



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 October 2020

## Commentary

The global equity market rally paused in October alongside rising US and European COVID-19 cases—prompting a resumption of partial economic shutdowns—and stalled US government negotiations over another round of fiscal stimulus. Weakness has been broad-based at the sector level, with energy, health care and information technology lagging. Communication services and utilities are the only positive sectors QTD.

Our portfolio is outperforming the Russell 2000® Growth Index and trailing the Russell 2000® Index QTD but remains ahead of both indices YTD. Among our top QTD contributors are Lattice Semiconductor and Monolithic Power Systems. Lattice Semiconductor is a vendor of field programmable gate array (FPGA) chips used in personal computers, 5G infrastructure, routers and switches, and servers to name a few. The company's new management team is executing well, providing FPGA chips to data centers and new 5G infrastructure as well as industrial and automotive end markets.

Monolithic Power designs analog power-management chips for a wide variety of industrial and consumer devices. The company is executing well as companies convert their analog, digital and power semiconductor chips into its single-chip design which is energy efficient and at a lower price point than peers. Based on its unique ability to offer highly integrated solutions and solve complex power management issues across multiple end applications, we believe the company is well-positioned for a solid profit cycle ahead.

Among our bottom QTD contributors are iRhythm Technologies and Clarivate. iRhythm Technologies develops and markets the Zio, a small patch for monitoring suspected heartbeat arrhythmias. The Zio is a significant improvement over the current standard of care, the Holter monitor, which is typically found to be more cumbersome and uncomfortable. We believe the growth runway ahead is meaningful as the Holter monitor market (\$2 billion) converts to patch sensors over time.

Clarivate is a specialized provider of analytics, data, information and workflow solutions to economic sectors that are intellectual property (IP)- and brand-intensive. Despite some recent weakness in the company's transactional business, we remain confident in the profit cycle ahead 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.

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 October 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>1.94</b>	<b>1.94</b>	<b>29.16</b>	<b>39.77</b>	<b>23.68</b>	<b>19.70</b>	<b>16.97</b>	<b>10.63</b>
<b>Advisor Class: APDSX</b>	<b>1.95</b>	<b>1.95</b>	<b>29.26</b>	<b>39.91</b>	<b>23.83</b>	<b>19.81</b>	<b>17.03</b>	<b>10.65</b>
Russell 2000® Growth Index	0.76	0.76	4.67	13.37	7.90	10.36	11.95	7.88
Russell 2000® Index	2.09	2.09	-6.77	-0.14	2.19	7.27	9.64	8.64

As of 30 September 2020

	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>-1.70</b>	<b>8.57</b>	<b>26.70</b>	<b>39.51</b>	<b>24.23</b>	<b>20.21</b>	<b>17.41</b>	<b>10.59</b>
<b>Advisor Class: APDSX</b>	<b>-1.71</b>	<b>8.58</b>	<b>26.78</b>	<b>39.66</b>	<b>24.39</b>	<b>20.31</b>	<b>17.46</b>	<b>10.61</b>
Russell 2000® Growth Index	-2.14	7.16	3.88	15.71	8.18	11.42	12.34	7.88
Russell 2000® Index	-3.34	4.93	-8.69	0.39	1.77	8.00	9.85	8.59

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)	\$43.63	\$43.87
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)	4.9
Halozyne Therapeutics Inc (Health Care)	4.1
Blackline Inc (Information Technology)	4.0
HubSpot Inc (Information Technology)	3.7
Q2 Holdings Inc (Information Technology)	3.5
NeoGenomics Inc (Health Care)	3.5
LivePerson Inc (Information Technology)	3.3
Zynga Inc (Communication Services)	3.3
Ascendis Pharma A/S (Health Care)	3.1
Teledyne Technologies Inc (Industrials)	2.8
<b>TOTAL</b>	<b>36.2%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

	Fund	R2G <sup>1</sup>
Communication Services	4.6	2.2
Consumer Discretionary	12.6	13.7
Consumer Staples	1.3	3.2
Energy	0.0	0.1
Financials	1.7	4.3
Health Care	30.5	34.8
Industrials	10.7	13.3
Information Technology	38.6	20.5
Materials	0.0	2.6
Real Estate	0.0	3.6
Utilities	0.0	1.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.1% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Average Annual Total Returns

	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTSX</b>	<b>1.94</b>	<b>1.94</b>	<b>29.16</b>	<b>39.77</b>	<b>23.68</b>	<b>19.70</b>	<b>16.97</b>	<b>10.63</b>
<b>Advisor Class: APDSX</b>	<b>1.95</b>	<b>1.95</b>	<b>29.26</b>	<b>39.91</b>	<b>23.83</b>	<b>19.81</b>	<b>17.03</b>	<b>10.65</b>
Russell 2000® Growth Index	0.76	0.76	4.67	13.37	7.90	10.36	11.95	7.88
Russell 2000® Index	2.09	2.09	-6.77	-0.14	2.19	7.27	9.64	8.64

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 <sup>1</sup>
4.0+	76.1	24.8
2.9–4.0	11.4	22.0
2.2–2.9	5.2	15.8
1.3–2.2	4.1	18.2
0.0–1.3	3.2	19.3
<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)	32
James D. Hamel, CFA	24
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 Oct 2020: Clarivate PLC 2.2%; iRhythm Technologies Inc 1.8%; Lattice Semiconductor Corp 2.8%; Monolithic Power Systems Inc 2.8%. 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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