



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 December 2017

Commentary

Markets concluded one of their stronger recent years with a solid Q4. US stocks led developed markets on the ongoing strength of corporate earnings and investor enthusiasm for forthcoming corporate tax cuts. Emerging markets, which led global markets for the year, and European markets were also positive. From a style standpoint, growth stocks led in Q4 and for 2017 overall, while performance across market caps was relatively undifferentiated.

Our portfolio led the Russell 2000® Growth and the Russell 2000® Indices in Q4 and finished the year solidly ahead. Among our top Q4 contributors were SVB Financial Group (SIVB) and Cboe Global Markets, which has been known historically as the owner of the Chicago Board Options Exchange. SIVB illustrates well why we're positive on high-quality, traditional financial franchises. As short-term interest rates have begun moving up, SIVB has captured higher net-interest margins. Meanwhile, its leading position within the West Coast's tech community is enabling it to outgrow its competitors. SIVB is also poised to be one of the largest beneficiaries of corporate tax cuts among our holdings.

Cboe is executing at a high level, effectively incorporating Bats Global Markets, which it acquired earlier in 2017. In addition to implementing Bats' superior technology platforms for equities, ETFs, options and foreign exchange trading, Cboe is capitalizing on meaningful cost synergies, streamlining its workforce and cutting costs. As trading volumes have incrementally improved, the upgrade in Cboe's technology platform has allowed it to increase revenue growth—trends which we believe likely continue into the foreseeable future.

Among our bottom contributors in Q4 were Envision Healthcare and Q2 Holdings. Envision Healthcare is the largest owner of physician practices that staff such hospital departments as emergency rooms or anesthesia. We were initially attracted to Envision as we observed a growing trend of hospitals attempting to improve care while managing costs by outsourcing this work to professional companies (such as Envision). But hospital volumes have materially slowed recently following the bump they received from Affordable Care Act enrollment a couple of years ago. Without volume growth, our thesis became far less interesting, and as a result, we exited our position in Q4.

In the case of Q2 Holdings, though shares were pressured, we believe fundamentals, and in turn our thesis, remain intact. Q2 has executed well this year, and we believe it will continue taking market share from competitors as more transactions are conducted on smartphones rather than in physical branch locations.

We will have further detail on these and other holdings in our forthcoming quarterly communication.

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.

Investment Results (%)

As of 31 December 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-0.23	5.60	26.81	26.81	10.33	13.73	8.86	9.04
Advisor Class: APDSX	-0.20	5.66	26.96	26.96	10.37	13.76	8.87	9.05
Russell 2000® Growth Index	0.12	4.59	22.17	22.17	10.28	15.21	9.19	7.96
Russell 2000® Index	-0.40	3.34	14.65	14.65	9.96	14.12	8.71	9.58

Source: Artisan Partners/FactSet (GICS). ¹Returns for periods less than one year are not annualized. Advisor Class performance is that of the Investor Class from 28 March 1995 through the inception of the Advisor Class on 1 February 2017, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected. 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.

Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$30.55	\$30.59
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2017	1.21%	1.12% ¹
Prospectus 30 Sep 2016 ²	1.25%	1.10% ³

¹For the period from commencement of operations 1 Feb 2017 through 30 Sep 2017. ²See prospectus for more information. ³Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Teledyne Technologies Inc (Industrials)	3.9
BWX Technologies Inc (Industrials)	3.4
John Bean Technologies Corp (Industrials)	3.4
Guidewire Software Inc (Information Technology)	3.2
Proofpoint Inc (Information Technology)	3.0
Visteon Corp (Consumer Discretionary)	3.0
Veeva Systems Inc (Health Care)	2.9
Webster Financial Corp (Financials)	2.9
Q2 Holdings Inc (Information Technology)	2.8
Take-Two Interactive Software Inc (Information Technology)	2.5
TOTAL	31.0%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Consumer Discretionary	14.7	14.0
Consumer Staples	0.7	2.8
Energy	2.6	1.4
Financials	7.9	6.1
Health Care	12.2	23.8
Industrials	23.1	18.4
Information Technology	38.7	23.8
Materials	0.0	4.6
Real Estate	0.0	3.3
Telecommunication Services	0.0	1.0
Utilities	0.0	0.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 2.7% of the total portfolio. ¹Russell 2000® Growth Index.

Average Annual Total Returns

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.8+	62.2	20.4
2.9–3.8	14.5	20.3
2.1–2.9	8.1	17.9
1.3–2.1	11.0	21.6
0.0–1.3	4.2	19.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet/Russell. ¹Russell 2000[®] Growth Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Craig A. Cepukenas, CFA (Lead)	29
James D. Hamel, CFA	21
Matthew H. Kamm, CFA	18
Jason L. White, CFA	18

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- and medium-sized 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 Dec 2017: Cboe Global Markets Inc 2.1%; SVB Financial Group 1.8%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. 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: GardenSM, CropSM and HarvestSM. GardenSM 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. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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