



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 August 2018

Commentary

Developed markets have overall risen QTD, led by US equities. Emerging markets are in the red QTD and YTD as investors weigh ongoing turmoil in Turkey (among others) and the potential for contagion. Developed-world sentiment has been boosted in Q3 by signs of progress toward a renegotiated trade deal in North America. Elsewhere, global economic data remain largely positive, and global central banks seem content to take a wait-and-see approach to inflation. Against this backdrop, health care and technology stocks lead QTD, with energy and materials trailing, while growth leads value.

Our portfolio leads the Russell 2000® Growth and Russell 2000® Indices QTD as well as YTD. Among our top QTD contributors are Veeva Systems and Atlassian. Veeva Systems is capitalizing on the ongoing transition to cloud-based systems to drive recurring revenue growth—particularly as its Vault system increasingly gains traction among customers—in turn resulting in attractive levels of margin expansion. With ample runway ahead—particularly as it expands into new markets—we maintain our conviction in the profit cycle; however, we have begun harvesting our position as its market cap approaches our threshold.

Atlassian's execution has been impressive, with revenues maintaining their rapid growth as more teams within companies of all sizes adopt the company's software tools. Importantly, ample cash-flow growth has followed top-line growth. As Atlassian widens its growth runway with new products for broader audiences, we believe it capable of driving an ongoing profit cycle.

Among our bottom QTD contributors are Delphi Technologies and Gardner Denver. Delphi Technologies is focused on optimizing fuel economy and emissions in traditional automobiles as well as mileage range and power management in electric vehicles. Margins have been crimped recently by various factors including higher raw materials costs, added spin-off costs, tariff uncertainty and program delays in China—in turn weighing on shares. We believe the company remains attractively positioned relative to competitors as electric vehicles gain sales momentum; however, it remains in the GardenSM while we watch for signs our thesis is taking hold and current pressures are subsiding.

Gardner Denver has been pressured primarily by the company's energy exposure—particularly as Permian Basin producers have faced meaningful infrastructure bottlenecks. However, outside of energy, the company is showing signs of early internal operational progress under its new management team, and we believe it is in the early stages of a compelling internal transformation. We capitalized on recent weakness to add to our position.

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 August 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	10.42	12.08	29.69	39.28	19.48	14.84	13.36	9.99
Advisor Class: APDSX	10.46	12.11	29.81	39.45	19.56	14.89	13.39	10.00
Russell 2000® Growth Index	6.23	8.05	18.53	30.72	16.36	14.20	11.57	8.51
Russell 2000® Index	4.31	6.13	14.26	25.45	16.11	13.00	10.46	9.92

As of 30 June 2018								
Investor Class: ARTSX	-0.56	7.54	15.71	26.80	12.18	13.74	12.74	9.53
Advisor Class: APDSX	-0.53	7.59	15.79	26.91	12.25	13.78	12.76	9.54
Russell 2000® Growth Index	0.78	7.23	9.70	21.86	10.60	13.65	11.24	8.22
Russell 2000® Index	0.72	7.75	7.66	17.57	10.96	12.46	10.60	9.71

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (28 March 1995); Advisor (1 February 2017). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different 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)	\$39.62	\$39.71
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2018 ¹	1.22%	1.07%
Prospectus 30 Sep 2017 ²	1.21%	1.12%

¹Unaudited, annualized for the six-month period. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Veeva Systems Inc (Health Care)	4.3
Teledyne Technologies Inc (Industrials)	3.9
Q2 Holdings Inc (Information Technology)	3.5
Guidewire Software Inc (Information Technology)	3.2
DexCom Inc (Health Care)	3.2
Proofpoint Inc (Information Technology)	3.1
John Bean Technologies Corp (Industrials)	2.7
Webster Financial Corp (Financials)	2.7
BWX Technologies Inc (Industrials)	2.6
Canada Goose Holdings Inc (Consumer Discretionary)	2.6
TOTAL	32.0%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Consumer Discretionary	15.3	15.2
Consumer Staples	0.0	2.7
Energy	1.6	2.2
Financials	4.0	7.4
Health Care	18.7	27.0
Industrials	20.3	18.2
Information Technology	38.8	19.7
Materials	1.2	4.0
Real Estate	0.0	2.4
Telecommunication Services	0.0	0.8
Utilities	0.0	0.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 4.3% of the total portfolio. ¹Russell 2000® Growth Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.8+	58.8	24.2
2.9–3.8	19.9	16.7
2.1–2.9	15.0	20.8
1.3–2.1	4.3	18.4
0.0–1.3	2.0	19.9
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 Aug 2018: Atlassian Corp PLC 0.8%; Delphi Technologies PLC 1.0%; Gardner Denver Holdings Inc 2.0%. 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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