



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 December 2020

Commentary

Global equity markets surged higher in Q4, with November delivering the best single-month return in over 30 years. Several COVID-19 vaccine clinical trials showed ~90% or greater effectiveness in preventing the disease, and a vaccine rollout is underway. Financials, energy and materials—sectors suffering the most in the pandemic’s depths—led, and consumer staples, health care and real estate, while positive, lagged.

Our portfolio trailed the Russell 2000® Growth Index and Russell 2000® Index in Q4 but outperformed both indices in 2020. Among our bottom Q4 contributors were Ollie’s Bargain Outlet and Clarivate. Shares of Ollie’s were pressured as investors contemplate the very tough growth comparisons the company will face in 2021. We acknowledge growth rates will optically slow in the near term as the economy begins normalizing but believe Ollie’s unique operating model and significant new-store growth opportunity are compelling profit-cycle drivers longer term.

Clarivate is a specialized provider of analytics, data, information and workflow solutions to economic sectors that are intellectual property- and brand-intensive. Despite some recent weakness in the company’s transactional business, we remain confident in the profit cycle given the company’s dominant market share in its niche data and analytics businesses, a high recurring revenue base, and a solid execution track record of acquiring franchises and subsequently driving better sales execution and margin improvement. That said, we exited our position during the quarter as the market cap has outgrown our small-cap mandate.

Among our top Q4 contributors were Halozyme and Blackline. Halozyme’s partnership with JNJ/Genmab has recently borne fruit (higher royalty revenues) as Darzalex Faspro—a multiple myeloma drug which utilizes ENHANZE®—has experienced rapid uptake since receiving FDA approval earlier in 2020. Given additional runway for Faspro adoption and a solid pipeline of clinical trials either underway or set to commence over the near term, we remain confident in the profit cycle ahead.

Blackline develops cloud-based accounting software that helps businesses improve and automate complex, manual and repetitive accounting processes. The company is executing well, upselling existing customers and landing new accounts. We believe Blackline’s growth runway remains compelling as its solutions can lead to cost savings, enhance real-time visibility and improve data integrity.

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 December 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	7.47	27.07	61.00	61.00	32.14	25.29	18.66	11.51
Advisor Class: APDSX	7.48	27.14	61.19	61.19	32.30	25.42	18.72	11.53
Russell 2000® Growth Index	9.35	29.61	34.63	34.63	16.20	16.36	13.48	8.89
Russell 2000® Index	8.65	31.37	19.96	19.96	10.25	13.26	11.20	9.65

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)	\$51.39	\$51.71
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2020	1.20%	1.08%
Prospectus 30 Sep 2019 ¹	1.21%	1.09%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Halozyme Therapeutics Inc (Health Care)	5.0
Chegg Inc (Consumer Discretionary)	4.8
Blackline Inc (Information Technology)	4.3
Q2 Holdings Inc (Information Technology)	4.1
HubSpot Inc (Information Technology)	4.1
NeoGenomics Inc (Health Care)	3.9
Zynga Inc (Communication Services)	3.4
LivePerson Inc (Information Technology)	3.1
Lattice Semiconductor Corp (Information Technology)	2.9
Teledyne Technologies Inc (Industrials)	2.8
TOTAL	38.4%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	4.9	2.2
Consumer Discretionary	12.3	13.4
Consumer Staples	1.4	2.9
Energy	0.0	0.2
Financials	1.4	4.0
Health Care	33.3	34.6
Industrials	8.9	13.8
Information Technology	37.6	21.3
Materials	0.0	2.4
Real Estate	0.0	3.5
Utilities	0.0	1.6
TOTAL	100.0%	100.0%

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

Average Annual Total Returns

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Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
5.6+	74.3	20.7
4.2–5.6	6.0	18.9
2.9–4.2	11.2	21.5
1.7–2.9	4.3	19.0
0.0–1.7	4.2	19.9
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)	32
James D. Hamel, CFA	24
Matthew H. Kamm, CFA	21
Jason L. White, CFA	21

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.

Current and future portfolio holdings are subject to risk. 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 2020: Ollie's Bargain Outlet Holdings Inc 1.9%. 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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