387,500 6,076,000	Total Industrials	34,935,098 622,080,431	35,543,726 701,096,005
	_	42,649,194	60,463,500	-		
900,000	Health Care Technology (0.30%) Allscripts Healthcare Solutions, Inc. ¹	15,083,448	16,218,000	Information Technology (15.80%) Application Software (8.41%) 1,672,405 Advent Software, Inc.¹ 2,250,000 ANSYS, Inc.¹	33,262,507 54,764,730	34,869,644 110,340,000
	Life Sciences Tools & Services (3.72%) Mettler-Toledo International, Inc.¹ Techne Corp.	58,852,435 46,631,249 105,483,684	139,960,000 59,912,933 199,872,933	1,000,000 Concur Technologies, Inc.¹ 1,635,000 FactSet Research Systems, Inc. 1,600,000 Pegasystems, Inc. 946,302 RealPage, Inc.¹ 2,673,656 SS&C Technologies Holdings, Inc.¹	22,319,863 82,436,633 49,240,202 24,359,122	37,220,000 145,465,950 48,976,000 19,351,876
2,350,000	Managed Health Care (1.71%) AMERIGROUP Corp.1	39,023,979	91,673,500	698,804 Synchronoss Technologies, Inc. ¹	44,859,313 21,565,282	38,206,544 17,407,208
2,582,389	Pharmaceuticals (1.04%) CFR Pharmaceuticals SA, 144A, ADR (Chile) ^{1,2}	59,436,184	55,650,483	Electronic Equipment & Instruments (0.38%)	332,807,652	451,837,222
Total Health	` '	457,630,776	702,240,841	675,000 FEI Co.1	25,237,478	20,223,000
Industrials (_	437,030,770	702,240,641	Internet Software & Services (0.92%) 1,650,000 WebMD Health Corp., Cl A ¹	49,907,817	49,747,500
·	Construction & Engineering (0.99%) AECOM Technology Corp.1 Diversified Support	65,871,334	53,010,000	IT Consulting & Other Services (4.69%) 859,960 Booz Allen Hamilton Holding Corp.¹ 925,000 Equinix, Inc.¹.5	15,037,419 29,378,111	12,787,605 82,167,750
	Services (2.55%) Copart, Inc.¹ Ritchie Bros. Auctioneers, Inc.²	49,463,499 66,712,065	78,240,000 58 551 000	3,000,000 Gartner, Inc.¹ 1,500,000 MAXIMUS, Inc.	49,076,691 57,530,784	104,610,000 52,350,000
_,500,000		116,175,564	136,791,000		151,023,005	251,915,355
	Electrical Components & Equipment (1.14%)	110,173,301	130,731,000	Systems Software (1.40%) 4,418,000 TOTVS SA (Brazil) ²	60,197,679	75,190,001
3,268,578	Generac Holdings, Inc. ¹	43,594,408	61,481,952	Total Information Technology	619,173,631	848,913,078
2.850.000	Environmental & Facilities Services (0.99%) Tetra Tech, Inc. 1	71,178,894	53,409,000	Materials (1.05%) Diversified Metals &		
, ,	Industrial Machinery (2.45%)	45 274 021	40,520,000	Mining (0.49%) 798,995 Molycorp, Inc. ¹	18,017,963	26,262,966
2,000,000 850,000	Colfax Corp. ¹ Middleby Corp. ¹ Valmont Industries, Inc.	45,274,831 74,456,719 32,589,034	59,891,000 31,176,000	Fertilizers & Agricultural Chemicals (0.56%)		
2,000,000 850,000	Colfax Corp. ¹ Middleby Corp. ¹	74,456,719	59,891,000	Fertilizers & Agricultural Chemicals (0.56%) 1,209,798 Intrepid Potash, Inc.1	37,853,777	30,087,676

Baron Growth Fund

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares	Cost	Value	Principal
Common Stocks (continued)			Amount
Telecommunication Services (0.51%)			Short Term Investments (continued
Wireless Telecommunication Services (0.51%) 800,000 SBA Communications Corp.,	\$ 2,972,866	\$ 27,584,000	\$ 3,401,000 Repurchase Agreement with Fixed Income Clearing Co dated 09/30/2011, 0.01% 10/03/2011; Proceeds at maturity - \$3,401,003; (F collateralized by U.S. Trea
Utilities (3.24%)			Note, 2.375% due 06/30, Market value - \$3,574,96
Electric Utilities (3.24%)	50.024.400	474 247 500	Total Short Term Investments
2,250,000 ITC Holdings Corp.	69,934,400	174,217,500	Total Investments (100.31%)
Total Common Stocks	3,606,319,438	5,205,580,716	Liabilities Less Cash and Other Assets (-0.31%)
Private Equity Investments (0.21%)			Net Assets
Consumer Discretionary (0.08%)			Retail Shares (Equivalent to \$46.18 per s based on 89,014,086 shares outstand
Hotels, Resorts & Cruise Lines (0.08%) 7,400,000 Kerzner International Holdings, Ltd., Cl A1.2.3.5.10	74,000,000	4,218,000	Institutional Shares (Equivalent to \$46.4 per share based on 27,158,694 shares outstanding)
Financials (0.13%)			% Represents percentage of net assets.
Asset Management & Custody Banks (0.13%)			² Foreign corporation.
176,224 Windy City Investments Holdings LLC1.3,5,7,10	317,203	502,238	amounted to \$11,317,087 or 0.21% of
2,198,950 Windy City Investments Holdings LLC ^{1,3,5,10}	8,313,795	6,596,849	deemed liquid. See Note 6 regarding Re 4 See Note 9 regarding "Affiliated" compa
Total Financials	8,630,998	7,099,087	5 The Adviser has reclassified/classified
			:

82,630,998

11,317,087

Principal

Amount

Short Term Investments (3.21%)

Total Private Equity Investments

\$168,998,723 Repurchase Agreement with Fixed Income Clearing Corp. dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity -\$168,998,864; (Fully collateralized by U.S. Treasury Note, 3.125% due 05/15/2019; Market value - \$44,006,050 and U.S. Treasury Note, 2.625% due 08/15/2020; Market value -\$32,175,000 and U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$30,390,888 and U.S. Treasury Note, 1.375% due 09/30/2018; Market value - \$70,879,219)9

168,998,723 168,998,723

Principal		
Amount	Cost	Value
Short Term Investments (continued)		
\$ 3,401,000 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$3,401,003; (Fully collateralized by U.S. Treasury Note, 2.375% due 06/30/2018 Market value - \$3,574,969) ^{8,9}	8;	\$ 3,401,000
Total Short Term Investments	172,399,723	172,399,723
Total Investments (100.31%)	\$ 3,861,350,159	5,389,297,526
Liabilities Less Cash and Other Assets (-0.31%)		(16,783,716)
Net Assets		\$ 5,372,513,810
Retail Shares (Equivalent to \$46.18 per share based on 89,014,086 shares outstanding)	2	\$ 4,110,750,344
Institutional Shares (Equivalent to \$46.46 per share based on 27,158,694 shares outstanding)		\$ 1,261,763,466

- alue of restricted and fair valued securities of net assets. None of these securities are Restricted Securities.
- oanies.
- certain securities in or out of this subindustry. Such reclassifications/classifications are not supported by S&P or MSCI.
- All or a portion of these securities were on loan. The value of all securities loaned at September 30, 2011 amounted to \$3,222,000 which is 0.06% of net assets. See Note 2d regarding Securities Lending.
- Position is subject to additional restriction.
- Represents security purchased with the cash collateral received for security on
- Level 2 security. See Note 7 regarding Fair Value Measurements.
- ¹⁰ Level 3 security. See Note 7 regarding Fair Value Measurements.
- ADR American Depositary Receipt.

^{144A} Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to policies and procedures approved by the Board of Trustees, unless otherwise noted. At September 30, 2011, the market value of Rule 144A securities amounted to \$55,650,483 or 1.04% of net assets.

All securities are Level 1, unless otherwise noted.

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Common Sto	ocks (93.85%)					
				Common Stocks (continued)		
	viscretionary (23.08%) Advertising (2.38%)	47240027 6	44.250.000	Energy (8.35%) Oil & Gas Equipment &		
	Arbitron, Inc. S National CineMedia, Inc.	\$ 47,248,927 \$ 55,438,848 102,687,775	41,350,000 38,814,250 80,164,250	Services (3.42%) 600,000 C&J Energy Services, Inc. 500,000 CARBO Ceramics, Inc.	\$ 17,489,532 34,457,138	51,265,000
	Apparel, Accessories & Luxury Goods (4.60%)	, ,		600,000 Core Laboratories NV ²	23,095,109 75,041,779	53,898,000
3,900,000 2,000,000	Fossil, Inc.¹ Iconix Brand Group, Inc.¹.⁴ Quiksilver, Inc.¹ Warnaco Group, Inc.¹	24,044,725 62,609,371 10,419,500 16,497,858	72,954,000 61,620,000 6,100,000 13,827,000	Oil & Gas Exploration & Production (2.65%) 2,000,000 Brigham Exploration Co. ¹ 900,000 GeoResources, Inc. ¹ 1,000,000 Oasis Petroleum, Inc. ¹	21,988,814 15,304,693 14,212,944	50,520,000 16,011,000 22,330,000
	Auto Donto O	113,571,454	154,501,000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	51,506,451	88,861,000
1,000,000	Auto Parts & Equipment (0.76%) Tenneco, Inc.¹ Casinos &	40,417,524	25,610,000	Oil & Gas Storage & Transportation (2.28% 160,000 Golar LNG, Ltd. 1,500,000 Golar LNG Partners LP		5,084,800 38,355,000
	Gaming (4.27%) Penn National Gaming, Inc. ¹ Wynn Resorts, Ltd.	81,039,972 3,263,528	103,199,000 40,278,000	666,213 PAA Natural Gas Storage L 750,000 Targa Resources Corp.	P 14,145,150 17,965,719	10,859,272 22,312,500
		84,303,500	143,477,000		73,995,594	76,611,572
	Education Services (0.71%) Strayer Education, Inc.	27,776,615	23,829,879	Total Energy	200,543,824	280,499,572
	Footwear (1.23%) CROCS, Inc. ¹	33,227,560	41,422,500	Financials (6.08%) Asset Management &		
	Home Improvement Retail (0.64%) Lumber Liquidators Holdings,			Custody Banks (0.89% 1,650,000 Financial Engines, Inc. ¹	25,939,078	29,881,500
	Inc. 1,4 Hotels, Resorts &	30,543,458	21,517,500	Consumer Finance (0.569 600,000 Green Dot Corp., Cl A1	2 9,736,370	18,792,000
	Cruise Lines (0.95%) Great Wolf Resorts, Inc. ^{1,4} Mandarin Oriental International,	55,012,502	7,833,600	Office REITs (1.94%) 1,000,000 Corporate Office Propertie 750,000 SL Green Realty Corp.	34,564,774 17,178,705	21,780,000 43,612,500
	Ltd. (Singapore) ^{2,8}	35,306,748	24,131,485		51,743,479	65,392,500
	Internet Retail (1.25%)	90,319,250	31,965,085	Real Estate Services (0.6 1,500,000 CB Richard Ellis Group, Inc		20,190,000
	Shutterfly, Inc. ¹ Vitacost.com, Inc. ^{1,4}	39,280,251 23,626,535	30,885,000 11,067,000	Specialized Finance (1.02 1,126,513 MSCI, Inc., Cl A ¹	%) 25,427,990	34,167,139
	Movies &	62,906,786	41,952,000	Specialized REITs (1.07% 2,000,000 Chesapeake Lodging Trust ⁴ 750,000 Pebblebrook Hotel Trust) 35,285,655 14,262,778	24,140,000 11,737,500
4,000,000	Entertainment (3.80%) Function X, Inc. ^{3,5,9}	10,000,000	9,960,000	750,000 1 65516510011 110161 11036	49,548,433	35,877,500
1,350,000	Liberty Media Corp Liberty Capital, Cl A (formerly, Liberty Media Corp.) ¹	20,789,629	89,262,000	Total Financials	189,657,262	204,300,639
1,250,000	The Madison Square Garden Co., Cl A ¹	31,697,976	28,500,000	Haalda Carra (0.000/)		
	· · · · · · · · · · · · · · · · · · ·	62,487,605	127,722,000	Health Care (9.90%) Health Care		
1,628,701 1,500,000	Restaurants (2.49%) Bravo Brio Restaurant Group, Inc. ¹ Cheesecake Factory, Inc. ¹ Texas Roadhouse, Inc., Cl A	25,037,410 35,488,478 15,498,707	27,101,585 36,975,000 19,483,636	Equipment (4.03%) 700,000 IDEXX Laboratories, Inc.¹ 150,000 Intuitive Surgical, Inc.¹ 1,500,000 Masimo Corp.	22,713,021 2,175,000 33,862,646	48,279,000 54,642,000 32,475,000
•	•	76,024,595	83,560,221		58,750,667	135,396,000
Total Consum	er Discretionary	724,266,122	775,721,435	Health Care		
	taples (1.10%)			Facilities (2.48%) 3,550,000 Brookdale Senior Living, In 1,750,000 Emeritus Corp. 1,400,000 Vanguard Health Systems,	50,131,389	44,517,000 24,675,000 14,224,000
1,250,000	Food Distributors (1.10%) The Chefs' Warehouse, Inc. ^{1,4} United Natural Foods, Inc. ¹	20,053,348 22,478,087	14,700,000 22,224,000	Health Care Supplies (0.		83,416,000
Total Consum	er Staples	42,531,435	36,924,000	350,000 Gen-Probe, Inc. ^{1,5}	13,000,731	20,037,500

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares		Cost	Value	Shares	Cost	Value
Common St	ocks (continued)			Common Stocks (continued)		
Health Care	(continued) Life Sciences Tools &			Information Technology (16.47%) Application Software (4.39		÷ 26.407.506
800,000	Services (2.80%) Covance, Inc.¹ Luminex Corp.¹ Mettler-Toledo	\$ 21,774,270 \$ 12,962,765	27,270,000 17,736,000	1,750,000 Advent Software, Inc.¹ 2,500,000 RealPage, Inc.¹ 1,000,000 Synchronoss Technologies, Inc 750,000 Ultimate Software Group, Inc		\$ 36,487,500 51,125,000 24,910,000 35,040,000
330,000	International, Inc. ¹	20,860,001	48,986,000		135,125,307	147,562,500
		55,597,036	93,992,000	Data Processing &		
Total Health	Care	271,021,326	332,841,500	Outsourced Services (1.3 1,000,000 FleetCor Technologies, Inc.¹ 500,000 Wright Express Corp.¹	5%) 25,103,188 21,221,859	26,260,000 19,020,000
Industrials (20 33%)				46,325,047	45,280,000
2,385,000	Aerospace & Defense (3.79%) KEYW Holding Corp. ^{1,4}	27,745,763	16,957,350	Electronic Components (1.16 1,000,000 Rogers Corp. ^{1,4} Electronic Equipment &	43 ,765,303	39,130,000
1,350,000	TransDigm Group, Inc.1	35,096,586 62,842,349	110,254,500 127,211,850	Instruments (3.53%) 1,250,000 Cognex Corp. 300,000 Coherent, Inc.¹	41,565,530 13,332,104	33,887,500 12,888,000
650,000	Building Products (0.31%) Trex Co., Inc.1	18,171,038	10,419,500	1,500,000 FLIR Systems, Inc. 1,500,000 National Instruments Corp.	10,094,186 29,401,075	37,575,000 34,290,000
	Construction &			•	94,392,895	118,640,500
	Farm Machinery & Heavy Trucks (0.97%) Accuride Corp. Wabtec Corp.	25,842,449 13,589,577	8,960,000 23,791,500	Electronic Manufacturing Services (0.60%) 1,750,000 Mercury Computer Systems, Ir	c. ^{1,4} 32,185,131	20,125,000
.50,000	rrabtee co.p.	39,432,026	32,751,500	Internet Software &		
2 000 000	Diversified Support Services (1.20%)	27.005.010	40 200 000	Services (0.30%) 1,500,000 Velti plc ^{1,2} IT Consulting &	23,472,366	9,915,000
	Ritchie Bros. Auctioneers, Inc. ² Electrical Components & Equipment (2.37%)	37,985,919	40,380,000	Other Services (4.65%) 875,000 Equinix, Inc. 1.5 2,250,000 Gartner, Inc. 1	55,025,037 41,942,703	77,726,250 78,457,500
	Acuity Brands, Inc. Polypore International, Inc. ¹	13,965,438 47,390,435	9,010,000 70,650,000		96,967,740	156,183,750
		61,355,873	79,660,000	Technology Distributors (0. 350,000 Anixter International, Inc. ¹	49%) 16,167,504	16,604,000
	Environmental & Facilities Services (5.36%)			Total Information Technology	488,401,293	553,440,750
1,000,000	Clean Harbors, Inc. ¹ Tetra Tech, Inc. ¹ Waste Connections, Inc.	39,187,610 25,773,708 44,418,371	76,950,000 18,740,000 84,550,000	Materials (3.84%)		
	Industrial Machinery (3.08%)	109,379,689	180,240,000	Construction Materials (0.2 500,000 Eagle Materials, Inc.	5%) 8,577,138	8,325,000
1,300,000	Graco, Inc. Nordson Corp. Tennant Co.	23,209,297 42,812,853 18,173,171	34,140,000 51,662,000 17,614,260	Diversified Metals & Mining (1.73%) 4,000,000 Globe Specialty Metals, Inc.4	46,608,066	58,080,000
		84,195,321	103,416,260	Specialty Chemicals (1.86%		
900,000	Railroads (1.25%) Genesee & Wyoming, Inc., Cl A ¹	23,192,198	41,868,000	1,200,000 EcoSynthetix, Inc. ^{1,2} 1,500,000 Kraton Performance Polymers 850,000 Nalco Holding Co.	11,313,210 , Inc.¹ 41,079,392 14,395,861	8,657,315 24,270,000 29,733,000
	Research & Consulting Services (0.89%)			-	66,788,463	62,660,31
	Mistras Group, Inc. ^{1,4} RPX Corp. ¹	19,695,610 1,047,044	28,974,000 1,035,500	Total Materials	121,973,667	129,065,31
	T !! 6 ! 6	20,742,654	30,009,500	Tolocommunication Sontions (4.199/)		
1,750,000	Trading Companies & Distributors (1.00%) Air Lease Corp. 1 Trucking (0.11%)	42,316,017	33,600,000	Telecommunication Services (4.18%) Wireless Telecommunicatio Services (4.18%) 850,000 American Tower Corp., Cl A ¹		45,730,000
200,000	Trucking (0.11%) Zipcar, Inc. ^{1,6}	4,598,921	3,600,000	2,750,000 SBA Communications Corp., C	Cl A ¹ 26,849,041	94,820,000
	als	504,212,005	683,156,610	Total Telecommunication Services	29,737,528	140,550,000

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares	Cost	Value
Common Stocks (continued)		
Utilities (0.52%) Electric Utilities (0.52%) 225,000 ITC Holdings Corp. Total Common Stocks	\$ 9,427,959 2,581,772,421	
Private Equity Investments (0.06%)		
Consumer Discretionary (0.06%) Hotels, Resorts & Cruise Lines (0.06%) 3,500,000 Kerzner International Holdings, Ltd., Cl A1.2.3.5.9	35,000,000	1,995,000
Warrants (0.00%)		
Consumer Discretionary (0.00%) Movies & Entertainment (0.00%) 4,000,000 Function X, Inc. Warrants, Exp 08/22/2014 ^{1,3,5,9}	%) 0	40,000
Principal Amount		
Short Term Investments (6.13%)		
\$204,863,578 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$204,863,748; (Fully collateralized by U.S. Treasury Note, 2.125% - due 11/30/2014; Market value \$20,852,081 and U.S. Treasury Note, 2.125% due 05/31/2015; Market value \$41,337,325 and U.S. Treasury Note, 1.875% due 10/31/2017; Market value \$4,478,063 and U.S. Treasury Note, 2.625% due 04/30/2018 Market value \$15,834,038 and U.S. Treasury Note, 2.625% due 04/30/2018 Market value \$7,278,188 and U.S. Treasury Note, 1.375% due 06/30/2018; Market value \$7,278,188 and U.S. Treasury Note, 1.375% due 09/30/2018 Market value \$125,331,750)8 Repurchase Agreement with Fixed Income Clearing Corp., dated 9/30/2011; Proceeds at maturity - \$1,026,001; (Fully collateralized by U.S. Treasury Note, 2.375% due 06/30/2018; Market value -	6	204,863,578
\$1,079,438) ^{7,8} Total Short Term Investments	1,026,000 205,889,578	1,026,000 205,889,578
Total Investments (100.04%)	\$ 2,822,661,999	3,361,846,149
Liabilities Less Cash and Other Assets (-0.04%)	<u> </u>	(1,284,203)
Net Assets		\$ 3,360,561,946
Retail Shares (Equivalent to \$20.84 per share based on 136,374,219 shares outstanding)		\$ 2,841,966,944
Institutional Shares (Equivalent to \$20.96 pe based on 24,742,064 shares outstanding)	r share	\$ 518,595,002

- % Represents percentage of net assets.
- ¹ Non-income producing securities.
- Foreign corporation.
- At September 30, 2011, the market value of restricted and fair valued securities amounted to \$11,995,000 or 0.36% of net assets. None of these securities are deemed liquid. See Note 6 regarding Restricted Securities.
- ⁴ See Note 9 regarding "Affiliated" companies.
- The Adviser has reclassified/classified certain securities in or out of this subindustry. Such reclassifications/classifications are not supported by S&P or MSCI.
- 6 All or a portion of this security is on loan. The value of all securities loaned at September 30, 2011 amounted to \$972,000, which is 0.03% of net assets. See Note 2d regarding Securities Lending.
- ⁷ Represents security purchased with the cash collateral received for security on loan.
- $^{\rm 8}$ $\,$ Level 2 security. See Note 7 regarding Fair Value Measurements.
- ⁹ Level 3 security. See Note 7 regarding Fair Value Measurements.

All securities are Level 1, unless otherwise noted.

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Shares		Cost	Value	Shares	Cost	Value
Common St	tocks (95.00%)			Common Stocks (continued)		
	Discretionary (14.92%) Advertising (1.04%) National CineMedia, Inc.	\$ 3,524,778 \$	2,880,235	Financials (continued) Investment Banking & Brokerage (0.47%) 115,000 Charles Schwab Corp. \$	1,797,513 \$	1,296,050
	Auto Parts & Equipment (1.36%)			Specialized Finance (2.82%)	ډ دا د,۱۶۲٫۱	1,296,030
155,500	Gentex Corp.	4,427,406	3,739,775	256,000 MSCI, Inc., Cl A ¹	7,152,842	7,764,480
98,500	Automotive Retail (0.85%) CarMax, Inc. ¹	2,467,463	2,349,225	Total Financials	18,488,250	17,559,930
210,000	Broadcasting (2.68%) Discovery Communications, Inc., Series C ¹	7,786,047	7,381,500	Health Care (8.97%) Health Care		
113,500	Footwear (0.97%) CROCS, Inc.1 Internet Retail (5.92%)	3,075,674	2,686,545	Equipment (4.82%) 46,000 Edwards Lifesciences Corp.¹ 13,500 Intuitive Surgical, Inc.¹	4,015,533 3,532,053	3,278,880 4,917,780
	Amazon.com, Inc. ¹ HomeAway, Inc. ¹	2,005,906 2,089,950	4,973,290 2,454,260	235,500 Masimo Corp.	6,173,492 13,721,078	5,098,575
11,500	priceline.com, Inc. ¹ Shutterfly, Inc. ¹	2,397,607 4,784,024	5,168,790 3,747,380	Health Care Supplies (0.94%) 45.500 Gen-Probe. Inc. ^{1,3}	2,790,705	2,604,875
	-	11,277,487	16,343,720	Health Care	2,130,103	2,004,013
51,500	Movies & Entertainment (2.10%) Liberty Media Corp Liberty Capital, Cl A			Technology (1.99%) 305,000 Allscripts Healthcare Solutions, Inc.1	5,200,654	5,496,100
61,500	(formerly, Liberty Media Corp.) Viacom, Inc., Cl B	2,477,475 3,083,323	3,405,180 2,382,510	Life Sciences Tools & Services (1.22%) 151,610 Luminex Corp. ¹	2,780,564	3,361,194
		5,560,798	5,787,690	Total Health Care	24,493,001	24,757,404
Total Consun	ner Discretionary	38,119,653	41,168,690	-		
Consumer S	Staples (1.02%) Packaged Foods & Meats (1.02%)			Industrials (9.01%) Diversified Support Services (1.06%) 145,000 Ritchie Bros. Auctioneers, Inc. ²	4,115,777	2,927,550
30,250	Green Mountain Coffee Roasters, Inc. ¹	2,199,079	2,811,435	Electrical Components & Equipment (3.55%) 173,500 Polypore International, Inc. ¹	6,648,095	9,806,220
Energy (7.6	8%)			Environmental & Facilities Services (1.32%)	0,040,033	5,000,220
	Oil & Gas Equipment & Services (4.66%)			195,000 Tetra Tech, Inc.1 Research & Consulting	4,439,925	3,654,300
	CARBO Ceramics, Inc. RigNet, Inc. ¹	7,057,100 3,435,000	8,253,665 4,588,588	Services (3.08%) 116,000 CoStar Group, Inc.¹	4,702,117	6,028,520
	Oil & Gas Exploration &	10,492,100	12,842,253	118,500 RPX Corp. ¹	2,672,789 7,374,906	2,454,135 8,482,655
187 500	Production (1.52%) Oasis Petroleum, Inc. ¹	2,914,517	4,186,875	Total Industrials	22,578,703	24,870,725
107,500	Oil & Gas Storage &	2,314,317	4, 100,075	-		
130,500	Transportation (1.50%) Golar LNG, Ltd.	4,650,068	4,147,290	Information Technology (39.05%)		
Total Energy	,	18,056,685	21,176,418	Application Software (11.61%) 131,010 ANSYS, Inc. ¹	4,189,227	6,424,730
Financials (Asset Management & Custody Banks (0.85%)	1012 001	2.254.200	122,000 BroadSoft, Inc.¹ 50,000 FactSet Research Systems, Inc. 96,000 Pegasystems, Inc. 281,610 RealPage, Inc.¹ 27,000 Salesforce.com, Inc.¹ 227,500 Synchronoss Technologies, Inc.¹	3,452,917 3,244,738 2,612,035 5,978,130 3,273,950 6,902,019	3,702,700 4,448,500 2,938,560 5,758,925 3,085,560 5,667,025
130,000	Financial Engines, Inc.1 Consumer Finance (1.25%)	1,812,981	2,354,300	_	29,653,016	32,026,000
110,000	Green Dot Corp., Cl A ¹	4,918,423	3,445,200	Communications Equipment (3.60%)		
98,000	Diversified Real Estate Activities (0.98%) Brookfield Asset Management, Inc., Cl A ²	2,806,491	2,699,900	167,500 Polycom, Inc. ¹ 78,000 QUALCOMM, Inc. 153,500 Riverbed Technology, Inc. ¹	3,314,294 3,125,005 3,864,240	3,076,975 3,793,140 3,063,860
	,	_,_00,.0.	_,0,000		10,303,539	9,933,975

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Shares		Cost	Value
Common St	ocks (continued)		
Information	Technology (continued)		
26,500	Computer Hardware (3.66%) Apple, Inc.1 \$	2,877,994	10,101,270
90,500	Electronic Components (1.29%) Rogers Corp. ¹	4,248,703	3,541,265
305,000	Electronic Equipment & Instruments (1.07%) Orbotech Ltd. ^{1,2}	3,680,066	2,952,400
335,000 440,400	Internet Software & Services (5.88%) Bankrate, Inc.¹ LivePerson, Inc.¹ Velti plc¹.² Zillow, Inc.¹	5,596,453 3,633,148 5,681,214 3,160,000	5,662,257 3,333,250 2,911,044 4,321,300
		18,070,815	16,227,851
288,144	IT Consulting & Other Services (8.84%) Equinix, Inc. ^{1,3} Gartner, Inc. ¹ ServiceSource International, Inc. ¹	7,194,267 5,808,336 2,786,787	11,547,900 10,047,581 2,793,915
		15,789,390	24,389,396
136,000	Semiconductors (1.54%) Mellanox Technologies, Ltd. ^{1,2}	4,071,760	4,245,920
98,000	Systems Software (1.56%) MICROS Systems, Inc. ¹	4,769,850	4,303,180
Total Informa	tion Technology	93,465,133	107,721,257
Materials (2	Diversified Metals &		
120,149	Mining (1.43%) Molycorp, Inc. ¹	5,489,130	3,949,298
325,070	Specialty Chemicals (0.85%) EcoSynthetix, Inc. ^{1,2}	3,046,731	2,345,194
Total Materia	ls	8,535,861	6,294,492

Shares		Cost		Value
Common Stocks (continued)				
Telecommunication Services (5.70% Wireless Telecommunicat Services (5.70%) 252,500 NII Holdings, Inc.¹ 259,000 SBA Communications Corp.	ion \$	11,266,022 5,486,141	\$	6,804,875 8,930,320
Total Telecommunication Services		16,752,163		15,735,195
Total Common Stocks	2	242,688,528	_	262,095,546
Principal Amount				
Short Term Investments (5.61%)				
\$15,465,142 Repurchase Agreement with Fixed Income Clearing Co dated 09/30/2011, 0.019	orp., 6			
due 10/03/2011; Proceec at maturity - \$15,465,15 (Fully collateralized by U. Treasury Note, 1.375% d 09/30/2018; Market valu \$16,242,844)4	5; S. ue	15,465,142		15,465,142
at maturity - \$15,465,15 (Fully collateralized by U. Treasury Note, 1.375% d 09/30/2018; Market valu	5; S. ue e	15,465,142 258,153,670	_	15,465,142 277,560,688
at maturity - \$15,465,15 (Fully collateralized by U. Treasury Note, 1.375% d 09/30/2018; Market valu \$16,242,844) ⁴ Total Investments (100.61%)	5; S. ue e	<u> </u>	_	· · ·
at maturity - \$15,465,15 (Fully collateralized by U. Treasury Note, 1.375% d 09/30/2018; Market valu \$16,242,844)4	5; S. ue e	<u> </u>	<u>\$</u>	277,560,688
at maturity - \$15,465,15 (Fully collateralized by U. Treasury Note, 1.375% d 09/30/2018; Market valu \$16,242,844) ⁴ Total Investments (100.61%) Liabilities Less Cash and Other Assets (-	5; S. ue e \$	<u> </u>	- \$ \$	277,560,688

[%] Represents percentage of net assets.

All securities are Level 1, unless otherwise noted.

¹ Non-income producing securities.

² Foreign corporation.

³ The Adviser has reclassified/classified certain securities in or out of this sub-industry. Such reclassifications/classifications are not supported by S&P or MSCI.

 $^{^{\}rm 4}$ $\,$ Level 2 security. See Note 7 regarding Fair Value Measurements.

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Shares		Cost	Value	Shares	Cost	Value
Common St	ocks (98.04%)			Common Stocks (continued)		
Consumer D	Discretionary (22.75%)			Financials (continued)		
9.000	Auto Parts & Equipment (1.44%)	485,194 \$	484,240	Property & Casualty		
8,000	Broadcasting (1.23%)	465,194 \$	404,240	Insurance (0.95%) 3 Berkshire Hathaway, Inc., Cl A ¹ \$	224,597 \$	320,400
11,000	Discovery Communications, Inc., Cl A	344,009	413,820	Total Financials	2,179,674	2,539,775
7,000	Casinos & Gaming (2.40%)	057.246	005 500			
7,000	Wynn Resorts, Ltd. Hotels, Resorts & Cruise	857,246	805,560	Health Care (5.05%)		
	Lines (5.05%)			Health Care Equipment (2.76%)		
	Carnival Corp. ² Hyatt Hotels Corp., Cl A ¹	590,699 473,489	499,950 536,427	2,550 Intuitive Surgical, Inc. ¹	665,186	928,914
	Starwood Hotels & Resorts			Life Sciences Tools & Services (2.29%)		
	Worldwide, Inc.	908,669	659,940	5,500 Mettler-Toledo International, Inc. ¹	805,247	769,780
	Internet Detail (F 439/)	1,972,857	1,696,317	Total Health Care	1,470,433	1,698,694
4,900	Internet Retail (5.43%) Amazon.com, Inc. ¹	440,993	1,059,527			
1,700	priceline.com, Inc. ¹	874,518	764,082	Industrials (18.27%)		
		1,315,511	1,823,609	Air Freight & Logistics (2.42%)		
13,000	Movies & Entertainment (3.82%) Liberty Media Corp			12,000 FedEx Corp.	784,866	812,160
15,000	Liberty Capital, Cl A		050 560	Industrial Conglomerates (6.91%) 7.000 3M Co.	574,179	502.530
11,000	(formerly, Liberty Media Corp.) ¹ Viacom, Inc., Cl B	583,210 374,518	859,560 426,140	23,000 Danaher Corp.	1,156,774	964,620
	_	957,728	1,285,700	21,000 Tyco International Ltd. ²	955,960	855,750
	Restaurants (3.38%)				2,686,913	2,322,900
	Yum! Brands, Inc.	1,162,954	1,135,970	Industrial Machinery (0.73%) 5,000 Stanley Black & Decker, Inc.	376,692	245,500
Total Consum	ner Discretionary	7,095,499	7,645,216	Railroads (2.82%)		
				19,000 Kansas City Southern ¹	1,010,790	949,240
Consumer S	taples (1.71%)			Research & Consulting Services (2.72%)		
	Hypermarkets & Super			35,000 Nielsen Holdings NV ^{1,2}	915,275	912,800
7,000	Centers (1.71%) Costco Wholesale Corp.	361,906	574,840	Trading Companies &		
	_			Distributors (2.67%) 27,000 Fastenal Co.	499,140	898,560
Energy (5.0	1%)			Total Industrials	6,273,676	6,141,160
Lifergy (5.0	Integrated Oil & Gas (1.70%)			-		
8,000	Occidental Petroleum Corp.	615,732	572,000	Information Tashnalass (20 399/)		
	Oil & Gas Equipment & Services (1.64%)			Information Technology (30.38%) Application Software (5.36%)		
18,000	Halliburton Co.	522,593	549,360	15,000 ANSYS, Inc. ¹	818,393	735,600
	Oil & Gas Exploration &			8,000 Citrix Systems, Inc. ¹ 5,500 Salesforce.com, Inc. ¹	378,037 661,489	436,240 628,540
7.000	Production (1.67%) Apache Corp.	836,612	561,680		1,857,919	1,800,380
Total Energy		1,974,937	1,683,040	Communications		
				Equipment (3.93%) 27,000 Polycom, Inc. ¹	552,808	495,990
Einansials (7 560/ \			17,000 QUALCOMM, Inc.	973,600	826,710
Financials (7	Consumer Finance (2.41%)				1,526,408	1,322,700
18,000	American Express Co.	452,443	808,200	Computer Hardware (3.86%) 3,400 Apple, Inc. ¹	134,174	1,296,012
22 000	Diversified Banks (1.65%) Wells Fargo & Co.	582,285	554,760	Data Processing &	134,174	1,230,012
25,000	Diversified Real Estate	302,203	334,760	Outsourced Services (5.52%)		
	Activities (1.03%)			2,875 MasterCard, Inc., Cl A 11,000 Visa, Inc., Cl A	800,781 876,539	911,835 942,920
12,500	Brookfield Asset Management, Inc., Cl A ²	393,713	344,375	. 1,000 1.00, 1.01, 01/1	1,677,320	1,854,755
	Other Diversified Financial	555,115	J 1 T, J 1 J	Internet Software &		,
4=	Services (1.52%)	F0.5.65.	F40 6 :-	Services (7.16%)	027 552	025 720
17,000	JPMorgan Chase & Co.	526,636	512,040	28,000 eBay, Inc.¹ 2,600 Google, Inc., Cl A¹	927,552 919,994	825,720 1,337,388
				3,100 LinkedIn Corp., Cl A ¹	177,188	242,048
					2,024,734	2,405,156

STATEMENT OF NET ASSETS (Continued)

SEPTEMBER 30, 2011

Total Information Technology	Shares	Cost	Value
T Consulting & Other Services (2.85%) 10,800 Equinix, Inc.\(^{1,3}\) \$ 789,903 \$ 959,364	Common Stocks (continued)		
Services (Z.85%) 10,800 Equinix, Inc.\frac{1}{3} \$ 789,903 \$ 959,364	Information Technology (continued)		
13,000 MICROS Systems, Inc.1 657,521 570,830 Total Information Technology 8,667,979 10,209,197 Materials (4.43%) Diversified Metals & Mining (1.86%) 19,000 Molycorp, Inc.1 929,472 624,530 Fertilizers & Agricultural Chemicals (2.57%) 20,000 Potash Corp. of Saskatchewan, Inc.2 1,129,704 864,400 Total Materials 2,059,176 1,488,930 Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) 30,387,479 32,949,252 Principal Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2,625% due 11/15/2020; Market value - \$996,688 4 946,477 946,477 Total Investments (100.86%) \$31,333,956 33,895,728 Liabilities Less Cash and Other Assets (-0.86%) (287,941 10,1032	Services (2.85%)	\$ 789.903	\$ 959,364
Total Information Technology			,
Materials (4.43%) Diversified Metals & Mining (1.86%) 19,000 Molycorp, Inc.¹ 929,472 624,530 Fertilizers & Agricultural Chemicals (2.57%) 20,000 Potash Corp. of Saskatchewan, Inc.² 1,129,704 864,400 Total Materials 2,059,176 1,488,930 Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) 18,000 American Tower Corp., Cl.A¹ 304,199 968,400 Total Common Stocks 30,387,479 32,949,252 Principal Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688)4 946,477 Total Investments (100.86%) 31,333,956 33,895,729 Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	•		570,830
Diversified Metals & Mining (1.86%) 19,000 Molycorp, Inc.¹ 929,472 624,530	Total Information Technology	8,667,979	10,209,197
20,000 Potash Corp. of Saskatchewan, Inc.² 1,129,704 864,400 Total Materials 2,059,176 1,488,930 Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) 18,000 American Tower Corp., Cl A¹ 304,199 968,400 Total Common Stocks 30,387,479 32,949,252 Principal Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ 946,477 946,477 Total Investments (100.86%) \$31,333,956 33,895,729 Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	Diversified Metals & Mining (1.86%) 19,000 Molycorp, Inc.¹ Fertilizers & Agricultural	929,472	624,530
Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) 18,000 American Tower Corp., Cl A¹ 304,199 968,400 Total Common Stocks 30,387,479 32,949,252 Principal Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ 946,477 Total Investments (100.86%) Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	20,000 Potash Corp. of	1 129 704	864 400
Telecommunication Services (2.88%) Wireless Telecommunication Services (2.88%) 18,000 American Tower Corp., Cl A¹ 304,199 968,400 Total Common Stocks 30,387,479 32,949,252 Principal Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688} Fotal Investments (100.86%) Vet Assets \$33,895,729 Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	,		
Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ 946,477 Total Investments (100.86%) \$13,333,956 \$38,95,729 Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per			968,400 32,949,252
Amount Short Term Investments (2.82%) \$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ 946,477 Total Investments (100.86%) \$13,333,956 \$38,95,729 Liabilities Less Cash and Other Assets (-0.86%) Net Assets \$33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	Principal		
\$946,477 Repurchase Agreement with Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ 946,477 Total Investments (100.86%) \$31,333,956 (287,941 Net Assets Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	•		
Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value - \$996,688) ⁴ Total Investments (100.86%) \$ 31,333,956 33,895,729 Liabilities Less Cash and Other Assets (-0.86%) (287,941) Net Assets \$ 33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) \$ 23,417,322	Short Term Investments (2.82%)		
Liabilities Less Cash and Other Assets (-0.86%) Net Assets Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	Fixed Income Clearing Corp., dated 09/30/2011, 0.01% due 10/03/2011; Proceeds at maturity - \$946,477; (Fully collateralized by U.S. Treasury Note, 2.625% due 11/15/2020; Market value -		946,477
Net Assets \$ 33,607,788 Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) \$ 23,417,322 Institutional Shares (Equivalent to \$9.00 per	Total Investments (100.86%)	\$ 31,333,956	33,895,729
Retail Shares (Equivalent to \$8.98 per share based on 2,608,719 shares outstanding) Institutional Shares (Equivalent to \$9.00 per	Liabilities Less Cash and Other Assets (-0.869	%)	(287,941)
based on 2,608,719 shares outstanding) \$ 23,417,322 Institutional Shares (Equivalent to \$9.00 per	Net Assets		\$ 33,607,788
			\$ 23,417,322
		ing)	\$ 10,190,466

[%] Represents percentage of net assets.

All securities are Level 1, unless otherwise noted.

Non-income producing securities.

² Foreign corporation.

The Adviser has reclassified/classified certain securities in or out of this subindustry. Such reclassifications/classifications are not supported by S&P or MSCI.

⁴ Level 2 security. See Note 7 regarding Fair Value Measurements.

Baron Funds September 30, 2011

STATEMENTS OF ASSETS AND LIABILITIES

SEPTEMBER 30, 2011

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund
Assets:					
Investments in securities, at value*					
Unaffiliated investments "Affiliated" investments	\$2,211,913,099 —	\$4,962,372,084 426,925,442	\$3,030,600,114 331,246,035	\$277,560,688 —	\$33,895,729 —
Total investments in securities, at value	2,211,913,099	5,389,297,526	3,361,846,149	277,560,688	33,895,729
Foreign currency, at value [†]	_	1,103,199	27	_	_
Receivable for securities sold	5,422,545	3,371,731	3,300,852	484,956	_
Receivable for shares sold	754,454	5,132,277	5,884,120	797,474	4,371
Dividends and interest receivable	816,009	1,779,342	1,522,811	18,259	9,575
Prepaid expenses	14,870	32,566	19,831	1,487	154
	2,218,920,977	5,400,716,641	3,372,573,790	278,862,864	33,909,829
Liabilities:					
Payable for shares redeemed	2,269,681	17,161,342	5,592,514	154,193	53,180
Payable for securities purchased	2,457,843	6,960,435	4,907,820	2,723,909	177,649
Payable for collateral on loaned securities		3,401,000	1,026,000		761
Investment advisory fees payable (Note 4)	862	483	28	872	761
Distribution fees payable (Note 4) Accrued expenses and other payables	800 408,948	20 679,551	449 485,033	264 93,280	489 69,962
Accided expenses and other payables					
	5,138,134	28,202,831	12,011,844	2,972,518	302,041
Net Assets	\$2,213,782,843	\$5,372,513,810	\$3,360,561,946	\$275,890,346	\$33,607,788
Net Assets consist of:					
Paid-in capital	\$1,217,784,227	\$3,758,735,927	\$2,749,172,807	\$259,160,761	\$34,173,192
Accumulated net investment loss	(233,663)	(258,885)	_	_	_
Undistributed (accumulated) net realized gain (loss) on investments	222.002.200	06 207 700	72 20 4 00 1	(2.677.422)	(2.127.177)
and foreign currency transactions	323,903,399	86,297,789	72,204,991	(2,677,433)	(3,127,177)
Net unrealized appreciation of investments and foreign currency translations	672,328,880	1,527,738,979	539,184,148	19,407,018	2,561,773
Net Assets	\$2,213,782,843	\$5,372,513,810	\$3,360,561,946	\$275,890,346	\$33,607,788
	\$2,2 13,7 02,0 4 3	25,572,515,616		2213,030,340	\$35,007,700
Retail Shares:	¢1 024 070 070	¢4 110 750 244	¢2 041 066 044	\$240 420 267	¢22 417 222
Net Assets	\$1,924,878,978	\$4,110,750,344	\$2,841,966,944	\$240,438,367	\$23,417,322
Shares Outstanding (\$0.01 par value; indefinite shares authorized)	39,282,087	89,014,086	136,374,219	18,741,217	2,608,719
Net Asset Value Per Share	\$ 49.00	\$ 46.18	\$ 20.84	\$ 12.83	\$ 8.98
Institutional Shares:					
Net Assets	\$ 288,903,865	\$1,261,763,466	\$ 518,595,002	\$ 35,451,979	\$ 10,190,466
Shares Outstanding (\$0.01 par value; indefinite shares authorized)	5,860,288	27,158,694	24,742,064	2,746,220	1,132,085
Net Asset Value Per Share	\$ 49.30	\$ 46.46	\$ 20.96	\$ 12.91	\$ 9.00
*Investments in securities, at cost:					
Unaffiliated investments	\$1,539,584,219	\$3,567,841,516	\$2,400,493,847	\$258,153,670	\$31,333,956
"Affiliated" investments		293,508,643	422,168,152	_	_
Total investments in securities, at cost	\$1,539,584,219	\$3,861,350,159	\$2,822,661,999	\$258,153,670	\$31,333,956
iotal investments in securities, at COSL	——————————————————————————————————————	25,0001,00,00	7L,ULL,UU 1,333	7230,133,010	000,000
†Foreign currency, at cost:	\$ —	\$ 1,311,182	\$ 29	¢	\$ —
Troreign currency, at cost.	-	201,110,1	29	-	-

Baron Funds

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund
Investment income:					
Income: Dividends — unaffiliated investments	\$ 25,561,509	\$ 42,063,601	\$ 21,898,087	\$ 889,984	\$ 296,789
Dividends — "affiliated" investments	269,880	6,076,388	2,819,855	_	_
Interest	4,255	26,315	20,692	1,759	132
Securities lending income		221,776	2,012,336	12,725	<u> </u>
Foreign taxes withheld on dividends	(152,854)	(489,709)	(201,150)	(17,898)	(1,825)
Total income	25,682,790	47,898,371	26,549,820	886,570	295,096
Expenses:					
Investment advisory fees (Note 4)	28,082,703	63,439,091	39,067,335	2,926,774	354,892
Distribution fees — Retail Shares (Note 4)	6,216,269	12,875,093	8,585,105	628,052	69,752
Shareholder servicing agent fees and expenses — Retail Shares	706,065	1,084,815	588,460	134,595	31,776
Shareholder servicing agent fees and expenses — Institutional Shares	29,657	80,350	50,435	12,092	9,529
Reports to shareholders	975,000	2,033,250	1,162,400	161,355	5,660
Custodian and fund accounting fees	130,046	518,531	193,257	37,415	24,563
Registration and filing fees	79,940	139,800	109,710	44,595	34,017
Professional fees	67,299	93,239	82,007	40,565	35,684
Trustee fees and expenses	55,406	123,695	78,965	5,730	631
Insurance expense	56,654	120,770	71,252	5,016	821
Administration fees	26,468	26,478	26,497	26,499	26,490
Line of credit fees	24,355	57,388	35,380	2,796	129
Miscellaneous expenses	1,433	770	1,423	1,350	529
Total operating expenses	36,451,295	80,593,270	50,052,226	4,026,834	594,473
Reimbursement of expenses by Adviser — Retail Shares (Note 4)	_	· · · · —	· · · —	· · · · —	(80,772)
Reimbursement of expenses by Adviser — Institutional Shares (Note 4) —	_	_	_	(29,908)
Net expenses	36,451,295	80,593,270	50,052,226	4,026,834	483,793
Net investment loss	(10,768,505)	(32,694,899)	(23,502,406)	(3,140,264)	(188,697)
Realized and unrealized gain (loss) on investments:					
Net realized gain on investments sold — unaffiliated investments	340,686,078	722,118,948	316,979,430	30,586,845	3,699,728
Net realized gain (loss) on investments sold — "affiliated" investments	3,760,003	10,932,121	(13,998,898)	· · · · —	· · · · · · · · · · · · · · · · · · ·
Net realized gain (loss) on foreign currency transactions	(261,397)	(328,706)	46,354	54,077	_
Net change in unrealized appreciation (depreciation) of:	, ,	, ,			
Investments	(240,885,628)	(423,314,321)	(303,776,960)	(28,906,785)	(3,964,878)
Foreign currency translations	644	(174,378)	(2)	3,201	
Net gain (loss) on investments	103,299,700	309,233,664	(750,076)	1,737,338	(265,150)
Net increase (decrease) in net assets resulting from operations	\$ 92,531,195	\$ 276,538,765	\$ (24,252,482)	\$ (1,402,926)	\$ (453,847)

Baron Funds September 30, 2011

STATEMENTS OF CHANGES IN NET ASSETS

	Baron As	set Fund	Baron Gro	owth Fund	Baron Sma	ll Cap Fund
	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010
Increase (Decrease) in Net Assets:						
Operations:	h (40 750 705)	h (45,000,070)	h (22.52 (22.5)	* (10.550.000)	. (22 522 (25)	* (0.000.00E)
Net investment loss Net realized gain	\$ (10,768,505) 344,184,684	\$ (16,233,373) 136,058,815	\$ (32,694,899) 732,722,363	\$ (42,659,922) 304,297,845	\$ (23,502,406) 303,026,886	\$ (9,032,335) 64,475,450
Net change in unrealized appreciation	(240,884,984)	210,617,413	(423,488,699)	444,421,437	(303,776,962)	404,476,969
Increase (decrease) in net assets resulting from operations	92,531,195	330,442,855	276,538,765	706,059,360	(24,252,482)	459,920,084
Distributions to shareholders from:						
Net investment income — Retail Shares	_	_	_	_	_	_
Net investment income — Institutional Shares		_	_	_	_	_
Net realized gain on investments — Retail Shares Net realized gain on investments — Institutional Shares	(36,608,080) (4,102,537)	_	_	_	_	_
Decrease in net assets from distributions to shareholders						
Decrease in net assets from distributions to snareholders	(40,710,617)					
Capital share transactions:	005 107 100	001055 707	700 054 004	746054055	00 / 100 000	
Proceeds from the sale of shares — Retail Shares Proceeds from the sale of shares — Institutional Shares	206,407,108 158,035,997	224,265,797 168,923,207	783,256,081 750,443,066	746,354,955 563,438,929	834,198,906 417,020,031	679,023,936 189,233,455
Net asset value of shares issued in reinvestment of	136,033,337	100,923,207	730,443,000	303,430,323	417,020,031	109,233,433
distributions — Retail Shares	35,501,226	_	_	_	_	_
Net asset value of shares issued in reinvestment of						
distributions — Institutional Shares	3,978,079	(761 602 547)	(1.012.222.624)	(1 505 246 622)	(1 027 400 020)	(700 044 100)
Cost of shares redeemed — Retail Shares Cost of shares redeemed — Institutional Shares	(800,573,643) (108,385,325)	(761,692,547) (29,831,857)	(1,812,333,634) (197,066,002)	(1,585,246,632) (132,155,594)	(1,037,488,928) (121,981,124)	(799,844,198) (44,072,065)
Increase (decrease) in net assets derived from capital	(100,505,525)	(23,031,031)	(137,000,002)	(132,133,331)	(121,501,121)	(11,072,005)
share transactions	(505,036,558)	(398,335,400)	(475,700,489)	(407,608,342)	91,748,885	24,341,128
Increase (decrease) in net assets	(453,215,980)	(67,892,545)	(199,161,724)	298,451,018	67,496,403	484,261,212
Net Assets:						
Beginning of year	2,666,998,823	2,734,891,368	5,571,675,534	5,273,224,516	3,293,065,543	2,808,804,331
End of year	\$2,213,782,843	\$2,666,998,823	\$5,372,513,810	\$5,571,675,534	\$3,360,561,946	\$3,293,065,543
Accumulated net investment loss at end of year	\$ (233,663)	\$ (139)	\$ (258,885)	\$ (3,237,884)	\$ —	\$ (233)
Capital share transactions — Retail Shares						
Shares sold	3,687,700	4,780,268	15,087,977	17,750,705	34,224,681	34,762,177
Shares issued in reinvestment of distributions	647,714					_
Shares redeemed	(14,257,555)	(16,383,474)	(35,222,598)	(37,689,809)	(42,912,694)	(41,102,342)
Net decrease	(9,922,141)	(11,603,206)	(20,134,621)	(19,939,104)	(8,688,013)	(6,340,165)
Capital share transactions — Institutional Shares						
Shares sold	2,782,061	3,667,754	14,556,325	13,377,072	17,262,870	9,732,391
Shares issued in reinvestment of distributions	72,290	(6.40.400)	(2 770 750)	(2.120.00.4)	(4071165)	(2.354.042)
Shares redeemed	(1,905,740)	(640,409)	(3,770,758)	(3,120,094)	(4,971,165)	(2,254,943)
Net increase	948,611	3,027,345	10,785,567	10,256,978	12,291,705	7,477,448

Baron Funds

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

	Baron Oppo	rtunity Fund	Baron Fifth Aven	ue Growth Fund
	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010
Increase (Decrease) in Net Assets:				
Operations:	* (0.1.10.05.1)	* (4.000.000)	h (100.507)	h (444 ==0)
Net investment loss Net realized gain	\$ (3,140,264) 30,640,922	\$ (1,993,908) 22,385,513	\$ (188,697) 3,699,728	\$ (111,553) 1,433,374
Net change in unrealized appreciation	(28,903,584)	14,971,347	(3,964,878)	1,583,629
Increase (decrease) in net assets resulting from operations	(1,402,926)	35,362,952	(453,847)	2,905,450
Distributions to shareholders from:	(1,10=,0=0,			
Net investment income — Retail Shares	_	_	_	(80,564)
Net investment income — Institutional Shares	_	_	_	(56,411)
Net realized gain on investments — Retail Shares	_	_	_	
Net realized gain on investments — Institutional Shares				
Decrease in net assets from distributions to shareholders				(136,975)
Capital share transactions:				
Proceeds from the sale of shares — Retail Shares	99,843,614	78,995,110	3,050,164	4,189,500
Proceeds from the sale of shares — Institutional Shares	25,978,090	12,959,240	289,391	200,163
Net asset value of shares issued in reinvestment of distributions — Retail Shares Net asset value of shares issued in reinvestment of distributions — Institutional Shares	_	_	_	78,269 56,029
Cost of shares redeemed — Retail Shares	— (73,176,427)	(39,337,833)	(8,346,674)	(10,183,753)
Cost of shares redeemed — Institutional Shares	(15,328,420)	(1,642,355)	(299,679)	(62,551)
Increase (decrease) in net assets derived from capital share transactions Redemption fees	37,316,857	50,974,162 16,915	(5,306,798)	(5,722,343)
Increase (decrease) in net assets	35,913,931	86,354,029	(5,760,645)	(2,953,868)
Net Assets:				
Beginning of year	239,976,415	153,622,386	39,368,433	42,322,301
End of year	\$275,890,346	\$239,976,415	\$33,607,788	\$ 39,368,433
Accumulated net investment loss at end of year	\$ —	\$ (19,463)	\$ —	\$ —
Capital share transactions — Retail Shares				
Shares sold	6,935,681	6,745,648	298,692	469,269
Shares issued in reinvestment of distributions	_	_	_	9,017
Shares redeemed	(5,004,246)	(3,379,698)	(833,767)	(1,146,786)
Net increase (decrease)	1,931,435	3,365,950	(535,075)	(668,500)
Capital share transactions — Institutional Shares				
Shares sold	1,795,441	1,109,542	29,991	22,877
Shares issued in reinvestment of distributions	, .		, <u> </u>	6,463
Shares redeemed	(1,044,429)	(142,959)	(29,170)	(6,922)
Net increase	751,012	966,583	821	22,418

Baron Funds September 30, 2011

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Baron Investment Funds Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company established as a Massachusetts business trust on February 19, 1987. The Trust currently offers five series (individually, a "Fund" and collectively, the "Funds"): Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund.

Each Fund offers two classes of shares, Retail Shares and Institutional Shares, which differ only in their ongoing fees, expenses and eligibility requirements. Retail Shares are offered to all investors. Institutional Shares are for investments in the amount of \$1 million or more per Fund. Institutional Shares are intended for certain financial intermediaries that offer shares of Baron Funds through fee based platforms, retirement platforms or other platforms. Each class of shares has equal rights to earnings and assets except that each class bears different expenses for distribution and shareholder servicing. Investment income, realized and unrealized gains or losses on investments and foreign currency, and expenses other than those attributable to a specific class are allocated to each class based on its relative net assets. Each class of shares has exclusive voting rights with respect to matters that affect just that class.

The investment objectives of the Funds are as follows:

Baron Asset Fund seeks capital appreciation through long-term investments primarily in securities of medium-sized companies with undervalued assets or favorable growth prospects.

Baron Growth Fund seeks capital appreciation through long-term investments primarily in securities of small-sized growth companies.

Baron Small Cap Fund seeks capital appreciation through investments primarily in securities of small-sized growth companies.

Baron Opportunity Fund seeks capital appreciation through investments primarily in growth companies with market capitalization between \$1 billion and \$15 billion that benefit from technology advances.

Baron Fifth Avenue Growth Fund seeks capital appreciation through investments primarily in securities of large-sized growth companies.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Funds. The policies are in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the period. Actual results could differ from those estimates. Events occurring subsequent to the date of the Statements of Assets and Liabilities and through the date of issuance of the financial statements have been evaluated for adjustment to or disclosure in the financial statements.

a) Security Valuation. The Funds' share prices or net asset values are calculated as of the close of regular session trading (usually 4 p.m. E.T.) on the New York Stock Exchange ("NYSE") on any day on which the NYSE is open for trading. Portfolio securities traded on any national stock exchange are valued based on the last sale price. For securities traded on NASDAQ, the Funds use the NASDAQ Official Closing Price. Where market quotations are not readily available, or, if in BAMCO, Inc.'s (the "Adviser") judgment, they do not accurately reflect the fair value of a security, or an event occurs after the market close but before the Funds are priced that materially affects the value of a security, the securities will be valued by the Adviser using policies and procedures approved by the Board of Trustees (the "Board"). The Adviser has a Fair Valuation Committee (the "Committee") comprised of senior executives and the Committee reports to the Board every quarter. Factors the Committee considers when valuing a security include whether a current price is stale, there is recent news, the security is thinly traded, transactions are infrequent or quotations are genuine. There can be no guarantee, however, that a fair valuation used by the Funds on any given day will more accurately reflect the market value of an investment than the closing price of such investment in its market. Debt instruments having a remaining maturity greater than sixty days will be valued on the basis of prices obtained from a pricing service approved by the Board or at the mean of the bid and ask prices from the dealer maintaining an active market in that security. Money market instruments held by the Funds with a remaining maturity of sixty days or less are valued at amortized cost, which approximates fair value.

Non-U.S. equity securities are valued on the basis of their most recent closing market prices and translated into U.S. dollars at 4 p.m. E.T., except under the circumstances described below. Most foreign markets close before 4 p.m. E.T. For securities primarily traded in the Far East, for example, the most recent closing prices may be as much as fifteen hours old at 4 p.m. E.T. If the Adviser determines that developments between the close of the foreign market and 4 p.m. E.T. will, in its judgment, materially affect the value of some or all of the Funds' securities, the Adviser will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of 4 p.m. E.T. In deciding whether to make these adjustments, the Adviser reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent non-U.S. securities and baskets of non-U.S. securities. The Adviser may also fair value securities in other situations, for example, when a particular foreign market is closed but the Funds are open. The Adviser uses outside pricing services to provide it with closing market prices and information used for adjusting those prices. The Adviser cannot predict how often it will use closing prices or how often it will adjust those prices. As a means of evaluating its fair value process, the Adviser routinely compares closing market prices, the next day's opening prices in the same markets, and adjusted prices. Other mutual funds may adjust the prices of their securities by different amounts.

- b) Foreign Currency Translations. Values of assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the price of such currencies at the time the net asset value is determined. Purchases and sales of investments and dividend income are converted at the prevailing rate of exchange on the respective dates of such transactions. Net realized gain (loss) on foreign currency transactions include gain (loss) arising from the fluctuation in the exchange rates between trade and settlement dates on security transactions and currency gain (loss) between the accrual and payment dates on dividends and foreign withholding taxes. The Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments and foreign currency transactions. The Funds may invest in foreign securities and foreign currency transactions that may involve risks not associated with domestic investments as a result of the level of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability, among others.
- c) Securities Transactions, Investment Income and Expense Allocation. Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on an identified cost basis for financial reporting and federal income tax purposes. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis which includes the accretion of discounts and amortization of premiums. Certain dividends from foreign securities will be recorded as soon as the Funds are informed of the dividend if such information is obtained subsequent to the ex-dividend date. Distributions received from certain investments held by the Funds may be comprised of dividends, realized gains and returns of capital. The Funds originally estimate the expected classification of such payments. The amounts may subsequently be reclassified upon receipt of information from the issuer. The Funds are charged for those expenses of the Trust that are directly attributable to each Fund, such as advisory and custodian fees. Expenses that are not directly attributable to a Fund are typically allocated among the Funds in proportion to their respective net assets.

September 30, 2011 Baron Funds

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d) Securities Lending. The Funds may lend securities to certain brokers. Upon such loans, the Funds receive collateral which is maintained by the custodian. The Funds earn interest on such collateral and earn income in the form of negotiated lenders' fees, both of which are included in securities lending income in the Statements of Operations. Securities loaned are required to be secured at all times by collateral equal to at least 102% of the market value of the securities loaned. Risks may arise upon entering into securities lending to the extent that the value of the collateral is less than the value of the securities loaned due to the changes in the value of collateral or the loaned securities. The Funds may receive collateral in the form of cash or other eligible securities, such as a letter of credit issued by a U.S. bank or securities issued or guaranteed by the U.S. government. Securities purchased with cash collateral are subject to the risks inherent in investing in these securities.
- e) Repurchase Agreements. The Funds may invest in repurchase agreements, which are short-term investments whereby the Funds acquire ownership of a debt security and the seller agrees to repurchase the security at a future date at a specified price. When entering into repurchase agreements, it is the Funds' policy that their custodian or a third party custodian take possession of the underlying collateral securities, the market value of which, at all times, equals at least 105% of the principal amount of the repurchase transaction. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Funds may be delayed or limited.
- f) Federal and Foreign Income Taxes. The Trust treats each Fund as a separate entity for federal income tax purposes. Each Fund intends to meet the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies, and to distribute to its shareholders substantially all of its net investment income and any net realized capital gains at least annually. None of the Funds will be subject to federal or state income taxes to the extent that all of their income is distributed.

The Funds may be subject to foreign taxes on income and gains on investments that are accrued based upon the Funds' understanding of the tax rules and regulations that exist in the countries in which the Funds invest. Foreign governments may also impose taxes or other payments on investments with respect to foreign securities. Such taxes are accrued as applicable.

- g) Restricted Securities. The Funds may invest in securities which are restricted as to public sale in accordance with the Securities Act of 1933. Such assets are valued by the Adviser pursuant to policies and procedures approved by the Board.
- h) Distributions to Shareholders. Income and capital gain distributions to shareholders are determined in accordance with income tax regulations which may differ from GAAP. These differences are primarily due to differing treatments for net investment loss, foreign currency gains and losses, partnership basis adjustments and wash sale losses deferred.
- i) Commitments and Contingencies. In the normal course of business, the Funds may enter into contracts and agreements that contain a variety of representations and warranties, which provide general indemnification. The maximum exposure to the Funds under these agreements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.
- i) Cash and Cash Equivalents. The Funds consider all short term liquid investments with a maturity of three months or less when purchased to be cash equivalents.

3. PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities, other than short term securities, for the year ended September 30, 2011 were as follows:

Fund	Purchases	Sales
Baron Asset Fund	\$659,682,578	\$1,212,112,415
Baron Growth Fund	822,419,711	1,471,229,266
Baron Small Cap Fund	1,226,752,701	1,246,906,984
Baron Opportunity Fund	217,590,694	183,578,015
Baron Fifth Avenue Growth Fund	28,946,010	34,228,703

4. INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

- a) Investment Advisory Fees. The Adviser, a wholly owned subsidiary of Baron Capital Group, Inc. ("BCG"), serves as investment adviser to the Funds. As compensation for services rendered, the Adviser receives a fee payable monthly from Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund and Baron Opportunity Fund equal to 1% per annum of the average daily net assets of the respective Funds. The Adviser receives a fee payable monthly from Baron Fifth Avenue Growth Fund equal to 0.90% per annum for daily net assets under \$1 billion, 0.85% per annum for daily net assets greater than \$1 billion but less than \$2 billion and 0.80% per annum for daily net assets greater than \$2 billion. For Baron Opportunity Fund and Baron Fifth Avenue Growth Fund, the Adviser has contractually agreed to reduce its fee, to the extent required to limit the net operating expense ratio (excluding portfolio transaction costs, interest and extraordinary expenses) to 1.50% and 1.30% of average daily net assets of the Retail Shares, and 1.25% and 1.05% of average daily net assets of the Institutional Shares, respectively.
- b) Distribution Fees. Baron Capital, Inc. ("BCI"), a wholly owned subsidiary of BCG, is a registered broker-dealer and the distributor of the Retail Shares pursuant to a distribution plan under Rule 12b-1 of the 1940 Act. The distribution plan authorizes the Funds to pay BCI a distribution fee payable monthly equal to 0.25% per annum of the Retail Shares' average daily net assets of the respective Funds.
- c) Trustee Fees. Certain Trustees of the Trust may be deemed to be affiliated with, or interested persons (as defined by the 1940 Act) of the Funds' Adviser or of BCI. None of the Trustees so affiliated received compensation for his or her services as a Trustee of the Trust. None of the Funds' officers received compensation from the Funds in that capacity.
- d) Fund Accounting and Administration Fees. The Funds have entered into an agreement with State Street Bank and Trust Company (the "Custodian") to perform accounting and certain administrative services. The Custodian is compensated for fund accounting services based on a percentage of the Funds' net assets, subject to certain minimums plus fixed annual fees for the administrative services.

5. LINE OF CREDIT

The Funds participate in a committed line of credit agreement with the Custodian to be used for temporary purposes, primarily for financing redemptions. Each Fund may borrow up to the lesser of \$100 million or the maximum amount each Fund may borrow under the 1940 Act, the limitations included in each Fund's prospectus, or any limit or restriction under any law or regulation to which each Fund is subject or any agreement to which each Fund is a party; provided that the aggregate outstanding principal amount of all loans to any of the Funds may not exceed \$100 million. Interest is charged to each Fund, based on its borrowings, at a rate per annum equal to the higher of the Federal Funds Rate or the Overnight Libor Rate plus a margin of 1.00%. A commitment fee of 0.12% per annum is incurred on the unused portion of the line of credit and is allocated to the participating Funds. During the year ended September 30, 2011, there were no loans outstanding under the line of credit.

Baron Funds September 30, 2011

NOTES TO FINANCIAL STATEMENTS (Continued)

6. RESTRICTED SECURITIES

At September 30, 2011, investments in securities included securities that are restricted and/or illiquid. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale and are valued pursuant to the policies and procedures for fair value pricing approved by the Board. A security may be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. The Funds may receive more or less than this valuation in an actual sale and that difference could be material. At September 30, 2011, the Funds held investments in restricted and/or illiquid securities that were valued pursuant to policies and procedures for fair value pricing as follows:

	Baron As	sset Fund
Name of Issuer	Acquisition Date	Value
Private Equity Investments Kerzner International Holdings, Ltd., Cl A Windy City Investments Holdings LLC Windy City Investments Holdings LLC	9/27/06 11/13/07 1/27/11	\$ 2,964,000 19,598,073 1,492,065
Total Restricted Securities: (Cost \$86,581,905) [†] (1.09% of Net Assets)		\$24,054,138

	Baron Gro	owth Fund
Name of Issuer	Acquisition Date	Value
Private Equity Investments Kerzner International Holdings, Ltd., Cl A Windy City Investments Holdings LLC Windy City Investments Holdings LLC	9/27/06 11/13/07 1/27/11	\$ 4,218,000 6,596,849 502,238
Total Restricted Securities: (Cost \$82,630,998)† (0.21% of Net Assets)		\$11,317,087

	Baron Smal	l Cap Fund
Name of Issuer	Acquisition Date	Value
Common Stocks Function X, Inc.	8/25/11	\$ 9,960,000
Warrants Function X, Inc. Warrants, Exp 8/22/2014	8/25/11	40,000
Private Equity Investments Kerzner International Holdings, Ltd., Cl A	9/27/06	1,995,000
Total Restricted Securities: (Cost \$45,000,000)† (0.36% of Net Assets)		\$11,995,000

[†] See Statements of Net Assets for cost of individual securities.

7. FAIR VALUE MEASUREMENTS

Fair value is defined by GAAP as the price that the Funds would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. GAAP provides a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Funds. Unobservable inputs are inputs that reflect the Funds' own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- · Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2 prices determined using other significant inputs that are observable either directly, or indirectly through corroboration with observable market data (which could include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.);
- Level 3 prices determined using significant unobservable inputs when quoted prices or observable inputs are unavailable such as when there is little or no market
 activity for an asset or liability (unobservable inputs reflect each Fund's own assumptions in determining the fair value of assets or liabilities and would be based on the
 best information available).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, non-U.S. securities, whose markets close hours before the Funds value their holdings, may require revised valuations due to significant movement in the U.S. markets. Since these values are not obtained from quoted prices in an active market such securities are reflected as Level 2.

September 30, 2011 Baron Funds

NOTES TO FINANCIAL STATEMENTS (Continued)

7. FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of the inputs used as of September 30, 2011 in valuing the Funds' investments carried at fair value:

	Baron Asset Fund				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Common Stocks† Private Equity Investments† Short Term Investments Total Investments	\$ 2,154,140,082 — — \$2,154,140,082	\$ — 33,718,879 \$ 33,718,879	\$ — 24,054,138 — \$24,054,138	\$ 2,154,140,082 24,054,138 33,718,879 \$2,211,913,099	
		Baron Grov	vth Fund		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Common Stocks [†] Private Equity Investments [†] Short Term Investments	\$ 5,205,580,716 — —	\$ — — 172,399,723	\$ — 11,317,087 —	\$ 5,205,580,716 11,317,087 172,399,723	
Total Investments	\$5,205,580,716	\$172,399,723	\$11,317,087	\$5,389,297,526	
		Baron Small	Cap Fund		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Common Stocks† Private Equity Investments Warrants Short Term Investments	\$ 3,119,830,086 — — —	\$ 24,131,485 — — — 205,889,578	\$ 9,960,000 1,995,000 40,000	\$ 3,153,921,571 1,995,000 40,000 205,889,578	
Total Investments	\$3,119,830,086	\$230,021,063	\$11,995,000	\$3,361,846,149	

The fair value of Level 2 investments at September 30, 2010 was \$161,356,024. \$24,131,485 was transferred out of Level 1 into Level 2 at September 30, 2011 as a result of adjusting closing prices for certain securities (as described in Note 2a), due to significant market movements between the time at which the Fund valued its securities and the earlier closing of foreign markets. It is the Fund's policy to recognize transfers in and transfers out at the fair value as of the end of the period.

	Baron Opportunity Fund				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Common Stocks† Short Term Investments Total Investments	\$ 262,095,546 — \$262,095,546	\$ — 15,465,142 \$15,465,142	\$ — — \$ —	\$ 262,095,546 15,465,142 \$277,560,688	
		Baron Fifth Avenu	ie Growth Fund		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Common Stocks† Short Term Investments	\$ 32,949,252 —	\$ — 946,477	\$ <u>—</u>	\$ 32,949,252 946,477	
Total Investments	\$32,949,252	\$946,477	\$ _	\$33,895,729	

[†] See Statements of Net Assets for additional detailed categorizations.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

					Bai	ron Asset Fund	i i			
Investments in Securities	Balance as of September 30, 2010	Accrued Premiums/ Discounts	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Balance as of September 30, 2011	Change in Net Unrealized Appreciation (Depreciation) from Investments still held at September 30, 2011
Private Equity Inves	tments									
Consumer Discretionary Financials Total	\$ 15,600,000 21,280,013 \$36,880,013	\$ — \$ —	\$ — \$ —	\$ (12,636,000) (2,811,070) \$(15,447,070)	\$ — 2,621,195 \$2,621,195	\$ \$	\$ — \$ —	\$ — — \$ —	\$ 2,964,000 21,090,138 \$24,054,138	\$ (12,636,000) (2,811,070) \$(15,447,070)
					Baro	on Growth Fur	nd			
Investments in Securities	Balance as of September 30, 2010	Accrued Premiums/ Discounts	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Balance as of September 30, 2011	Change in Net Unrealized Appreciation (Depreciation) from Investments still held at September 30, 2011
Private Equity Inves	tments									
Consumer Discretionary Financials Total	\$22,200,000 7,163,000 \$29,363,000	\$ — — \$ —	\$ — <u>\$ —</u>	\$ (17,982,000) (946,225) \$(18,928,225)	\$ — 882,312 \$882,312	\$ — \$ — \$ —	\$ — \$ — \$ —	\$ — \$ — \$ —	\$4,218,000 7,099,087 \$11,317,087	\$(17,982,000) (946,225) \$(18,928,225)
					Baror	n Small Cap Fu	ınd			
Investments in Securities	Balance as of September 30, 2010	Accrued Premiums/ Discounts	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Balance as of September 30, 2011	Change in Net Unrealized Appreciation (Depreciation) from Investments still held at September 30, 2011
Common Stocks Consumer										
Discretionary	\$ —	\$ —	\$ —	\$ (40,000)	\$ 10,000,000	\$ —	\$ —	\$ —	\$ 9,960,000	\$ (40,000)
Private Equity Inves Consumer Discretionary	10,500,000	_	_	(8,505,000)	_	_	_	_	1,995,000	(8,505,000)
Warrants Consumer				40.000					40.000	40.000
Discretionary Total	<u> </u>	<u> </u>	<u> </u>	40,000 \$(8,505,000)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	\$11,995,000	\$(8,505,000)
. 3 6 4 6	7.0,500,000		<u> </u>	+(0,505,000)	+ 10,000,000	<u> </u>	<u> </u>		÷ 1 1,555,000	7(0,505,000)

8. INCOME TAXES AND DISTRIBUTIONS TO SHAREHOLDERS

Federal income tax regulations differ from GAAP. Therefore, distributions determined in accordance with tax regulations may differ in amount or character from net investment income and net realized gain for financial reporting purposes. Net investment income (loss) and net realized and unrealized gain (loss) differ for financial statement and tax purposes due to differing treatments of net investment loss, foreign currency gains and losses, partnership basis adjustments and wash sale losses deferred. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character. Financial records are not adjusted for temporary differences.

September 30, 2011 Baron Funds

NOTES TO FINANCIAL STATEMENTS (Continued)

8. INCOME TAXES AND DISTRIBUTIONS TO SHAREHOLDERS (Continued)

For the year ended September 30, 2011, the Funds recorded the following permanent reclassifications to reflect tax character. Reclassifications between income, gains and paid-in capital relate primarily to the tax treatment of net investment loss, foreign currency gains and losses and partnership basis adjustments. Results of operations and net assets were not affected by these reclassifications.

Fund	Accumulated Net Investment Loss	Accumulated Realized Gain/(Loss)	Paid-In Capital
Baron Asset Fund	\$10,534,981	\$ 261,402	\$(10,796,383)
Baron Growth Fund	35,673,898	2,624,873	(38,298,771)
Baron Small Cap Fund	23,502,639	1,329,803	(24,832,442)
Baron Opportunity Fund	3,159,727	(54,077)	(3,105,650)
Baron Fifth Avenue Growth Fund	188,697		(188,697)

As of September 30, 2011, the components of net assets on a tax basis were as follows:

	Baron Asset Fund	Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund
Cost of investments	\$1,539,588,651	\$3,868,418,656	\$2,822,829,701	\$258,437,186	\$31,459,804
Gross tax unrealized appreciation Gross tax unrealized depreciation	\$ 801,639,623 (129,315,175)	\$1,790,239,156 (269,360,286)	\$ 954,009,973 (414,993,525)	\$ 44,233,652 (25,110,150)	\$ 5,048,503 (2,612,578)
Net tax unrealized appreciation Net tax unrealized currency depreciation	672,324,448	1,520,878,870 (208,388)	539,016,448 (2)	19,123,502	2,435,925
Undistributed net realized gain Post October capital/currency loss deferral	323,907,831	93,366,286 (258,885)	72,372,693	_	_
Capital loss carryforwards	(233,663)		_	(2,393,917)	, , ,
Paid-in capital	1,217,784,227	3,758,735,927	2,749,172,807	259,160,761	34,173,192
Net Assets	\$2,213,782,843	\$5,372,513,810	\$3,360,561,946	\$275,890,346	\$33,607,788

As of September 30, 2011, the Funds had capital loss carryforwards expiring as follows:

	Baron Asset Fund		Baron Growth Fund	Baron Small Cap Fund	Baron Opportunity Fund	Baron Fifth Avenue Growth Fund
September 30, 2017 September 30, 2018	\$ - -	_	\$ <u> </u>	\$ <u> </u>	\$ 2,393,917 —	\$ — 3,001,329
Capital loss carryforward utilized during the	\$ -		<u> </u>	\$ <u> </u>	\$ 2,393,917	\$ 3,001,329
year ended September 30, 2011	\$ -		\$ 638,770,139	\$ 224,574,006	\$ 29,536,221	\$ 3,661,299

The tax character of distributions paid during the fiscal years ended September 30, 2011 and September 30, 2010 was as follows:

		Ended er 30, 2011	Year Ended September 30, 2010		
Fund	Ordinary ¹	Long Term Capital Gain	Ordinary ¹	Long Term Capital Gain	
Baron Asset Fund	\$ —	\$40,710,617	\$ —	\$ —	
Baron Growth Fund	_	_	_	_	
Baron Small Cap Fund	_	_	_	_	
Baron Opportunity Fund	_	_		_	
Baron Fifth Avenue Growth Fund	_	_	136,975	_	

¹ For tax purposes, short-term capital gains are considered ordinary income distributions.

The Funds follow the provisions of the FASB Codification Section 740 ("ASC Section 740") "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return. ASC Section 740 sets forth a threshold for financial statement recognition, measurement and disclosure of tax positions taken or expected to be taken on a tax return. The Funds are required to recognize the tax effects of certain tax positions under a "more likely than not" standard, that based on their technical merits, have more than 50 percent likelihood of being sustained upon examination. Management has analyzed the tax positions taken on the Funds' federal income tax returns for all open years (current and prior three years), and has concluded that no provision for federal income tax is required in the Funds' financial statements. At September 30, 2011, the Funds did not have any unrecognized tax benefits. The Funds' federal, state and local income and federal excise tax returns for which the applicable statutes of limitations have not expired (current and prior three years) are subject to examination by the Internal Revenue Service and state departments of revenue.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. The Act modernizes several of the federal income and excise tax provisions related to regulated investment companies, and with certain exceptions, is effective for taxable years beginning after December 22, 2010. New capital losses may now be carried forward indefinitely. Rules in effect prior to December 22, 2010 limited the carryforward period to eight years. Post-enactment capital loss carryforwards must be fully used before capital loss carryforwards generated prior to the enactment of the Act. As a result of this ordering rule, pre-enactment capital loss carryforwards may have an increased likelihood to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short term or long-term capital losses rather than all short-term as under previous rules.

Baron Funds September 30, 2011

NOTES TO FINANCIAL STATEMENTS (Continued)

9. TRANSACTIONS IN "AFFILIATED" COMPANIES.1

BARON ASSET FUND

Name of Issuer	Value at September 30, 2010	Purchase Cost	Sales Proceeds	Realized Gains/(Losses)	Dividend Income	Shares Held at September 30, 2011	Value at September 30, 2011
No Longer an "Affiliated" Company as of S Vail Resorts, Inc.	September 30, 201 \$ 67,505,984	1: \$ —	\$ 7,093,318	\$ 3,760,003	\$ 269,880	1,635,850	\$ 61,818,772

BARON GROWTH FUND

Name of Issuer	Value at September 30, 2010	Purchase Cost	Sales Proceeds	Realized Gains/(Losses)	Dividend Income	Shares Held at September 30, 2011	Value at September 30, 2011
"Affiliated" Company as of September	r 30, 2011:						
Blue Nile, Inc.	\$ 49,161,450	\$ —	\$ 6,175,930	\$ 2,488,285	\$ —	1,000,000	\$ 35,280,000
Choice Hotels International, Inc.	109,380,000	221,712	_	_	2,221,388	3,007,500	89,382,900
DeVry, Inc.	178,386,250	_	_	_	870,000	3,625,000	133,980,000
Peet's Coffee & Tea, Inc.	27,384,000	_	_	_	_	800,000	44,512,000
Strayer Education, Inc.	117,787,500	_	_	_	2,700,000	675,000	51,752,250
Vail Resorts, Inc.	71,288,000	218,398			285,000	1,905,750	72,018,292
	\$ 553,387,200	\$ 440,110	\$ 6,175,930	\$ 2,488,285	\$ 6,076,388		\$ 426,925,442
No Longer an "Affiliated" Company as	of September 30, 201	1:					
AMERIGROUP Corp.	\$ 111,483,750	\$	\$ 15,253,251	\$ 8,443,836	\$ —	2,350,000	\$ 91,673,500

BARON SMALL CAP FUND

Name of Issuer	Value at September 30 2010	Purcha Cos		ales ceeds Ga	Realized ains/(Losses)	Dividend Income	Shares Held at September 30, 2011	Value at September 30, 2011
"Affiliated" Company as of September 3 Bravo Brio Restaurant Group, Inc. The Chefs' Warehouse, Inc. Chesapeake Lodging Trust Globe Specialty Metals, Inc. Great Wolf Resorts, Inc. Iconix Brand Group, Inc. KEYW Holding Corp. Lumber Liquidators Holdings, Inc. Mercury Computer Systems, Inc. Mistras Group, Inc. Rogers Corp. Vitacost.com, Inc.	0, 2011 : \$ 14,456,848 49,140,000 5,814,000 68,250,000 24,570,000 20,265,000 13,973,250	20,68 21,41 9,89 27,74 8,98 32,18 2,40 43,76	30,409 55,750 3 00,398 — — 45,764 85,087 85,131	5,516,272 \$ 604,724 6,031,607 — — — — — — — — — — — — — — — — — — —	885,384 (22,337) (93,494) — — — — — — 795,820 —	\$ — 1,720,855 525,000 — — — — — — — — — — — —	1,628,701 1,250,000 2,000,000 4,000,000 3,060,000 3,900,000 2,385,000 1,425,000 1,750,000 1,650,000 1,000,000 2,325,000	\$ 27,101,585 14,700,000 24,140,000 58,080,000 7,833,600 61,620,000 16,957,350 21,517,500 20,125,000 28,974,000 39,130,000 11,067,000
No Longer an "Affiliated" Company as of	\$ 196,469,098 **September 30, 2	011:	<u> </u>	\$,362,809 \$	1,565,373	\$ 2,245,855		\$ 331,246,035
Campus Crest Communities, Inc. Coresite Realty Corp.	\$ — 17,241,854	2,55	55,778 17	,357,162 \$ 7,237,253	(780,604) (2,178,209)	\$ 574,000 —	_	\$ — —
Huron Consulting Group, Inc. Orion Marine Group, Inc. Primo Water Corp.	27,487,500 17,374,000 —		— 15	5,433,500 5,590,246 5,245,964	(2,106,736) (4,821,693) (5,677,029)	_ _ _	_ _ _	_ _ _
'	\$ 62,103,354		<u> </u>	,864,125 \$	(15,564,271)	\$ 574,000		\$

An "Affiliated" Company, as defined in the 1940 Act, is a company in which a Fund held 5% or more of the company's outstanding voting securities at any time during the year ended September 30, 2011.

10. NEW ACCOUNTING PRONOUNCEMENT

In May 2011, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") No. 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards. Specifically, the ASU requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers; ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity, and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of the ASU is for interim and annual periods beginning after December 15, 2011. The Adviser is currently evaluating the impact this disclosure may have on the Funds' financial statements.

September 30, 2011 Baron Funds

FINANCIAL HIGHLIGHTS

BARON ASSET FUND

Selected data for a share outstanding throughout each year:

					RETAIL S	HARES					INSTITUTIONAL SHARES		
				Year	Ended Se	ptember	30,					ear Ende otember	
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	20093
Net asset value,													
beginning of year	\$ 49.27	\$ 43.62	\$ 52.12	\$ 66.57	\$ 60.08	\$ 56.52	\$ 47.89	\$ 40.05	\$ 35.65	\$ 40.22	\$ 49.43	\$43.65	\$ 37.38
Income (loss) from investment operations:													
Net investment loss Net realized and unrealized	(0.23)1	(0.28)1	(0.20)1	(0.29)1	(0.10)1	(0.27)	(0.46)	(0.43)	(0.46)	(0.55)	(0.10)1	(0.15)1	(0.05)1
gain (loss) on investments	0.73	5.93	(5.68)	(12.08)	11.27	6.64	12.08	8.27	6.04	0.05	0.74	5.93	6.32
Total from investment operations	0.50	5.65	(5.88)	(12.37)	11.17	6.37	11.62	7.84	5.58	(0.50)	0.64	5.78	6.27
Less distributions to shareholders from: Net investment income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net realized gain on investments	(0.77)	0.00	(2.62)	(2.08)	(4.68)	(2.81)	(2.99)	0.00	(1.18)	(4.07)	(0.77)	0.00	0.00
Total distributions	(0.77)	0.00	(2.62)	(2.08)	(4.68)	(2.81)	(2.99)	0.00	(1.18)	(4.07)	(0.77)	0.00	0.00
Net asset value,													
end of year	\$ 49.00	\$ 49.27	\$ 43.62	\$ 52.12	\$ 66.57	\$ 60.08	\$ 56.52	\$ 47.89	\$ 40.05	\$ 35.65	\$49.30	\$49.43	\$ 43.65
Total return	0.85%	12.95%	(9.88)%	(19.14)%	% 19.56 ————	11.54%	25.21%	19.58%	16.11%	(2.54)%	6	13.24%	16.77%
Ratios/Supplemental data: Net assets (in millions), end of year	\$1,924.9	\$2,424.2	\$2,652.6	\$3,311.8	\$4,468.0	\$3,365.6	\$2,687.4	\$2,002.4	\$1,957.2	\$2,055.2	\$288.9	\$242.8	\$ 82.3
Ratio of total expenses to	\$ 1,524.5	72,727.2	72,032.0	75,511.0	Ş+,+00.0 ==================================	\$3,303.0	\$2,007.4	72,002.4	\$ 1,557.L	72,033.2	\$200.5	\$Z-7Z.0	5 02.5
average net assets Less: Ratio of interest expense	1.33%	1.32%	1.36%	² 1.33%	o ² 1.34%	² 1.33%	1.34%	5 1.34%	1.34%	5 1.35%	1.06%	1.06%	1.16%
to average net assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	60.00%	0.00%	0.00%	(0.02 <u>)</u> 9	6 0.00%	0.00%	0.00%
Ratio of operating expenses to average net assets	1.33%	1.32%	1.36%	1.33%	1.34%	1.33%	6 <u>1.34</u> %	51.34%	51.34%	51.33%	1.06%	1.06%	1.16%
Ratio of net investment loss to average													
net assets	(0.41)%	(0.61)%	(0.54)%	(0.49)%	(0.17)%	(0.49)	% <u>(0.91</u>)%	(0.90)	(1.14)9	(1.16)%	6 (0.18)9	(0.33)%	(0.39)%
Portfolio turnover rate	23.89%	13.04%	14.67%	16.02%	13.39%	21.87%	6 <u>11.47</u> %	19.57%	27.95%	6.01%	23.89%	13.04%	14.67%

Based on average shares outstanding.

² Benefit of expense reduction rounds to less than 0.01%.

For the period May 29, 2009 (Commencement of Operations) to September 30, 2009.

⁴ Not Annualized.

⁵ Annualized.

Baron Funds September 30, 2011

FINANCIAL HIGHLIGHTS (Continued)

BARON GROWTH FUND

Selected data for a share outstanding throughout each year:

		RETAIL SHARES											INSTITUTIONAL SHARES		
				Year	Ended Sej	otember :	30,					ear End otembe			
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	2009³		
Net asset value, beginning of year	\$ 44.37	\$ 39.00	\$ 41.69	\$ 54.55	\$ 47.23	\$ 45.96	\$ 38.92	\$ 32.65	\$ 26.96	\$ 27.18	\$ 44.52	\$39.03	\$33.71		
Income (loss) from investment operations: Net investment loss	(0.29)	(0.34)	(0.18)1	(0.28)1	(0.25)1	(0.29)	(0.29)	(0.30)	(0.25)	(0.23)	(0.17)1	(0.22)	(0.04)1		
Net realized and unrealized gain (loss) on investments	2.10	5.71	(2.47)	(10.07)	10.11	3.61	7.33	6.57	5.94	1.65	2.11	5.71	5.36		
Total from investment operations	1.81	5.37	(2.65)	(10.35)	9.86	3.32	7.04	6.27	5.69	1.42	1.94	5.49	5.32		
Less distributions to shareholders from:															
Net investment income Net realized gain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
on investments Total distributions	0.00	0.00	(0.04)	(2.51)	(2.54)	(2.05)	0.00	0.00	0.00	(1.64) (1.64)	0.00	0.00	0.00		
Net asset value, end of year	\$ 46.18	\$ 44.37	\$ 39.00	\$ 41.69	\$ 54.55	\$ 47.23	\$ 45.96	\$ 38.92	\$ 32.65	\$ 26.96	\$ 46.46	\$44.52	\$39.03		
Total return	4.08%	6 <u>13.77</u> %	(6.34)%	(19.78)%	21.41%	7.36%	18.09%	19.20%	21.11%	5.02%	4.36%	14.07%	15.78%		
Ratios/Supplemental data: Net assets (in millions), end of year	\$4,110.8	\$4,842.8	\$5,034.5	\$5,615.0	\$7,075.9	\$5,315.8	\$5,005.1	\$3,135.6	\$2,185.4	\$1,030.3	\$1,261.8	\$728.9	\$238.7		
Ratio of operating expenses to average net assets	1.32%	6 <u>1.32</u> %	1.35%	² 1.32%	² 1.31%	² 1.31%	1.31%	1.33%	1.36%	6 1.35 _%	5 <u>1.06</u> %	5 <u>1.06</u> %	6 <u>1.13</u> %		
Ratio of net investment loss to average net assets	(0.56)%	6 <u>(0.80</u>)%	% <u>(0.56</u>)%	6 <u>(0.59</u>)%	% <u>(0.49</u>)%	s (0.61)%	6 <u>(0.73</u>)%	% <u>(0.89</u>)%	% <u>(1.11</u>)9	% (1.02) ⁹	% <u>(0.33</u>)9	% (0.53) ⁹	% <u>(0.29</u>)%		
Portfolio turnover rate	13.51%	6 16.12%	26.65%	25.97%	21.37%	21.27%	15.50%	27.15%	32.63%	18.31%	13.51%	16.12%	26.65%		

Based on average shares outstanding.

² Benefit of expense reduction rounds to less than 0.01%.

For the period May 29, 2009 (Commencement of Operations) to September 30, 2009.

⁴ Not Annualized.

⁵ Annualized.

FINANCIAL HIGHLIGHTS (Continued)

BARON SMALL CAP FUND

Selected data for a share outstanding throughout each year:

	RETAIL SHARES						INSTITUTIONAL SHARES						
	Year Ended September 30,							Year Ended September 30,					
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	20095
Net asset value, beginning of year	\$ 20.90	\$ 17.96	\$ 18.70	\$ 25.47	\$ 23.59	\$ 23.08	\$ 19.18	\$ 17.26	\$ 13.73	\$ 12.69	\$20.97	\$17.97	\$15.52
Income (loss) from investment operations: Net investment loss	(0.15)1	(0.06)	¹ (0.13) ¹	(0.09)1	(0.02)1	(0.18)	(0.10)	(0.15)	(0.11)	(0.14)	(0.10)	(0.03)	(0.04)
Net realized and unrealized gain (loss) on investments	0.092	3.00	(0.13)	(5.01)	4.96	1.43	4.55	2.07	4.02	1.18	0.092	3.03	2.49
Total from investment operations	(0.06)	2.94	(0.74)	(5.10)	4.94	1.25	4.45	1.92	3.91	1.04	(0.01)	3.00	2.45
Less distributions to shareholders from:													
Net investment income Net realized gain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
on investments	0.00	0.00	(0.00)3	(1.67)	(3.06)	(0.74)	(0.55)	0.00	(0.38)	0.00	0.00	0.00	0.00
Total distributions	0.00	0.00	(0.00)	(1.67)	(3.06)	(0.74)	(0.55)	0.00	(0.38)	0.00	0.00	0.00	0.00
Net asset value, end of year	\$ 20.84	\$ 20.90	\$ 17.96	\$ 18.70	\$ 25.47	\$ 23.59	\$ 23.08	\$ 19.18	\$ 17.26	\$ 13.73	\$20.96	\$20.97	\$17.97
Total return	(0.29)%	16.379	6 <u>(3.95</u>)%	(21.44)9	6 22.54% ————————————————————————————————————	5.52%	23.56%	11.12%	629.20%	8.20%	(0.05)	% 16.69 _%	15.79%
Ratios/Supplemental data: Net assets (in millions), end of year	\$2,842.0	\$3,032.0	\$2,719.4	\$2,871.6	\$3,522.4	\$2,921.7	\$2,828.6	\$1,782.1	\$1,210.5	\$ 719.1	\$518.6	\$261.1	\$ 89.4
Ratio of operating expenses to average net assets	1.31%	6 <u>1.31</u> 9	6 <u>1.34</u> %	4 <u>1.32</u> %	⁴ 1.31%	4 1.33%	6 <u>1.33</u> %	6 <u>1.33</u> %	6 <u>1.36</u> %	6 <u>1.36</u> %	1.06%	5 <u>1.06</u> %	6 <u>1.16</u> %
Ratio of net investment loss to average net assets	(0.63)%	6 (0.30)	%(0.86)%	(0.42)%	6 <u>(0.09</u>)%	6 <u>(0.73</u>)	% <u>(0.48</u>)9	(0.88)	% <u>(0.87</u>)	%(0.97)%	(0.42)	% (0.15) ⁹	% (0.75)
Portfolio turnover rate	32.81%	27.229	6 <u>35.83</u> %	41.52%	36.51%	39.99%	24.68%	32.92%	6 30.29%	6 55.07%	32.81%	27.22%	35.839

Based on average shares outstanding.

See Notes to Financial Statements. 37

² The amount shown for a share outstanding does not correspond with the aggregate realized and unrealized gain (loss) on investments for the period due to the timing of sales and redemptions of fund shares in relation to fluctuating market values of investments of the Fund.

³ Less than \$0.01 per share.

Benefit of expense reduction rounds to less than 0.01%.

⁵ For the period May 29, 2009 (Commencement of Operations) to September 30, 2009.

⁶ Not Annualized.

⁷ Annualized.

Baron Funds September 30, 2011

FINANCIAL HIGHLIGHTS (Continued)

BARON OPPORTUNITY FUND

Selected data for a share outstanding throughout each year:

					RETAIL SH	IARES					INS	TITUTIO SHARES	
	Year Ended September 30,							Year Ended September 30,					
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	20097
Net asset value, beginning of year	\$12.76	\$10.61	\$ 9.90	\$ 13.01	\$10.05	\$ 9.16	\$ 7.58	\$ 6.48	\$ 3.63	\$ 4.09	\$12.80	\$10.62	\$ 8.88
Income (loss) from investment operations: Net investment loss Net realized and unrealized gain (loss) on investments	(0.16) ¹	(0.13) ¹	(0.08) ¹	(0.09) ¹ (3.02)	(0.07) ¹	(0.03)	(0.09)	(0.10)	(0.05)	(0.06)	(0.12)	(0.10) ¹	(0.02)
Total from investment operations	0.07	2.15	0.71	(3.11)	2.96	0.89	1.57	1.08	2.84	(0.46)	0.11	2.18	1.74
Less distributions to shareholders from: Net investment income Net realized gain on investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total distributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Redemption fees added to paid-in capital	0.00	0.002	0.002	0.002	0.002	0.002	0.01	0.02	0.01	0.002	0.00	0.002	0.00
Net asset value, end of year	\$12.83	\$12.76	\$10.61	\$ 9.90	\$13.01	\$10.05	\$ 9.16	\$ 7.58	\$ 6.48	\$ 3.63	\$12.91	\$12.80	\$10.62
Total return	0.55%	20.26%	7.17%	(23.90)%	29.45% ³	9.72%	20.84% ³	16.98% ³	78.51%	³ (11.25)%	0.86%	20.53%	19.59%
Ratios/Supplemental data: Net assets (in millions), end of year	\$240.4	\$214.4	<u>\$142.7</u>	\$ 154.4	\$198.0	\$145.4	\$145.7	\$133.9	\$109.3	\$ 57.5	\$ 35.5	\$ 25.5	\$ 10.9
Ratio of operating expenses to average net assets Less: Reimbursement of expenses by Adviser	1.41%	1.44%	1.50%	1.42%	1.43%	1.45%	1.52%	1.56%	1.67%	1.65%	1.14%	5 1.18%	1.37%
and/or offsets	0.00%	0.00%	0.00%	0.00%5	(0.01)%	0.00%	(0.02)%	(0.06)%	(0.17)%	% <u>(0.15</u>)%	0.00%	0.00%	(0.12)
Ratio of net expenses to average net assets	1.41%	<u>1.44</u> %	1.50%	1.42%	1.42%	1.45%	1.50%	1.50%	1.50%	1.50%	1.14%	5 <u>1.18</u> %	1.25%
Ratio of net investment loss to average net assets	(1.11)%	(1.08)%	(1.00)%	o <u>(0.79</u>)%	(0.61)%	(0.26)%	(1.01)%	(1.25)%	(1.18)%	% <u>(1.20</u>)%	(0.84)	% <u>(0.83</u>)%	(0.74)
Portfolio turnover rate	65.43%	76.44%	68.09%	61.44%	46.20%	67.25%	83.64%	86.35%	89.72%	96.41%	65.43%	76.44%	68.09

Based on average shares outstanding.

² Less than \$0.01 per share.

The total returns would have been lower had certain expenses not been reduced during the periods shown.

⁴ Not Annualized.

Benefit of expense reduction rounds to less than 0.01%.

⁶ Annualized

For the period May 29, 2009 (Commencement of Operations) to September 30, 2009.

FINANCIAL HIGHLIGHTS (Continued)

BARON FIFTH AVENUE GROWTH FUND

Selected data for a share outstanding throughout each year:

				RETAIL SH	HARES					SHARE: /ear End	<u>S</u>
			Year E	nded Sep	tember 3	0,			Se	ptembe	r 30,
	2011	2010	2009	2008	2007	2006	2005	20041	2011	2010	20098
Net asset value, beginning of year	\$ 9.21	\$ 8.60	\$10.38	\$14.12	\$12.22	\$11.56	\$ 9.89	\$10.00	\$ 9.21	\$ 8.61	\$ 7.54
Income (loss) from investment operations: Net investment income (loss) Net realized and unrealized gain (loss) on investments	(0.06) ² (0.17)	(0.03) ² 0.66	0.03 ² (1.03)	0.00 ^{2,3} (2.62)	(0.01) ²	(0.02) 0.68	(0.05) 1.72	(0.02) (0.09)	(0.03) ³	² (0.01) ² 0.66	² 0.02 ² 1.05
Total from investment operations	(0.23)	0.63	(1.00)	(2.62)	1.90	0.66	1.67	(0.11)	(0.21)	0.65	1.07
Less distributions to shareholders from: Net investment income	0.00	(0.02)	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00	(0.05)	0.00
Net realized gain on investments	0.00	0.00	(0.77)	(1.12)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total distributions	0.00	(0.02)	(0.78)	(1.12)	0.00	0.00	0.00	0.00	0.00	(0.05)	0.00
Net asset value, end of year	\$ 8.98	\$ 9.21	\$ 8.60	\$10.38	\$14.12	\$12.22	\$11.56	\$ 9.89	\$ 9.00	\$ 9.21	\$ 8.61
Total return	(2.50)%	7.38%4	(7.75)%	4 (19.96)%	4 15.55%	5.71%	16.89%	64 (1.10)%	4,5 (2.28)	% ⁴ 7.59%	6 ⁴ 14.19% ^{4,5}
Ratios/Supplemental data:											
Net assets (in millions), end of year	\$ 23.4	\$ 29.0	\$ 32.8	\$ 58.2	\$110.2	\$123.3	\$ 96.5	\$ 49.3	\$ 10.2	\$ 10.4	\$ 9.5
Ratio of operating expenses to average net assets Less: Reimbursement of expenses by Adviser	1.59%	1.62%	1.69%	1.47%	1.36%	1.39%	1.49%	1.67%	1.319	6 1.35%	4 1.61% ⁷
and/or offsets	(0.29)%	(0.25)%	(0.29)%	(0.07)%	0.00%6	0.00%	(0.09)9	% (0.27 <u>)</u> %	⁷ (0.26)	% (0.24)	% (0.46)% ⁷
Ratio of net expenses to average net assets	1.30%	1.37%	1.40%	1.40%	1.36%	1.39%	1.40%	1.40%	1.05%	61.11%	6 <u>1.15</u> % ⁷
Ratio of net investment income (loss) to average net assets	(0.55)%	(0.32)%	0.40%	(0.01)%	(0.08)%	(0.16)%	(0.58)%	% <u>(0.79</u>)%	⁷ (0.30)	% <u>(0.07</u>)	% <u>0.58</u> % ⁷
Portfolio turnover rate	75.36%	57.67%	39.61%	39.59%	28.75%	105.77%	46.71%	7.58%5	75.36%	6 57.67%	39.61%

For the period April 30, 2004 (Commencement of Operations) to September 30, 2004.

See Notes to Financial Statements.

² Based on average shares outstanding.

³ Less than \$0.01 per share.

⁴ The total returns would have been lower had certain expenses not been reduced during the periods shown.

⁵ Not Annualized.

⁶ Benefit of expense reduction rounds to less than 0.01%.

⁷ Annualized

⁸ For the period May 29, 2009 (Commencement of Operations) to September 30, 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Baron Investment Funds Trust

In our opinion, the accompanying statements of assets and liabilities, including the statements of net assets, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of each of Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund (five of the portfolios constituting the Baron Investment Funds Trust, hereafter referred to as the "Funds") at September 30, 2011, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at September 30, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP New York, New York

Pricewaterhouse Coopers LLP

November 28, 2011

FUND EXPENSES (Unaudited)

As a shareholder of the Funds, you may incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include advisory fees, distribution and service (12b-1) fees and other Fund expenses. Due to the payment of Rule 12b-1 fees, long-term shareholders may indirectly pay more than the maximum permitted front-end sales charge. The information on this page is intended to help you understand your ongoing costs of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

The information in the following table is based on an investment of \$1,000 invested on April 1, 2011 and held for the six months ended September 30, 2011.

ACTUAL EXPENSES

The table below titled "Based on Actual Total Return" provides information about actual account values and actual expenses. You may use the information provided in this table, together with the amount you invested, to estimate the expenses that you paid over the period. To estimate the expenses you paid on your account, divide your ending account value by \$1,000 (for example, an \$8,600 ending account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading titled "Expenses Paid During the Period".

BASED ON ACTUAL TOTAL RETURN FOR THE SIX MONTHS ENDED SEPTEMBER 30, 20111

	Actual Total Return	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Annualized Expense Ratio	Expenses Paid During the Period ²
Baron Asset Fund- Retail Shares	(17.09)%	\$1,000.00	\$829.10	1.33%	\$6.10
Baron Asset Fund- Institutional Shares	(16.98)%	\$1,000.00	\$830.20	1.06%	\$4.86
Baron Growth Fund- Retail Shares	(17.58)%	\$1,000.00	\$824.20	1.32%	\$6.04
Baron Growth Fund- Institutional Shares	(17.46)%	\$1,000.00	\$825.40	1.06%	\$4.85
Baron Small Cap Fund- Retail Shares	(20.37)%	\$1,000.00	\$796.30	1.31%	\$5.90
Baron Small Cap Fund- Institutional Shares	(20.27)%	\$1,000.00	\$797.30	1.06%	\$4.78
Baron Opportunity Fund- Retail Shares	(17.07)%	\$1,000.00	\$829.30	1.41%	\$6.47
Baron Opportunity Fund- Institutional Shares	(16.98)%	\$1,000.00	\$830.20	1.14%	\$5.23
Baron Fifth Avenue Growth Fund- Retail Shares	(13.74)%	\$1,000.00	\$862.603	1.30%4	\$6.07
Baron Fifth Avenue Growth Fund- Institutional Shares	(13.71)%	\$1,000.00	\$862.90 ³	1.05%4	\$4.90

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The table below titled "Based on Hypothetical Total Return" provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account values and expenses you paid for the period. You may use the information provided in this table to compare the ongoing costs of investing in the Funds and other funds. To do so, compare the 5% hypothetical example relating to the Funds with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table below are meant to highlight your ongoing costs and do not reflect any transactional costs, such as redemption fees, if any. Therefore, the table is useful in comparing ongoing costs only and will not help you determine your relative total costs of owning different mutual funds. In addition, if these transactional costs were included, your costs would have been higher.

BASED ON HYPOTHETICAL TOTAL RETURN FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

	Hypothetical Annualized Total Return	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Annualized Expense Ratio	Expenses Paid During the Period ²
Baron Asset Fund- Retail Shares	5.00%	\$1,000.00	\$1,018.40	1.33%	\$6.73
Baron Asset Fund- Institutional Shares	5.00%	\$1,000.00	\$1,019.75	1.06%	\$5.37
Baron Growth Fund- Retail Shares	5.00%	\$1,000.00	\$1,018.45	1.32%	\$6.68
Baron Growth Fund- Institutional Shares	5.00%	\$1,000.00	\$1,019.75	1.06%	\$5.37
Baron Small Cap Fund- Retail Shares	5.00%	\$1,000.00	\$1,018.50	1.31%	\$6.63
Baron Small Cap Fund- Institutional Shares	5.00%	\$1,000.00	\$1,019.75	1.06%	\$5.37
Baron Opportunity Fund- Retail Shares	5.00%	\$1,000.00	\$1,018.00	1.41%	\$7.13
Baron Opportunity Fund- Institutional Shares	5.00%	\$1,000.00	\$1,019.35	1.14%	\$5.77
Baron Fifth Avenue Growth Fund- Retail Shares	5.00%	\$1,000.00	\$1,018.55 ³	1.30%4	\$6.58
Baron Fifth Avenue Growth Fund- Institutional Shares	5.00%	\$1,000.00	\$1,019.80 ³	1.05%4	\$5.32

Assumes reinvestment of all dividends and capital gain distributions, if any.

² Expenses are equal to each Share Class' respective annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 365.

³ Ending account value assumes the return earned after waiver and would have been lower if a portion of the management fee had not been waived.

⁴ Annualized expense ratios for Baron Fifth Avenue Growth Fund are adjusted to reflect fee waiver.

Baron Funds September 30, 2011

DISCLOSURE REGARDING THE APPROVAL OF THE INVESTMENT ADVISORY AGREEMENTS FOR BARON ASSET FUND, BARON GROWTH FUND, BARON SMALL CAP FUND, BARON OPPORTUNITY FUND AND BARON FIFTH AVENUE GROWTH FUND, BY THE BOARD OF TRUSTEES (Unaudited)

The Board of Trustees (the "Board") of Baron Investment Funds Trust (the "Trust") met on May 17, 2011 to discuss the selection of BAMCO, Inc. (the "Adviser") as the investment adviser and the approval of the investment advisory agreements for Baron Asset Fund, Baron Growth Fund, Baron Small Cap Fund, Baron Opportunity Fund and Baron Fifth Avenue Growth Fund, (each a "Fund" and collectively, the "Funds"). The members of the Board who are not affiliated with the Trust (the "Independent Trustees") met in a separate session to discuss and consider the renewal of the advisory contract for the Funds. An independent consultant provided reports to the Board and attended the Board meeting. The Trustees received a substantial amount of information from the Adviser and from the consultant, and were advised by independent counsel. Based on its evaluation of this and other information, the Board, including a majority of the Independent Trustees, approved the continuation of the advisory agreements for the Funds for an additional one-year period.

In reaching its determination, the Board considered various factors that it deemed relevant, including the factors listed below.

1. NATURE, EXTENT AND QUALITY OF SERVICES

As part of their consideration of the nature, extent and quality of services provided by the Adviser, the Independent Trustees relied on the information they received at the Board meeting, as well as on the information they had considered in past years. In particular, the Board considered the following:

- · Their confidence in the Adviser's senior personnel, portfolio management, the financial condition of the Adviser and its affiliates and the Adviser's available resources;
- The nature, quality and the level of long-term performance of the services provided by the Adviser, including: intensive devotion to research, selection of broker/dealers for Fund portfolio transactions, relationships with and supervision of third party service providers, such as the Funds' custodian and transfer agent, the quality of shareholder reports, the ability to monitor adherence to investment guidelines and restrictions, the legal, accounting and compliance services provided to the Funds and the support services provided to the Board;
- The Adviser's investment principles and processes and the historical performance of the Funds as compared to similar funds managed by other advisers and other funds managed by the Adviser over comparable periods;
- · The total expense ratio of the Funds and comparisons to similar funds managed by other advisers over comparable periods;
- The costs of portfolio management, including the types of investments made for the Funds, the personnel and systems necessary for implementation of investment strategies, and the pre-tax profits realized by the Adviser and its affiliates from their relationship with the Funds; and
- · Any additional services provided by the Adviser.

The Board concluded that the nature, extent and quality of the services provided by the Adviser to each Fund was appropriate and that each Fund was likely to continue to benefit from those services provided under the relevant advisory agreement with the Adviser.

2. INVESTMENT PERFORMANCE OF THE FUNDS AND THE ADVISER

As part of its consideration of the investment performance of the Funds and the Adviser, the Board took into account the analyses performed by and discussed with the independent consultant. The Board considered for each Fund, among other information, the independent consultant's comparisons of the expense ratio and contractual advisory fee with those of peer group funds. The Board also considered the independent consultant's risk-adjusted performance comparisons with comparable funds and comparisons of each Fund's annualized total return over one-, three-, five- and ten-year periods, where applicable, against peer group funds and performance of peer group funds' averages. After considering all the information, the Board concluded that the Adviser continued to invest in accordance with its long-standing principles and that each Fund's more recent relative performance was consistent with expectations for the Adviser's investment style under recent market conditions. The Board noted the Funds' absolute performance in the most recent one-year period and the risk-adjusted performance comparisons. The Board also concluded that the Funds and their shareholders had benefited over the long-term from the Adviser's investment management of the Funds.

3. COSTS OF SERVICES PROVIDED AND PROFITS TO BE REALIZED BY THE ADVISER

The Board was provided with information from the Adviser and the independent consultant regarding the fees charged by the Adviser as compared to the fees charged by comparable funds. This information compared various fees and expenses, as well as the total expense ratios, of the Funds against the same fees, expenses and total expense ratios of other funds of similar size, character and investment strategies. The total expense ratios of the Funds were generally competitive with the total expense ratios of the funds against which they were compared.

The Board considered comparisons of the advisory fees charged and services provided by the Adviser and its investment adviser affiliate to the Funds, sub-advised accounts and separately managed accounts. The Board considered that, while the advisory fees for the other clients are the same as, or lower than, the fees for the Funds, the Adviser or its affiliate performs significantly fewer services for those clients compared with those provided by the Adviser to the Funds.

4. ECONOMIES OF SCALE AND BENEFITS TO INVESTORS

The Board considered the extent to which each Fund's management fee reflected economies of scale for the benefit of Fund shareholders. The Board considered that, except for Baron Fifth Avenue Growth Fund, the Funds' fee schedules do not have break points. The Board considered that the small- and mid-cap investment strategies require more attention by the Adviser than a strategy that involves large-cap equities, particularly as the size of the assets under management increases. The Board considered that the Adviser was continuing to grow and upgrade its staff and invest in its business even during this recent period of declining assets and reduced revenues. The Board reiterated its intention to continue to scrutinize the extent of economies of scale, asset growth and the Adviser's plans to reinvest further to support the Funds. The Board concluded that the management fee for each Fund was reasonable in light of the services provided as discussed at the meeting, including the Adviser's investments in resources to support the Funds.

After due consideration of the above-enumerated factors and other factors, the Board, including a majority of the Independent Trustees, concluded that approval of each Fund's investment advisory agreement was in the best interests of the respective Fund and its shareholders.

TAX INFORMATION (Unaudited)

We are required by the Internal Revenue Code to advise you within 60 days of the Funds' fiscal year end as to the federal tax status of distributions paid by the Funds during such fiscal year.

During the fiscal year ended September 30, 2011, the Funds' distributions to shareholders included:

Fund		Long-Term Capital Gains ¹
Baron Asset Fund	\$—	\$40,710,617

Long-term capital gains are subject to a maximum allowable rate of 15% for individuals pursuant to The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

The information and distributions reported may differ from the information and distributions taxable to the shareholders for the calendar year ended December 31, 2011. The information necessary to complete your income tax return for the calendar year ended December 31, 2011 will be listed on the Form 1099-DIV, which will be mailed to you in January 2012.

Baron Funds

MANAGEMENT OF THE FUNDS (Unaudited)

Board of Trustees and Officers.

The Board of Trustee's (the "Board") role in management of the Trust is oversight. As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the Trust, primarily the Adviser and its affiliates, have responsibility for the day-to-day management of the Funds, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of its oversight, the Board, acting at its scheduled meetings, or the Chairman, acting between Board meetings, regularly interacts with and receives reports from senior personnel of service providers, including the Adviser's Chief Investment Officer, the Trust's and the Adviser's Chief Compliance Officer and portfolio management personnel. The Board's Audit Committee (which consists of two independent Trustees) meets regularly with the Trust's independent registered public accounting firm and the Trust's Chief Financial Officer. The Board also receives periodic presentations from senior personnel of the Adviser or its affiliates regarding risk management generally, as well as periodic presentations regarding specific operational, compliance or investment areas, such as business continuity, anti-money laundering, personal trading, valuation, credit, investment research and securities lending. The Board has adopted policies and procedures designed to address certain risks to the Funds. In addition, the Adviser and other service providers to the Funds have adopted a variety of policies, procedures and controls designed to address particular risks to the Funds. However, it is not possible to eliminate all of the risks applicable to the Funds. The Board also receives reports from counsel to the Trust or counsel to the Adviser and the Board's own independent legal counsel regarding regulatory compliance and governance matters. The Board's oversight role does not make the Board a guaranto

The 1940 Act requires that at least 40% of a fund's trustees not be "interested persons" (as defined in the 1940 Act) of the fund, and to rely on certain exemptive rules under the 1940 Act, a majority of a fund's trustees must not be interested persons of the fund. For certain important matters, such as the approval of investment advisory agreements or transactions with affiliates, the 1940 Act or the rules thereunder require the approval of a majority of the trustees who are not interested persons of the fund. Currently, six of the Trustees are not interested persons of the Trust (as such, the Trustees are not affiliated with the Adviser ("Independent Trustees")). The Chairman of the Board, Linda Martinson, is an interested person of the Trust ("Interested Trustee"), and the Independent Trustees have designated two lead Independent Trustees to management and facilitate communication among the Independent Trustees and their independent legal counsel. The Board has determined that its leadership structure, in which the Independent Trustees have designated two lead Independent Trustees to function as described above is appropriate in light of the services that the Adviser and its affiliates provide to the Trust and potential conflicts of interest that could arise from these relationships.

Trustees of the Trust, together with information as to their positions with the Trust, principal occupations and other board memberships and affiliations for the past five years, are shown below. Each Trustee serves as Trustee of a Fund until its termination; until the Trustee's retirement, resignation or death; or as other specified in the Trust's organizational documents. Unless otherwise noted, the address of each Executive Officer and Trustee is Baron Investment Funds Trust, 767 Fifth Avenue, 49th Floor, New York, NY 10153. All Trustees listed below, whether Interested or Independent, serve as Trustees for the Trust. Additional information about the Trustees and Officers of the Trust can be found in the Trust's Statement of Additional Information (the "SAI") which may be obtained without charge by writing or calling 1-800-99Baron. The SAI is also available on the Baron Funds® website, www.BaronFunds.com.

Name, Address & Age	Position(s) Held With the Funds	Length of Time Served	Principal Occupation(s) During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Trustee/Directorships Held by the Trustee
Interested Trustees					
Ronald Baron ^{(1),(2)} 767 Fifth Avenue New York, NY 10153 Age: 68	Chief Executive Officer, Chief Investment Officer, Trustee and Portfolio Manager	24 years	Director, Chairman, CEO and CIO: the Firm* (2003-Present); President (2004-02/07), Chairman (1999-2004), and Trustee (1987-Present): Baron Investment Funds Trust; President (2004-02/07), Chairman (2003-2004), and Trustee (2003-Present): Baron Select Funds; Portfolio Manager: Baron USA Partners Fund, Ltd. (2003-Present); President: the Firm* (03/06-06/07); Portfolio Manager: Baron Managed Funds plc (2005-2009); President (2004-02/07), Chairman (1997-2004), and Trustee (1997-06/07): Baron Capital Funds Trust.	10	None
Linda S. Martinson ^{(1),(2)} 767 Fifth Avenue New York, NY 10153 Age: 56	Chairman, President, Chief Operating Officer and Trustee	24 years	Director: the Firm* (2003-Present); Secretary: the Firm* (2003-04/08); President: the Firm* (02/07-Present); Chief Operating Officer: the Firm (05/06-present); General Counsel and Vice President: the Firm* (2003-2007); Chairman (10/10-Present); President (02/07-Present), Trustee (1987-Present), Secretary (2003-10/08): Baron Investment Funds Trust; Chairman (10/10-Present); President (02/07-Present), Trustee (2003-Present): Baron Select Funds; Director: Baron USA Partners Fund, Ltd. (2006-Present); Director: Baron Managed Funds plc (2005-2009); President (02/07-06/07) Trustee (1998-06/07): Baron Capital Funds Trust.	10	None

MANAGEMENT OF THE FUNDS (Unaudited) (Continued)

Name, Address & Age	Position(s) Held With the Funds	Length of Time Served	Principal Occupation(s) During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Trustee/Directorships Held by the Trustee
Independent Trustees					
Norman S. Edelcup(3),(4),(5) City of Sunny Isles Beach 18070 Collins Avenue Sunny Isles Beach, FL 33160 Age: 76	Trustee	24 years	Director: Marquis Bank (2007-Present); Director: CompX International, Inc. (diversified manufacturer of engineered components) (2006-Present); Mayor (2003-Present), Commissioner (2001-2003): Sunny Isles Beach, Florida; Director (2001-2006), Senior Vice President (2001-2004): Florida Savings Bank; Director: Valhi, Inc. (diversified company) (1975-Present); Trustee: Baron Investment Funds Trust (1987-Present), Baron Capital Funds Trust (1997-06/07), Baron Select Funds (2003-Present).	10	None
Charles N. Mathewson ^{(4),(5)} 9295 Prototype Drive Reno, NV 89521 Age: 83	Trustee	24 years	Chairman Emeritus (October 2003-Present), Chairman (1986-2003): International Game Technology, Inc. (manufacturer of microprocessor controlled gaming machines and monitoring systems); Chairman: Baron Capital Funds Trust (2004-06/07), Baron Investment Funds Trust, Baron Select Funds (2004-10/10); Trustee: Baron Investment Funds Trust (1987-Present), Baron Capital Funds Trust (1997-06/07), Baron Select Funds (2003-Present).	10	None
Harold W. Milner ^{(4),(5)} 2293 Morningstar Drive Park City, UT 84060 Age: 76	Trustee	24 years	Retired; Trustee: Baron Investment Funds Trust (1987-Present), Baron Capital Funds Trust (1997-06/07), Baron Select Funds (2003-Present); Chairman: Lighting Protection Systems, LLC (10/06-Present); Director: CompletexRM (2009-Present).	10	None
Raymond Noveck ^{(3),(4),(5)} 31 Karen Road Waban, MA 02168 Age: 68	Trustee	24 years	Private Investor (1999-Present); Trustee: Baron Investment Funds Trust (1987-Present), Baron Capital Funds Trust (1997-06/07), Baron Select Funds (2003-Present).	10	None
David A. Silverman, MD ^{(4),(5)} 146 Central Park West New York, NY 10024 Age: 61	Trustee	24 years	Physician and Faculty: New York University School of Medicine (1976-Present); Trustee: Baron Investment Funds Trust (1987-Present), Baron Capital Funds Trust (1997-06/07), Baron Select Funds (2003- Present).	10	Director: New York Blood Center (1999-Present).
Alex Yemenidjian ^{(4),(5)} 1925 Century Park East Suite 1975 Los Angeles, CA 90067 Age: 55	Trustee	4 years	Chairman and CEO: Tropicana Las Vegas (gaming) (2009-Present); Chairman and CEO: Armenco Holdings, LLC (investment company) (2005-Present); Director: Guess?, Inc. (retail) (2005-Present); Director: Regal Entertainment Group (entertainment company) (2005-Present); Director: USC Marshall School of Business Board of Leaders (2005-Present); Co-chair: Imagine the Arts Campaign, California State University-Northridge (2005-Present); Trustee: American Film Institute (2000-2007); Chairman and CEO: Metro-Goldwyn-Mayer, Inc. (1999-2005); Director: The Lincy Foundation (1989-Present); Chairman: The United Armenian Fund (1989-Present); Director and member of Executive Committee: MGM MIRAGE, Inc. (1989-2005); Trustee: Baron Investment Funds Trust (12/06-Present), Baron Capital Funds Trust (12/06-06/07), Baron Select Funds (12/06-Present).	10	None

MANAGEMENT OF THE FUNDS (Unaudited) (Continued)

Name, Address & Age	Position(s) Held With the Funds	Length of Time Served	Principal Occupation(s) During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Trustee/Directorships Held by the Trustee
Additional Officers of the	Funds				
Clifford Greenberg 767 Fifth Avenue New York, NY 10153 Age: 52	Senior Vice President and Portfolio Manager	14 years	Director and Senior Vice President: the Firm* (2003- Present); Vice President: Baron Capital, Inc. (1997- 2003); Portfolio Manager: Baron Small Cap Fund (1997-Present).		None
Gretta J. Heaney 767 Fifth Avenue New York, NY 10153 Age: 51	Vice President and Chief Compliance Officer	8 years	Vice President and Chief Compliance Officer: the Firm* (2003-Present), Baron Investment Funds Trust, Baron Select Funds (2004-Present), Baron USA Partners Fund, Ltd (2006-Present), Baron Managed Funds plc (2005-2009), Baron Capital Funds Trust (2003-06/07).		None
Patrick M. Patalino 767 Fifth Avenue New York, NY 10153 Age: 43	Vice President, General Counsel and Secretary	4 years	Vice President and General Counsel: the Firm*, Baron Investment Funds Trust, Baron Select Funds, (08/07-Present); Baron USA Partners Fund, Ltd. (08/07-Present); Secretary: the Firm* (04/08-Present); Secretary: Baron Investment Funds Trust, Baron Select Funds (10/08-Present); Managing Director and Chief Operating Officer: Legal and Compliance Division, Morgan Stanley (01/06-06/07); Director of Regulatory Matters: Credit Suisse Securities (USA) (04/04-01/06); Counsel to Vice Chairman: Credit Suisse Securities (USA) (09/02-04/04).		None
Andrew Peck 767 Fifth Avenue New York, NY 10153 Age: 42	Senior Vice President and Portfolio Manager	8 years	Portfolio Manager: Baron Asset Fund (01/08- Present); Vice President: BAMCO, Inc. (2003- Present); Vice President: Baron Investment Funds Trust (2003-Present); Vice President, Research Analyst: Baron Capital, Inc. (1998-2003); Co-Portfolio Manager: Baron Asset Fund (2003- 01/08); Co-Portfolio Manager (mid cap accounts): Baron Capital Management, Inc. (04/06-Present).		None
Susan Robbins 767 Fifth Avenue New York, NY 10153 Age: 56	Vice President	24 years	Director, Vice President and Senior Analyst: the Firm* (2003-Present); Vice President: Baron Investment Funds Trust (1994-Present), Baron Select Funds (2003-Present), Baron Capital Funds Trust (1998-06/07).		None
Peggy C. Wong 767 Fifth Avenue New York, NY 10153 Age: 50	Treasurer and Chief Financial Officer	24 years	Chief Financial Officer and Treasurer: the Firm* (2003-Present), Baron Investment Funds Trust (1987-Present), Baron Select Funds (2003-Present), Baron USA Partners Fund, Ltd. (1993-Present), Baron Managed Funds plc. (2005-2009), Baron Capital Funds Trust (1998-06/07).		None

^{*} The Firm (Baron Capital Group, Inc. ("BCG") with its subsidiaries BCI, Baron Capital Management, Inc. ("BCM") and BAMCO).

⁽¹⁾ Trustees deemed to be "Interested Trustees" of the Funds, as that term is defined in the 1940 Act by reason of their employment with the Funds' Adviser and Distributor.

⁽²⁾ Members of the Executive Committee, which is empowered to exercise all of the powers, including the power to declare dividends, of the full Board when the full Board is not in session.

⁽³⁾ Members of the Audit Committee.

⁽⁴⁾ Members of the Nominating Committee.

⁽⁵⁾ Members of the Independent Committee.



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