



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 March 2017

Commentary

Markets notched another positive month in March, concluding 2017's first quarter in solidly positive territory. Foreign stocks led domestic, and emerging markets outperformed developed. The late-2016 value rotation seemed to reverse in Q1, with growth stocks broadly outperforming. US health care stocks pulled back modestly in March amid heightened political uncertainty, but not enough to erase a sharp Q1 rebound from late-2016's drop. Technology stocks also fared well on anticipation of firmer economic growth. The Fed raised rates, in line with expectations. Markets largely shrugged.

Our portfolio outperformed the Russell 2000[®] Growth and the Russell 2000[®] Indices in March and for the quarter. Among our top QTD contributors were DexCom and Cognex. DexCom benefited from the announcement in Q1 that Medicare will begin reimbursing for DexCom's continuous glucose-monitoring (CGM) system—a significant development coming much sooner than we anticipated. We believe this announcement, along with other catalysts ahead, contributes meaningfully to DexCom's market-share potential.

Cognex is seeing accelerating growth and generating attractive gross margins with 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 were Acuity Brands and SPS Commerce. Though demand for smaller projects has recently softened, overall orders for smart lighting remain strong. We anticipate the ongoing secular shift in industrial lighting will drive meaningful growth and should 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 retailers have delayed purchase decisions against a backdrop of slower sales. Despite implementing cost-cutting measures such as slower salesforce hiring, we exited our position absent readily apparent catalysts.

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

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) | \$30.66 | \$30.67 |
| 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) | 4.4 |
| DexCom Inc (Health Care) | 4.4 |
| Cognex Corp (Information Technology) | 4.2 |
| Veeva Systems Inc (Health Care) | 3.2 |
| Teledyne Technologies Inc (Industrials) | 3.2 |
| John Bean Technologies Corp (Industrials) | 3.1 |
| BWX Technologies Inc (Industrials) | 3.0 |
| Proofpoint Inc (Information Technology) | 3.0 |
| The Ultimate Software Group Inc (Information Technology) | 2.9 |
| Guidewire Software Inc (Information Technology) | 2.8 |
| TOTAL | 34.3% |

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

| | Fund | R2G ¹ |
|----------------------------|---------------|------------------|
| Consumer Discretionary | 11.6 | 14.8 |
| Consumer Staples | 1.5 | 3.0 |
| Energy | 0.9 | 1.2 |
| Financials | 5.6 | 5.7 |
| Health Care | 20.0 | 21.8 |
| Industrials | 24.4 | 15.9 |
| Information Technology | 35.9 | 25.0 |
| Materials | 0.0 | 5.5 |
| Real Estate | 0.0 | 5.4 |
| Telecommunication Services | 0.0 | 0.8 |
| Utilities | 0.0 | 0.8 |
| TOTAL | 100.0% | 100.0% |

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 6.6% of the total portfolio. ¹Russell 2000[®] Growth Index.

Investment Results (%)

| As of 31 March 2017 | Average Annual Total Returns | | | | | | | |
|--|------------------------------|------------------|------------------|-------|------|-------|-------|-----------|
| | MTD ¹ | QTD ¹ | YTD ¹ | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
| Investor Class: ARTSX | 1.49 | 9.54 | 9.54 | 23.38 | 4.85 | 10.61 | 7.58 | 8.64 |
| Advisor Class: APDSX | 1.49 | 9.57 | 9.57 | 23.42 | 4.86 | 10.62 | 7.58 | 8.64 |
| Russell 2000 [®] Growth Index | 1.18 | 5.35 | 5.35 | 23.03 | 6.72 | 12.10 | 8.06 | 7.52 |
| Russell 2000 [®] Index | 0.13 | 2.47 | 2.47 | 26.22 | 7.22 | 12.35 | 7.12 | 9.36 |

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+ | 72.8 | 25.7 |
| 2.4–3.1 | 9.9 | 18.8 |
| 1.7–2.4 | 8.1 | 19.9 |
| 1.1–1.7 | 5.6 | 15.6 |
| 0.0–1.1 | 3.6 | 20.1 |
| 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) | 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[®] 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.

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: 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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