



Artisan Small Cap Fund

MONTHLY
Commentary

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

Commentary

Markets notched a solid first quarter, led by the US, with major global indices uniformly in the black. Despite ongoing Brexit- and trade-related uncertainty, UK and China markets were nicely positive. Nascent signs of decelerating global economic data prompted the Fed and ECB to notably weaken their policy stances, likely contributing to a boost for the real estate sector—which was among the best performers—while weighing on financials. From a style perspective, growth handily outperformed value in Q1.

Our portfolio outperformed the Russell 2000® Growth and Russell 2000® Indices in Q1. Among our top contributors were Q2 Holdings and Chegg. 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, in turn driving a compelling profit cycle. We believe Q2 is a good example of the type of profit cycles we seek, and we maintain our conviction in the growth runway ahead.

Chegg is a digital education company which is increasingly positioning itself as a best-in-class platform and must-have for college students. The company has driven attractive subscription growth as well as higher advertising revenues. Further, it plans to increase investments in local content for international markets while renewing its licensing deal with a major publisher, which should allow it to provide more content for longer at a similar cost. On the strength of these developments, we maintain our conviction in the profit-cycle potential ahead.

Among our bottom contributors were GardenSM holdings Tabula Rasa and SiteOne Landscape Supply. Tabula Rasa is a medication risk-mitigation provider serving primarily Provider for All-Inclusive for the Elderly (PACE) markets. Shares have consolidated gains after a solid 2018; however, we believe the fundamentals remain intact and are remaining patient while we watch for signs our thesis is taking hold as anticipated.

Conversely, we concluded our GardenSM campaign in SiteOne, the largest and only wholesale distributor of landscape supplies in the US. We anticipated SiteOne would successfully consolidate a highly fragmented industry under the leadership of its capable management team. The departure of the company's head of corporate strategy delays our thesis at best, and we concluded our campaign in favor of better opportunities elsewhere.

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 31 March 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-1.29	23.02	23.02	16.91	21.57	10.91	19.29	9.60
Advisor Class: APDSX	-1.26	23.11	23.11	17.11	21.69	10.98	19.32	9.61
Russell 2000® Growth Index	-1.35	17.14	17.14	3.85	14.87	8.41	16.52	7.80
Russell 2000® Index	-2.09	14.58	14.58	2.05	12.92	7.05	15.36	9.15

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)	\$32.06	\$32.18
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2018	1.20%	1.06%
Prospectus 30 Sep 2018 ¹	1.21%	1.06%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Veeva Systems Inc (Health Care)	5.4
Q2 Holdings Inc (Information Technology)	4.1
Teledyne Technologies Inc (Industrials)	4.0
Guidewire Software Inc (Information Technology)	3.2
Tableau Software Inc (Information Technology)	2.8
DexCom Inc (Health Care)	2.8
Chegg Inc (Consumer Discretionary)	2.8
HubSpot Inc (Information Technology)	2.6
ACI Worldwide Inc (Information Technology)	2.5
Gardner Denver Holdings Inc (Industrials)	2.4
TOTAL	32.5%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	4.2	3.3
Consumer Discretionary	12.4	14.6
Consumer Staples	0.0	2.9
Energy	0.0	1.9
Financials	3.8	6.9
Health Care	24.5	26.6
Industrials	15.7	17.3
Information Technology	37.9	19.3
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 1.8% of the total portfolio. ¹Russell 2000® Growth Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
3.4+	71.8	28.2
2.5–3.4	15.3	18.9
1.8–2.5	7.3	19.0
1.1–1.8	4.7	16.0
0.0–1.1	1.0	17.9
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 Mar 2019: Tabula Rasa HealthCare Inc 0.9%. 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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