



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 October 2018

Commentary

October was particularly volatile, with most indices meaningfully paring—if not outright erasing—YTD gains. Headlines revolved around concerns about technology companies' earnings growth and increasing global trade tensions. The US led most major indices, with emerging markets trailing. At the sector level, staples and utilities fared best, with the industrials, energy, consumer discretionary, technology and materials sectors the hardest hit. From a size standpoint, smaller stocks modestly trailed their larger counterparts.

Our portfolio leads the Russell 2000® Growth and Russell 2000® Indices QTD as well as YTD. Among our top QTD contributors are NeoGenomics and The New York Times. NeoGenomics operates a network of cancer-focused genetic laboratories. We believe the company is well-positioned—particularly with hospital pathologists, which are generating attractive cancer-screening volume growth. Part of this growth can be attributed to the higher likelihood that a panel ordered by a hospital will be reimbursed than one ordered at an outpatient facility. As cancer screening increases, we believe NeoGenomics will benefit, in turn driving an attractive profit cycle.

We first initiated our position in The New York Times tied to our belief that it is in the early days of transforming into a digital subscription business. With a younger generation of readers newly engaging in news consumption, we believe high-quality content providers like The New York Times are well-positioned to benefit as subscriptions grow.

Among our bottom QTD contributors are Veeva Systems and Teledyne Technologies. Veeva Systems is executing impressively and remains nicely up YTD. However, it has been caught up as investors generally sold their stronger performers as concerns for the global economy mounted. We maintain our conviction in this high-quality franchise and believe fundamentals will ultimately regain primacy in investors' eyes.

Shares of Teledyne have been pressured largely in sympathy with overall markets. However, the company's fundamentals remain intact, even against a more uncertain macroeconomic backdrop—with organic growth recently notching its highest rate in a decade. We maintain our conviction in what remains among our largest portfolio holdings.

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 31 October 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-10.55	-10.55	14.11	16.65	14.86	9.81	16.11	9.32
Advisor Class: APDSX	-10.52	-10.52	14.22	16.80	14.94	9.86	16.14	9.33
Russell 2000® Growth Index	-12.65	-12.65	1.11	4.13	10.72	8.75	13.89	7.72
Russell 2000® Index	-10.86	-10.86	-0.60	1.85	10.68	8.01	12.44	9.19

As of 30 September 2018

Investor Class: ARTSX	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-1.64	10.24	27.56	34.71	20.81	12.73	14.41	9.88
Advisor Class: APDSX	-1.66	10.25	27.66	34.89	20.89	12.78	14.43	9.89
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)	\$34.86	\$34.94
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)	4.2
Q2 Holdings Inc (Information Technology)	3.5
DexCom Inc (Health Care)	3.4
Guidewire Software Inc (Information Technology)	3.3
Webster Financial Corp (Financials)	3.0
BWX Technologies Inc (Industrials)	2.9
John Bean Technologies Corp (Industrials)	2.7
Canada Goose Holdings Inc (Consumer Discretionary)	2.7
Ollie's Bargain Outlet Holdings Inc (Consumer Discretionary)	2.7
TOTAL	32.6%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	2.6	3.6
Consumer Discretionary	14.5	15.0
Consumer Staples	0.0	3.1
Energy	1.2	2.2
Financials	4.5	7.5
Health Care	21.6	26.4
Industrials	20.5	18.0
Information Technology	33.8	17.2
Materials	1.4	3.8
Real Estate	0.0	2.7
Utilities	0.0	0.5
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 2.9% of the total portfolio. ¹Russell 2000® Growth Index.

Average Annual Total Returns

	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	16.65	14.86	9.81	16.11	9.32
Advisor Class: APDSX	16.80	14.94	9.86	16.14	9.33
Russell 2000® Growth Index	4.13	10.72	8.75	13.89	7.72
Russell 2000® Index	1.85	10.68	8.01	12.44	9.19

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.8+	60.4	15.9
2.9–3.8	9.5	17.0
2.1–2.9	19.0	20.2
1.3–2.1	7.8	22.8
0.0–1.3	3.3	24.0
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)	30
James D. Hamel, CFA	22
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 Oct 2018: NeoGenomics Inc 1.0%; The New York Times Co 1.1%. 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: 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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