



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX

As of 31 October 2016

## Commentary

Global markets broadly declined in October—the primary exception being emerging markets, which were modestly positive. Large stocks generally held up better than small, and value continued to outperform growth stocks. The US remains the most robust global economy relatively, likely contributing to its outperformance versus developed peers. On a sector basis, financials led the way, bouncing back from September's decline and benefiting from expectations of a Fed rate increase in December. Global oil prices were up modestly and remain up solidly for the year.

Our portfolio trailed the Russell 2000® Index but was in line with the Russell 2000® Growth Index for October. Among our top contributors were John Bean Technologies and Proofpoint. John Bean Technologies (JBT), a leading provider of technology solutions for the food-processing and air-transportation industries, is successfully and rapidly growing orders—particularly relative to industry peers. JBT is growing especially rapidly in Asia, with bookings up in the wake of its new tech center in China—which is contributing to solid organic growth and driving an attractive profit cycle.

Proofpoint, a SaaS-based provider of email security and data-protection services, continues its impressive and consistent execution. Despite a generally slow macro environment, the momentum the company has experienced through new partnerships, competitive wins and increasing sales of new products continues to drive better-than-expected results. We are not surprised, given the critical nature of data and email security, and expect Proofpoint's strategic positioning to continue to strengthen as the company cross-sells and upsells to its already sticky client base.

Acuity Brands and Taser were among our bottom contributors in October. Shares of Acuity, the dominant supplier of lighting fixtures with rapidly growing LED sales, were pressured in the wake of execution issues at one of its plants, which resulted in some customers cancelling delayed orders. We expect Acuity to resolve these issues in the coming quarters. Further, orders remain strong, suggesting there's been little or no slowdown in demand and contributing to our ongoing conviction in Acuity's sizeable opportunity in LED and smart lighting.

Taser, the leader in the movement to equip law-enforcement officers with body-worn cameras, suffered a setback as a competitor won the New York Police Department contract by dramatically undercutting Taser's price. While the loss represents a major deal which may influence other prospects, we continue to believe Taser's long-term opportunity is compelling. However, we have pared our position while we reevaluate the likelihood for near-term reacceleration.

Our process is focused on identifying franchises exposed to accelerating profit cycles with reasonable valuations. It is our belief that owning companies with these characteristics should lead to outperformance over full market cycles. We will continue to be disciplined and methodical in our approach.

## Portfolio Details

Net Asset Value (NAV)	\$28.05
ARTSX Inception	28 March 1995
Expense Ratios	
Semi-Annual Report 31 Mar 2016 <sup>1</sup>	1.20%
Prospectus 30 Sep 2015	1.23%

<sup>1</sup>Unaudited, annualized for the six month period.

## Top 10 Holdings (% of total portfolio)

Acuity Brands Inc (Industrials)	5.4
DexCom Inc (Health Care)	4.5
The Ultimate Software Group Inc (Information Technology)	3.5
Proofpoint Inc (Information Technology)	3.3
Cognex Corp (Information Technology)	3.2
John Bean Technologies Corp (Industrials)	3.2
Guidewire Software Inc (Information Technology)	3.2
Teledyne Technologies Inc (Industrials)	3.0
Cepheid (Health Care)	2.8
Veeva Systems Inc (Health Care)	2.7
<b>TOTAL</b>	<b>34.8%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Consumer Discretionary	12.8	15.1
Consumer Staples	1.0	3.2
Energy	1.3	1.2
Financials	1.6	4.9
Health Care	23.4	21.9
Industrials	22.7	15.8
Information Technology	37.3	25.7
Materials	0.0	4.9
Real Estate	0.0	5.5
Telecommunication Services	0.0	0.8
Utilities	0.0	0.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 7.2% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Investment Results (%)

As of 31 October 2016	MTD <sup>1</sup>	QTD <sup>1</sup>	YTD <sup>1</sup>	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>-6.28</b>	<b>-6.28</b>	<b>4.59</b>	<b>3.78</b>	<b>3.03</b>	<b>11.45</b>	<b>6.57</b>	<b>8.31</b>
Russell 2000® Growth Index	-6.21	-6.21	0.80	-0.49	3.70	11.34	6.92	6.92
Russell 2000® Index	-4.75	-4.75	6.16	4.11	4.12	11.51	5.96	8.75

As of 30 September 2016

<b>Investor Class: ARTSX</b>	<b>2.68</b>	<b>9.47</b>	<b>11.60</b>	<b>15.27</b>	<b>5.98</b>	<b>15.50</b>	<b>7.87</b>	<b>8.67</b>
Russell 2000® Growth Index	1.44	9.22	7.48	12.12	6.58	16.15	8.29	7.26
Russell 2000® Index	1.11	9.05	11.46	15.47	6.71	15.82	7.07	9.03

Source: Artisan Partners/Russell. <sup>1</sup>Returns for periods less than one year are not annualized.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance.

## Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G <sup>1</sup>
3.0+	66.1	15.2
2.2-3.0	13.2	23.0
1.6-2.2	8.6	20.7
1.0-1.6	5.8	19.8
0.0-1.0	6.3	21.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet/Russell. <sup>1</sup>Russell 2000® Growth Index.

## Team Leadership (Pictured left to right)



### Portfolio Managers

### Years of Investment Experience

Craig A. Cepukanas, CFA (Lead)	28
James D. Hamel, CFA	20
Matthew H. Kamm, CFA	16
Jason L. White, CFA	16

Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by calling 800.344.1770. Read carefully before investing.

International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. Securities of small companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods. Growth securities may underperform other asset types during a given period.

Russell 2000® Growth Index measures the performance of US small-cap companies with higher price/book ratios and forecasted growth values. Russell 2000® Index measures the performance of roughly 2,000 US small-cap companies. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Fund's total net assets as of 31 Oct 2016: TASER International Inc 2.3%. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

All information in this report includes all classes of shares, except performance and expense ratio information and as otherwise indicated, and is as of the date shown in the upper right hand corner unless otherwise indicated. Totals may not sum due to rounding.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. Crop<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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