



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 28 February 2021

Commentary

Global equity markets are up modestly so far in Q1, though the quarter has been nothing short of eventful. Investors are cautiously navigating a fraught political climate in the US, the risk of rising interest rates given an increasingly optimistic backdrop for economic growth and a global effort to develop herd immunity to the COVID-19 disease. Further, an online cohort of Reddit users contributed to a short squeeze in a group of stocks, contributing to a rise in market volatility. Analysts are more optimistic about 2021 earnings growth, now projecting approximately 27.3% year-over-year growth (vs. 25.7% at the end of 2020).

Our portfolio trails the Russell 2000® Growth and Russell 2000® Indices QTD. Among our bottom contributors are NeoGenomics and Blackline. NeoGenomics is the largest oncology lab in the US with significant scale and broad distribution to pathologists and hospitals across the country. COVID-19 has negatively impacted the company's core oncology test volumes as many cancer patients are reluctant or unable to see their doctor. We believe these headwinds should abate as vaccination programs are rolled out, COVID-19 cases decline and pandemic-related restrictions are eased.

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

Among our top QTD contributors are HubSpot and Ollie's Bargain Outlet. HubSpot is firing on all cylinders as astute moves from management over the last couple of years bear fruit. These include providing best-in-class software across most customer-facing operations through a single solution, success in expanding internationally and the introduction of free and low-priced product bundles which are driving record new customer additions. We believe the growth runway ahead remains compelling as small and medium businesses increasingly digitize their sales and marketing efforts.

Shares of Ollie's Bargain have rallied QTD primarily due to significant short covering. With shares approaching our estimate of private market value and difficult growth comparisons looming this year, we ended our successful investment campaign.

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 28 February 2021	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	2.42	2.74	2.74	69.43	31.06	29.27	18.18	11.55
Advisor Class: APDSX	2.43	2.75	2.75	69.61	31.21	29.40	18.23	11.57
Russell 2000® Growth Index	3.30	8.28	8.28	58.88	18.95	21.15	13.80	9.17
Russell 2000® Index	6.23	11.58	11.58	51.00	14.87	17.92	11.86	10.05

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)	\$52.80	\$53.13
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2020	1.20%	1.08%
Prospectus 30 Sep 2020 ¹	1.21%	1.09%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Halozyne Therapeutics Inc (Health Care)	5.2
HubSpot Inc (Information Technology)	5.1
Chegg Inc (Consumer Discretionary)	5.0
Blackline Inc (Information Technology)	4.1
Q2 Holdings Inc (Information Technology)	3.8
Zynga Inc (Communication Services)	3.7
Veracyte Inc (Health Care)	3.6
NeoGenomics Inc (Health Care)	3.6
LivePerson Inc (Information Technology)	3.2
Lattice Semiconductor Corp (Information Technology)	3.0
TOTAL	40.4%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	5.1	2.1
Consumer Discretionary	11.3	14.4
Consumer Staples	1.5	3.0
Energy	0.0	0.2
Financials	1.7	3.7
Health Care	33.6	33.6
Industrials	9.0	14.6
Information Technology	37.8	21.1
Materials	0.0	2.4
Real Estate	0.0	3.5
Utilities	0.0	1.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 0.7% of the total portfolio. ¹Russell 2000® Growth Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
5.6+	65.0	25.1
4.2–5.6	19.2	19.2
2.9–4.2	8.5	21.0
1.7–2.9	0.7	16.3
0.0–1.7	6.6	18.4
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. 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.

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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.

Private Market Value is an estimate of the value of a company if divisions were each independent and established their own market stock prices.

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