



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX

As of 31 January 2017

## Commentary

Following a turbulent Q4, global markets were quieter in January, with most closing in positive territory as investors seemingly await signs of greater clarity from the newly inaugurated US administration. Emerging markets effectively recovered Q4 losses, leading major global indices, and foreign stocks outperformed US. In a reversal from much of 2016, growth stocks outperformed value. At the sector level, technology stocks led and health care rebounded from Q4, while energy gave back some of its recent gains.

Our portfolio outperformed the Russell 2000® Growth and the Russell 2000® Indices in January as share prices for a number of our larger holdings materially recovered after Q4's challenging environment. Among our top contributors were DexCom and athenahealth. DexCom's continuous glucose-monitoring (CGM) system is well positioned within the large global diabetes market. The recent announcement that Medicare will begin reimbursing for DexCom's CGM system is a significant development—coming much sooner than we anticipated, and in our view meaningfully contributing to DexCom's market-share potential.

Athenahealth, the dominant cloud-based supplier of medical practice management software, has historically experienced some volatility as its sales cycle accelerates and then goes through a period of digestion. We believe 2016 was such a digestion period—but that the fundamentals underpinning its profit cycle remain intact. Looking forward, we maintain our conviction in athenahealth's opportunity to take meaningful share in a market that seems positioned for secular growth as the health care industry migrates to increasingly technology-focused solutions.

Among our relatively few negative contributors in January were Acuity Brands and Webster Financial. Shares of Acuity were impacted by slowing orders. While large projects remain strong, small orders disappointed—possibly tied to election-related jitters. We are watching for signs of reacceleration in coming quarters.

Webster Financial has pulled back with many financials peers following the sector's solid Q4. However, we believe Webster's unique banking franchise and its leadership within the HSA industry position it well to benefit from a less onerous regulatory environment and the potential for accelerating economic growth. The US election's outcome increases the likelihood that HSA-funded health care spending accelerates, which should benefit Webster Financial as accounts grow in both number and size.

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)	\$29.31
ARTSX Inception	28 March 1995
Expense Ratios	
Annual Report 30 Sep 2016	1.25%
Prospectus 30 Sep 2016 <sup>1</sup>	1.25%

<sup>1</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

Acuity Brands Inc (Industrials)	4.7
DexCom Inc (Health Care)	4.3
Cognex Corp (Information Technology)	3.6
Proofpoint Inc (Information Technology)	3.3
Teledyne Technologies Inc (Industrials)	3.3
John Bean Technologies Corp (Industrials)	3.2
The Ultimate Software Group Inc (Information Technology)	3.1
Veeva Systems Inc (Health Care)	2.8
Guidewire Software Inc (Information Technology)	2.7
Q2 Holdings Inc (Information Technology)	2.5
<b>TOTAL</b>	<b>33.6%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Consumer Discretionary	12.4	15.0
Consumer Staples	1.5	3.0
Energy	0.9	1.4
Financials	4.9	5.7
Health Care	20.7	21.5
Industrials	24.1	16.6
Information Technology	35.5	24.6
Materials	0.0	5.2
Real Estate	0.0	5.4
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 2.9% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Investment Results (%)

As of 31 January 2017	Average Annual Total Returns							
	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>4.72</b>	<b>4.72</b>	<b>4.72</b>	<b>24.59</b>	<b>2.34</b>	<b>10.75</b>	<b>6.98</b>	<b>8.49</b>
Russell 2000® Growth Index	1.62	1.62	1.62	26.87	6.23	12.47	7.73	7.40
Russell 2000® Index	0.39	0.39	0.39	33.53	7.89	13.00	6.93	9.33

As of 31 December 2016

<b>Investor Class: ARTSX</b>	<b>-2.88</b>	<b>-5.43</b>	<b>5.54</b>	<b>5.54</b>	<b>1.66</b>	<b>12.08</b>	<b>6.65</b>	<b>8.29</b>
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. <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>
3.1+	66.5	21.9
2.4–3.1	12.2	18.9
1.7–2.4	8.2	21.9
1.1–1.7	9.6	17.5
0.0–1.1	3.5	19.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Craig A. Cepukenas, CFA (Lead)	28
James D. Hamel, CFA	20
Matthew H. Kamm, CFA	17
Jason L. White, CFA	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<sup>®</sup> Growth Index measures the performance of US small-cap companies with higher price/book ratios and forecasted growth values. Russell 2000<sup>®</sup> 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 Jan 2017: athenahealth Inc 1.8%; Webster Financial Corp 1.3%. 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.

The Global Industry Classification Standard (GICS<sup>®</sup>) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell<sup>®</sup> is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

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.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2017 Artisan Partners. All rights reserved.

2/3/2017 A17515L\_vR