



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 30 November 2018

## Commentary

Markets drifted modestly higher in November, leaving most major indices in the red QTD. Emerging markets and the US lead QTD, falling less than foreign developed stocks. Utilities and real estate are the only positive sectors globally QTD as investors shun prior leaders, including technology and consumer names. Energy is also meaningfully in the red as oil prices retreat to recent lows.

Our portfolio leads the Russell 2000® Growth and Russell 2000® Indices QTD as well as YTD. Among our top QTD contributors are Cree and Tableau. Cree owns a silicon-carbide (SiC) business which is particularly compelling, as SiC's high electronic connectivity properties and very high melting point mean it can be used in particularly harsh environments. The business is growing at an attractive rate as demand in applications—particularly high-margin electronic vehicles—is robust.

Tableau is capitalizing on the beneficial combination of favorable technology spending, new product offerings and growing demand for tools to help firms maximize the value of their data to drive a compelling profit cycle. With its transition to the cloud and a subscription-based model ongoing, we believe Tableau is well-positioned in front of a secular tailwind that remains in its middle innings.

Among our bottom QTD contributors are Tyler Technologies and BWX Technologies. Tyler Technologies provides end-to-end information management systems and services to local governments. Shares were pressured in November as investors were disappointed by recent results. However, we are attracted to the company's continuing transition to subscription-based revenues, as well its largely US-based exposure—which we believe should contribute to an ongoing profit cycle in the period ahead.

BWX Technologies has recently reported several meaningful setbacks—foremost, the company has faced production challenges with missile tubes for the US Navy which are proving costlier than originally anticipated. Further, the company has also pushed back its planned entry into the medical isotope business. We are watching for signs the profit cycle is reaccelerating from here.

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. While we are not macro prognosticators—nor does our process require it—we do believe periods of heightened volatility such as we're currently experiencing provide attractive opportunities to upgrade our portfolio into high-conviction stocks at what we believe to be more attractive valuations. We will continue to adhere to this approach, regardless of the macro backdrop and how it evolves in the period ahead.

## Investment Results (%)

As of 30 November 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>1.67</b>	<b>-9.05</b>	<b>16.02</b>	<b>15.75</b>	<b>14.53</b>	<b>9.64</b>	<b>17.58</b>	<b>9.36</b>
<b>Advisor Class: APDSX</b>	<b>1.70</b>	<b>-9.00</b>	<b>16.16</b>	<b>15.93</b>	<b>14.62</b>	<b>9.69</b>	<b>17.61</b>	<b>9.38</b>
Russell 2000® Growth Index	1.56	-11.29	2.69	2.81	9.97	8.22	15.55	7.76
Russell 2000® Index	1.59	-9.44	0.98	0.57	10.08	7.50	14.04	9.23

  

As of 30 September 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>-1.64</b>	<b>10.24</b>	<b>27.56</b>	<b>34.71</b>	<b>20.81</b>	<b>12.73</b>	<b>14.41</b>	<b>9.88</b>
<b>Advisor Class: APDSX</b>	<b>-1.66</b>	<b>10.25</b>	<b>27.66</b>	<b>34.89</b>	<b>20.89</b>	<b>12.78</b>	<b>14.43</b>	<b>9.89</b>
Russell 2000® Growth Index	-2.34	5.52	15.76	21.06	17.98	12.14	12.65	8.37
Russell 2000® Index	-2.41	3.58	11.51	15.24	17.12	11.07	11.11	9.77

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)	\$29.57	\$29.66
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2018	1.20%	1.06%
Prospectus 30 Sep 2017 <sup>1</sup>	1.21%	1.12%

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Veeva Systems Inc (Health Care)	4.5
Teledyne Technologies Inc (Industrials)	4.2
Q2 Holdings Inc (Information Technology)	3.5
Guidewire Software Inc (Information Technology)	3.4
DexCom Inc (Health Care)	3.3
Canada Goose Holdings Inc (Consumer Discretionary)	3.3
Tableau Software Inc (Information Technology)	3.0
Webster Financial Corp (Financials)	3.0
Donaldson Co Inc (Industrials)	2.8
ACI Worldwide Inc (Information Technology)	2.4
<b>TOTAL</b>	<b>33.2%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Communication Services	3.2	3.5
Consumer Discretionary	12.2	15.0
Consumer Staples	0.0	3.0
Energy	0.8	1.9
Financials	4.5	7.7
Health Care	22.9	26.7
Industrials	18.7	18.0
Information Technology	36.1	17.4
Materials	1.5	3.4
Real Estate	0.0	2.8
Utilities	0.0	0.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 0.9% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

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

\$ in billions	Fund	R2G <sup>1</sup>
3.8+	58.8	16.4
2.9–3.8	11.8	17.8
2.1–2.9	19.3	20.5
1.3–2.1	8.5	22.5
0.0–1.3	1.5	22.9
<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)	30
James D. Hamel, CFA	22
Matthew H. Kamm, CFA	19
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 30 Nov 2018: BWX Technologies Inc 2.2%; Cree Inc 1.7%; Tyler Technologies Inc 2.1%. 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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