



# Artisan Small Cap Fund

MONTHLY  
Commentary

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

## Commentary

Global equity markets have moved sharply higher so far in Q2 after nearly touching four-year lows in mid-March. Investor sentiment has seemingly rebounded on record levels of monetary and fiscal stimulus, signs the number of COVID-19 cases is slowing in many large municipalities globally and a slow economic reopening. Developed markets are outperforming QTD, and at the sector level, energy and consumer discretionary are leading, while utilities and consumer staples are lagging. Growth is outperforming value.

Our portfolio is solidly in the black for 2020 and is outperforming the Russell 2000® Growth and Russell 2000® Indices YTD and so far in Q2. Among our top contributors are Chegg and Ollie's Bargain Outlet. Chegg has recently benefited from a marked increase in new customers as students conduct more of their studies remotely amid the COVID-19 pandemic. We believe the company is well-positioned to become the go-to digital platform for students both through organic additions and bolt-on acquisitions.

Ollie's has kept stores open during the COVID-19 pandemic, which we believe will help counterbalance a decline in retail foot traffic. Furthermore, the company has a solid balance sheet, and we believe it is positioned to thrive on the other side of the pandemic given a management team with a strong operational track record over the past decade and the strongest buying environment for closeout retailers since the global financial crisis.

Among our bottom QTD contributors are NeoGenomics and Cubic Corp. NeoGenomics has experienced declines in physician visits and delays in clinical trial work from the pandemic. However, we believe these challenges should quickly abate as the economy comes back online. We remain confident in the longer term profit-cycle potential and used the recent weakness to add to our position.

Cubic Corporation is a diversified technology provider to defense and civil-related agencies. The pandemic has negatively impacted order timing and delayed some of the company's transportation-systems projects. We are remaining patient given the sizable backlog of business in its pipeline for the transportation and defense businesses—providing multi-year visibility into the company's sales growth.

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 May 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	13.03	31.06	11.43	28.78	21.16	14.83	16.67	10.17
Advisor Class: APDSX	13.06	31.08	11.46	28.90	21.29	14.93	16.71	10.19
Russell 2000® Growth Index	9.45	25.75	-6.65	7.32	7.72	6.34	11.72	7.53
Russell 2000® Index	6.51	21.14	-15.95	-3.44	1.98	3.72	9.23	8.35

  

As of 31 March 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-12.92	-14.98	-14.98	-3.15	12.14	9.83	13.11	9.06
Advisor Class: APDSX	-12.91	-14.97	-14.97	-3.07	12.28	9.92	13.15	9.07
Russell 2000® Growth Index	-19.10	-25.76	-25.76	-18.58	0.10	1.70	8.89	6.60
Russell 2000® Index	-21.73	-30.61	-30.61	-23.99	-4.64	-0.25	6.90	7.58

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)	\$37.64	\$37.83
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2020 <sup>1</sup>	1.22%	1.09%
Prospectus 30 Sep 2019 <sup>2</sup>	1.21%	1.09%

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

## Top 10 Holdings (% of total portfolio)

Chegg Inc (Consumer Discretionary)	4.4
Halozyme Therapeutics Inc (Health Care)	3.9
Q2 Holdings Inc (Information Technology)	3.8
Teledyne Technologies Inc (Industrials)	3.7
Zynga Inc (Communication Services)	3.7
Blackline Inc (Information Technology)	3.5
Ollie's Bargain Outlet Holdings Inc (Consumer Discretionary)	3.2
Coupa Software Inc (Information Technology)	2.9
HubSpot Inc (Information Technology)	2.9
NeoGenomics Inc (Health Care)	2.9
<b>TOTAL</b>	<b>34.8%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Communication Services	5.3	2.2
Consumer Discretionary	11.0	11.2
Consumer Staples	0.8	3.2
Energy	0.0	0.3
Financials	1.0	5.4
Health Care	27.8	34.0
Industrials	13.6	17.0
Information Technology	40.5	18.6
Materials	0.0	2.6
Real Estate	0.0	3.9
Utilities	0.0	1.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.4% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

Average Annual Total Returns

## Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G <sup>1</sup>
4.0+	68.9	24.9
2.9-4.0	11.6	19.2
2.2-2.9	8.5	14.3
1.3-2.2	4.5	21.1
0.0-1.3	6.6	20.6
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/Russell. <sup>1</sup>Russell 2000<sup>®</sup> 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.

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<sup>®</sup> Growth Index measures the performance of US small-cap companies with higher price/book ratios and forecasted growth values. Russell 2000<sup>®</sup> 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 May 2020: Cubic Corp 0.8%. 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: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> 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. Crop<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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