



Artisan Small Cap Fund

MONTHLY
Commentary

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

Commentary

Global equity markets hit record highs in Q4, helped by better than expected earnings results, easing trade tensions and a resilient US consumer. For the calendar year, the MSCI AC World Index erased all its 2018 losses, delivering the best total return in a decade. In Q4, emerging markets led followed by US markets and non-US developed markets. Growth outperformed value, and all sectors posted positive gains with information technology, health care and financials leading.

Our portfolio trailed the Russell 2000® Growth Index and led the Russell 2000® Index in Q4, though outperformed both indices in 2019. Among our bottom Q4 contributors were Tabula Rasa Healthcare and Canada Goose. Tabula Rasa is a medication risk-mitigation provider primarily serving the Program of All-Inclusive Care for the Elderly (PACE) market. Shares were recently pressured amid a one-off contract cancellation signed by a large, recently merged HMO. We believe the fundamentals remain intact and are remaining patient while we watch for signs our thesis is taking hold.

Shares of Canada Goose were pressured amid building signs of growth deceleration—namely, higher inventory levels and turbulence in Hong Kong. We have trimmed our position until we have confidence the key performance indicators are going to reaccelerate.

Among our top Q4 contributors were DexCom and NeoGenomics. DexCom, the market leader for continuous glucose-monitoring systems, has recently made meaningful market-share progress both in the US and abroad. While we maintain our conviction in the profit-cycle potential ahead given the company's leading CGM technology portfolio and a long runway in a significant global market, we have begun harvesting our position given the stock has outgrown our small-cap mandate.

NeoGenomics, an operator of pre-eminent cancer-focused genetic laboratories, is now the largest oncology lab in the US with significant scale and broad distribution into pathologists and hospitals across the country—enabling the company to take share from other labs. Furthermore, a building backlog of pharmacy services bookings, an on-track integration of recently acquired Genoptix, and ongoing investments in next-gen molecular sequencing should all add to future profit-growth potential.

We will discuss these and other holdings in more depth in our forthcoming quarterly commentary.

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.

Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$33.78	\$33.94
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2019	1.20%	1.08%
Prospectus 30 Sep 2018 ¹	1.21%	1.06%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Teledyne Technologies Inc (Industrials)	4.5
Q2 Holdings Inc (Information Technology)	4.1
DexCom Inc (Health Care)	3.8
Guidewire Software Inc (Information Technology)	3.2
Chegg Inc (Consumer Discretionary)	3.1
LivePerson Inc (Information Technology)	2.8
Gardner Denver Holdings Inc (Industrials)	2.7
John Bean Technologies Corp (Industrials)	2.7
Zynga Inc (Communication Services)	2.7
Blackline Inc (Information Technology)	2.6
TOTAL	32.3%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	6.1	2.3
Consumer Discretionary	9.0	12.0
Consumer Staples	0.0	3.3
Energy	0.0	0.6
Financials	3.3	5.7
Health Care	24.9	30.5
Industrials	16.4	18.9
Information Technology	38.8	17.4
Materials	1.5	3.1
Real Estate	0.0	4.6
Utilities	0.0	1.5
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.6% of the total portfolio. ¹Russell 2000® Growth Index.

Investment Results (%)

As of 31 December 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	0.30	10.10	40.14	40.14	22.03	13.99	15.27	9.87
Advisor Class: APDSX	0.33	10.16	40.33	40.33	22.18	14.07	15.32	9.89
Russell 2000® Growth Index	2.29	11.39	28.48	28.48	12.49	9.34	13.01	7.96
Russell 2000® Index	2.88	9.94	25.52	25.52	8.59	8.23	11.83	9.26

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
4.0+	61.7	20.0
2.9-4.0	16.7	22.0
2.2-2.9	9.9	17.8
1.3-2.2	7.5	20.8
0.0-1.3	4.1	19.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/Russell. ¹Russell 2000[®] Growth Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Craig A. Cepukenas, CFA (Lead)	31
James D. Hamel, CFA	23
Matthew H. Kamm, CFA	20
Jason L. White, CFA	20

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 Dec 2019: Canada Goose Holdings Inc 1.0%; NeoGenomics Inc 2.3%; Tabula Rasa HealthCare 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: 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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