



Artisan Small Cap Fund

MONTHLY Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 December 2021

Commentary

The Russell 2000® Index returned 2.1% in Q4. Q3 corporate earnings were nicely ahead of expectations, generally proving resilient to supply chain disruptions. Fed Chair Powell capitulated on his “transitory” inflation classification and expects to end asset purchases by March (vs. mid-2022 previously). Interest rates are expected to rise sooner than previously expected—57% probability for liftoff in March. Late in the quarter, the more transmissible omicron COVID-19 variant sent cases in the US to record highs, though the market doesn’t appear to anticipate it will cause the same economic consequences experienced earlier in the pandemic.

Our portfolio trailed the Russell 2000® Growth Index in Q4. Among our bottom contributors were Chegg and NeoGenomics. Chegg is a digital education platform. A pattern of steady long-term growth in US subscribers surprisingly came to an end in Q3. We believe the headwinds could persist for at least the next few quarters, and we are currently evaluating whether other long-term growth drivers—international subscriber growth, new services—remain intact.

Shares of NeoGenomics have come under pressure alongside several headwinds we believe will prove transitory. A late summer/early fall surge in COVID-19 has reduced the company’s patient volumes, delayed clinical trials and lowered sales reps’ access to physician offices. In addition, an internal investigation recently found an immaterial portion (<1%) of the company’s consulting contracts are not in compliance with federal health care laws and regulations. Fortunately, we believe the company is taking the appropriate steps to rectify the issues. We are remaining patient given the meaningful runway ahead for adding new high-value oncology tests to its diversified portfolio, attracting new physician customers and providing clinical trial services to pharmaceutical companies.

Among our top QTD contributors are Lattice Semiconductor and Ingersoll Rand. Lattice Semiconductor’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. In addition, we believe its solid pipeline of new chips will expand its addressable market and increase its margins over time.

Ingersoll Rand is a global market leader with a broad range of mission-critical flow creation technologies (pumps, compressors, etc.) for industrial and medical applications. The company’s recent Q3 results were solid and support our belief it is making the right investments in R&D and acquisitions to elevate its sustainable revenue growth rate. With an increasingly visible organic and acquisition-driven growth capability—characteristics the market appears to be undervaluing—we believe the profit cycle ahead is compelling.

Investment Results (%)

As of 31 December 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-0.50	-6.99	-8.90	-8.90	27.15	21.66	16.77	10.67
Advisor Class: APDSX	-0.47	-6.93	-8.77	-8.77	27.32	21.81	16.84	10.70
Russell 2000® Growth Index	0.44	0.01	2.83	2.83	21.17	14.53	14.14	8.66
Russell 2000® Index	2.23	2.14	14.82	14.82	20.02	12.02	13.23	9.84

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)	\$41.90	\$42.26
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2021	1.19%	1.06%
Prospectus 30 Sep 2020 ¹	1.21%	1.09%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Lattice Semiconductor Corp (Information Technology)	5.5
Halozyme Therapeutics Inc (Health Care)	5.1
Blackline Inc (Information Technology)	3.9
Monolithic Power Systems Inc (Information Technology)	3.7
Ascendis Pharma A/S (Health Care)	3.5
Argenx SE (Health Care)	3.4
Veracyte Inc (Health Care)	3.3
Novanta Inc (Information Technology)	3.2
Ingersoll Rand Inc (Industrials)	3.0
Q2 Holdings Inc (Information Technology)	2.9
TOTAL	37.5%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	R2G ¹
Communication Services	4.0	2.7
Consumer Discretionary	13.2	14.7
Consumer Staples	1.5	3.9
Energy	0.0	2.3
Financials	3.2	5.6
Health Care	26.7	25.7
Industrials	9.8	15.2
Information Technology	41.2	23.3
Materials	0.0	3.1
Real Estate	0.4	3.3
Utilities	0.0	0.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 0.3% of the total portfolio. ¹Russell 2000® Growth Index.

Average Annual Total Returns

As of 31 December 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G ¹
5.8+	59.1	20.5
4.4–5.8	19.7	18.7
3.2–4.4	6.4	21.1
1.8–3.2	8.7	19.7
0.0–1.8	6.1	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)	33
James D. Hamel, CFA	25
Matthew H. Kamm, CFA	22
Jason L. White, CFA	22
Jay C. Warner, 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[®] 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 2021: Chegg Inc 1.8%; NeoGenomics 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: 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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