



# Artisan Small Cap Fund

MONTHLY  
Commentary

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

## Commentary

Markets generally climbed in July, led by US equities, though most major global indices were positive. Sentiment improved on moderating protectionist rhetoric, including potential progress toward a free-trade deal between the US and EU—though pressure remains on China, whose market declined in July. At the sector level, financials and health care led US and foreign markets, while discretionary trailed. Larger stocks outperformed smaller, and—in a near-term reversal—value outpaced growth.

Our portfolio trailed the Russell 2000® Growth and Russell 2000® Indices in July but remains ahead YTD. Among our bottom contributors were Visteon and Benefitfocus. Shares of Visteon were pressured as investors were disappointed by lower earnings tied primarily to OEM production cuts in North America and Europe. However, bookings remain solid and the company's backlog is growing, as is the size of its new deals—which should translate into margin expansion in the coming quarters.

Benefitfocus has been making progress righting some missteps from recent years, including reversing its decision to disintermediate the broker community and go directly to clients—which, coupled with some sales force mismanagement, resulted in slower sales. Nascent signs of improvement include accelerating wins among larger employers and reduced friction among brokers, which should contribute to future sales growth. We believe shares were pressured largely for sentiment reasons in July and are remaining patient for now.

Among our top contributors were John Bean Technologies (JBT) and Atlassian. Following a challenging Q2, shares of JBT rebounded in July on signs of abating execution issues, coupled with ongoing growth in orders, which is leading to a bigger backlog. For now, we maintain our conviction that acceleration should continue into the back half of the year, though we are aware of potential trade-related impacts.

Atlassian is executing at a high level, sustaining a high revenue growth rate while accelerating new business wins as more teams within companies of all sizes adopt its software tools. We maintain our conviction that Atlassian is in the middle innings of a compelling profit cycle.

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 July 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>1.50</b>	<b>1.50</b>	<b>17.45</b>	<b>26.55</b>	<b>13.08</b>	<b>12.73</b>	<b>12.73</b>	<b>9.56</b>
<b>Advisor Class: APDSX</b>	<b>1.50</b>	<b>1.50</b>	<b>17.52</b>	<b>26.66</b>	<b>13.14</b>	<b>12.77</b>	<b>12.75</b>	<b>9.57</b>
Russell 2000® Growth Index	1.72	1.72	11.58	22.91	11.08	12.38	11.17	8.26
Russell 2000® Index	1.74	1.74	9.54	18.73	12.04	11.33	10.39	9.75

  

As of 30 June 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>-0.56</b>	<b>7.54</b>	<b>15.71</b>	<b>26.80</b>	<b>12.18</b>	<b>13.74</b>	<b>12.74</b>	<b>9.53</b>
<b>Advisor Class: APDSX</b>	<b>-0.53</b>	<b>7.59</b>	<b>15.79</b>	<b>26.91</b>	<b>12.25</b>	<b>13.78</b>	<b>12.76</b>	<b>9.54</b>
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)	\$35.88	\$35.95
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2018 <sup>1</sup>	1.22%	1.07%
Prospectus 30 Sep 2017 <sup>2</sup>	1.21%	1.12%

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

## Top 10 Holdings (% of total portfolio)

Teledyne Technologies Inc (Industrials)	4.0
Q2 Holdings Inc (Information Technology)	3.8
Veeva Systems Inc (Health Care)	3.4
Proofpoint Inc (Information Technology)	3.3
BWX Technologies Inc (Industrials)	3.1
Guidewire Software Inc (Information Technology)	3.1
Webster Financial Corp (Financials)	3.0
John Bean Technologies Corp (Industrials)	2.9
Visteon Corp (Consumer Discretionary)	2.8
Canada Goose Holdings Inc (Consumer Discretionary)	2.5
<b>TOTAL</b>	<b>31.9%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Consumer Discretionary	16.7	15.2
Consumer Staples	0.0	2.7
Energy	1.9	2.5
Financials	5.6	7.6
Health Care	13.9	26.5
Industrials	21.3	18.7
Information Technology	39.3	18.7
Materials	1.3	4.4
Real Estate	0.0	2.5
Telecommunication Services	0.0	0.8
Utilities	0.0	0.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 4.2% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

Average Annual Total Returns

## Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G <sup>1</sup>
3.8+	60.1	19.8
2.9–3.8	17.9	17.8
2.1–2.9	14.2	18.6
1.3–2.1	5.4	21.6
0.0–1.3	2.4	22.2
<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)	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<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 Jul 2018: Atlassian Corp PLC 2.0%; Benefitfocus Inc 1.4%. 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: 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.

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