



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 30 June 2019

Commentary

Despite a meaningful May correction, markets were mostly in the black in Q2, with US markets leading, followed by non-US developed and emerging markets. Potentially slowing global growth and ongoing trade tensions remain top concerns; however, solid corporate earnings and accommodative monetary policy have soothed investor nerves and contributed to June's bounce-back.

Our portfolio outperformed the Russell 2000® Growth and Russell 2000® Indices in Q2 and remains ahead of both benchmarks YTD. Among our top contributors were Veeva Systems and Tableau. Veeva continues winning new life-science customers and selling additional software tools to existing customers, which is driving strong revenue growth. Further, the efficiency of Veeva's operating model is translating into very impressive margin expansion. However, we have been harvesting our position with the company outgrowing our small-cap mandate which caps a very successful campaign.

Shares of Tableau were rewarded following an announcement in mid-June that it would be acquired by Salesforce (CRM)—which caps our successful investment campaign. We recognized early that Tableau's new management team was positioning the company for faster, more reliable growth by shifting to a subscription-based business model. Since we expect the deal to close—and because shareholders will receive CRM stock, which is far beyond the typical small-cap threshold—we have begun harvesting our position.

Among our bottom contributors were Benefitfocus and Canada Goose. Shares of Benefitfocus have been meaningfully pressured by the combination of the renegotiation of a major contract and a significant management shake-up. While we believe the long-term profit-cycle potential remains intact, we are reviewing our thesis and are prepared to pivot accordingly.

Shares of premium outerwear brand Canada Goose were pressured as investors question the company's ability to support off-season sales with product extensions into new categories, spring wear, accessories, etc. Further, ongoing headwinds in China, where Canada Goose is actively expanding, have clouded the near-term outlook there. However, we believe the brand's status is intact and are remaining patient for now.

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.

Investment Results (%)

As of 30 June 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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)	\$34.21	\$34.34
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)

Teledyne Technologies Inc (Industrials)	4.3
Q2 Holdings Inc (Information Technology)	4.2
DexCom Inc (Health Care)	3.3
Guidewire Software Inc (Information Technology)	3.2
Zynga Inc (Communication Services)	2.8
Gardner Denver Holdings Inc (Industrials)	2.7
HubSpot Inc (Information Technology)	2.7
John Bean Technologies Corp (Industrials)	2.7
Chegg Inc (Consumer Discretionary)	2.6
ACI Worldwide Inc (Information Technology)	2.5
TOTAL	31.1%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	5.3	3.1
Consumer Discretionary	10.2	14.6
Consumer Staples	0.0	2.9
Energy	0.0	1.7
Financials	3.7	7.1
Health Care	24.3	26.4
Industrials	16.1	18.5
Information Technology	38.8	18.5
Materials	1.5	3.4
Real Estate	0.0	3.2
Utilities	0.0	0.5
TOTAL	100.0%	100.0%

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

Average Annual Total Returns

	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	16.00	20.78	13.25	17.24	9.79
Advisor Class: APDSX	16.15	20.91	13.32	17.27	9.80
Russell 2000® Growth Index	-0.49	14.69	8.63	14.41	7.84
Russell 2000® Index	-3.31	12.30	7.06	13.45	9.14

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.4+	69.8	32.9
2.5–3.4	13.9	18.1
1.8–2.5	8.4	16.5
1.1–1.8	3.9	16.1
0.0–1.1	3.9	16.3
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 30 Jun 2019: Benefitfocus Inc 1.1%; Canada Goose Holdings Inc 1.6%; Tableau Software Inc 1.5%; Veeva Systems Inc 1.7%. 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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