



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 August 2019

Commentary

Global equity markets have given back some of the solid YTD gains so far in Q3 as US-China trade tensions have ratcheted higher, with both countries signaling they will impose another round of tariffs and a near-term resolution seemingly unlikely. The US leads QTD, followed by non-US developed and emerging markets. Concerns about slowing global growth linger, and many central banks have shifted toward accommodative policies. At the sector level, energy, materials and financials lag QTD, while real estate, utilities and consumer staples lead.

Our portfolio is outperforming the Russell 2000® Growth and Russell 2000® Indices QTD and remains ahead of both indices YTD. Among our top QTD contributors are LivePerson and Q2 Holdings. LivePerson is benefiting from solid demand for its mobile and online messaging solutions as customers increasingly prefer digital interactions and engagement with brands. We believe LivePerson is well-positioned to lead this shift, which we anticipate will push customer service and sales centers to shift from voice to digital communications.

Q2 Holdings provides secure, cloud-based virtual banking solutions to regional and community banks. The company is successfully capitalizing on the secular trend toward digital payments, adding new banks to its platform at a rapid clip—in turn driving a compelling profit cycle. We maintain our conviction in the growth runway ahead.

Among our bottom QTD contributors are Cree and Novanta. Shares of Cree, a producer of semiconductors used in electronic vehicles (EVs), have been pressured against a backdrop of unresolved US-China trade tensions, which could impact the company's revenue growth trajectory. Though we maintain our conviction in Cree's profit-cycle potential, we are weighing the potential risks of a prolonged trade dispute and are prepared to pivot accordingly.

Novanta supplies sophisticated components for medical and industrial equipment. Shares have consolidated solid YTD gains as global trade concerns and recently slowing order volumes have pressured the near-term growth outlook. Longer term, we remain confident in the company's high-quality management team, which is driving attractive margin growth via higher value product offerings and acquisitions to add technology and customer content.

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 adhere to this approach, regardless of the macro backdrop and how it evolves in the period ahead.

Investment Results (%)

As of 31 August 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-2.55	0.70	32.19	4.22	18.51	14.00	16.23	9.75
Advisor Class: APDSX	-2.54	0.73	32.33	4.36	18.64	14.08	16.27	9.76
Russell 2000® Growth Index	-4.32	-3.38	16.30	-11.02	10.62	8.06	13.06	7.63
Russell 2000® Index	-4.94	-4.39	11.85	-12.89	7.89	6.41	11.59	8.87

As of 30 June 2019

Investor Class: ARTSX	8.26	6.71	31.27	16.00	20.78	13.25	17.24	9.79
Advisor Class: APDSX	8.26	6.71	31.37	16.15	20.91	13.32	17.27	9.80
Russell 2000® Growth Index	7.70	2.75	20.36	-0.49	14.69	8.63	14.41	7.84
Russell 2000® Index	7.07	2.10	16.98	-3.31	12.30	7.06	13.45	9.14

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)	\$34.45	\$34.59
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2019 ¹	1.21%	1.05%
Prospectus 30 Sep 2018 ²	1.21%	1.06%

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

Top 10 Holdings (% of total portfolio)

Q2 Holdings Inc (Information Technology)	4.9
Teledyne Technologies Inc (Industrials)	4.9
DexCom Inc (Health Care)	3.7
HubSpot Inc (Information Technology)	3.2
Guidewire Software Inc (Information Technology)	3.0
LivePerson Inc (Information Technology)	2.9
Zynga Inc (Communication Services)	2.7
Chegg Inc (Consumer Discretionary)	2.6
Tyler Technologies Inc (Information Technology)	2.4
John Bean Technologies Corp (Industrials)	2.3
TOTAL	32.4%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund
Communication Services	5.6
Consumer Discretionary	11.6
Consumer Staples	0.0
Energy	0.0
Financials	3.5
Health Care	24.0
Industrials	15.8
Information Technology	38.4
Materials	1.1
Real Estate	0.0
Utilities	0.0
TOTAL	100.0%

Source: Artisan Partners/FactSet (GICS). Cash and cash equivalents represented 4.6% of the total portfolio.

Average Annual Total Returns

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.4+	70.8	26.3
2.5–3.4	13.7	20.0
1.8–2.5	9.9	17.7
1.1–1.8	3.4	18.6
0.0–1.1	2.2	17.4
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	19
Jason L. White, CFA	19

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 2019: Cree Inc 1.6%; Novanta Inc 1.8%. 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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