



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 28 February 2017

Commentary

Markets were broadly positive in February as sentiment surrounding the global economic outlook remains optimistic. Health care and technology stocks bounced back from late 2016 losses, while more economically sensitive energy and materials modestly retrenched. Quarter to date, emerging markets led global markets, with the US and foreign developed stocks just behind and solidly positive. Growth stocks have bounced thus far in 2017, outpacing value stocks and reversing the dominant trend from 2016.

Our portfolio outperformed the Russell 2000® Growth and the Russell 2000® Indices in February and is ahead for the quarter. Among our top QTD contributors are DexCom and Cognex. DexCom is benefiting from the early 2017 announcement that Medicare, for the first time, will reimburse patients for DexCom's continuous glucose-monitoring (CGM) system. This significant development—coming much sooner than we anticipated—positions DexCom advantageously within the large global diabetes market and contributes meaningfully to its market-share potential.

Cognex is seeing accelerating growth and generating attractive gross margins and high levels of free cash flow it can use to bolster its position as a leading innovator. Anticipated smartphone orders in 2017 should help underpin growth across business segments and geographies. Furthermore, strong secular demand for vision equipment is magnifying the cyclical upswing in automation even more than we anticipated—adding to Cognex's long-term growth runway.

Among our relatively few negative QTD contributors have been Acuity Brands and SPS Commerce. Softer demand for smaller projects has been weighing on Acuity shares. However, overall orders for smart lighting remain strong, and we anticipate this secular shift in industrial lighting will drive meaningful growth and form the next leg of Acuity's profit cycle in the period ahead.

SPS Commerce, a leading provider of software-as-a-service supply chain management and data analytics to the retail industry, has faced headwinds as its end market has seemingly stalled, in turn resulting in delayed purchase decisions for SPS. Though the company has put cost-cutting measures in place, including slowing intended salesforce hiring, we exited our position absent readily apparent catalysts.

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

	ARTSX	APDSX
Net Asset Value (NAV)	\$30.21	\$30.22
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2016	1.25%	—
Prospectus 30 Sep 2016 ¹	1.25%	1.10% ²

¹See prospectus for more information. ²Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Acuity Brands Inc (Industrials)	4.6
DexCom Inc (Health Care)	4.1
Cognex Corp (Information Technology)	3.9
Teledyne Technologies Inc (Industrials)	3.3
John Bean Technologies Corp (Industrials)	3.2
Proofpoint Inc (Information Technology)	3.1
The Ultimate Software Group Inc (Information Technology)	2.9
Veeva Systems Inc (Health Care)	2.8
Guidewire Software Inc (Information Technology)	2.7
Q2 Holdings Inc (Information Technology)	2.7
TOTAL	33.4%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Consumer Discretionary	11.8	14.7
Consumer Staples	1.6	3.0
Energy	0.9	1.3
Financials	5.7	5.8
Health Care	20.8	21.8
Industrials	24.2	16.2
Information Technology	35.0	24.7
Materials	0.0	5.4
Real Estate	0.0	5.5
Telecommunication Services	0.0	0.8
Utilities	0.0	0.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 7.8% of the total portfolio. ¹Russell 2000® Growth Index.

Investment Results (%)

As of 28 February 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	3.07	7.93	7.93	29.62	1.96	10.46	7.41	8.60
Advisor Class: APDSX	3.10	7.97	7.97	29.66	1.97	10.46	7.42	8.61
Russell 2000® Growth Index	2.45	4.12	4.12	30.91	5.42	12.29	8.03	7.49
Russell 2000® Index	1.93	2.33	2.33	36.11	6.93	12.89	7.22	9.39

As of 31 December 2016

Investor Class: ARTSX	-2.88	-5.43	5.54	5.54	1.66	12.08	6.65	8.29
Advisor Class: APDSX	—	—	—	—	—	—	—	—
Russell 2000® Growth Index	1.36	3.57	11.32	11.32	5.05	13.74	7.76	7.35
Russell 2000® Index	2.80	8.83	21.31	21.31	6.74	14.46	7.07	9.35

Source: Artisan Partners/Russell. 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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.1+	69.2	23.8
2.4–3.1	11.5	19.7
1.7–2.4	9.8	20.5
1.1–1.7	6.3	15.9
0.0–1.1	3.3	20.1
TOTAL	100.0%	100.0%

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

Team Leadership (Pictured left to right)



Portfolio Managers

Craig A. Cepukenas, CFA (Lead)
James D. Hamel, CFA
Matthew H. Kamm, CFA
Jason L. White, CFA

Years of Investment Experience

28
20
17
17

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. 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.

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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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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