



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 January 2021

Commentary

Global equity markets are flat so far in Q1, though January was nothing short of eventful. Investors are cautiously navigating a fraught political climate in the US and a global effort to develop herd immunity to the COVID-19 disease. Further, an online cohort of Reddit users prompted a short squeeze in a group of stocks, seemingly spiking anxiety among professional investors that the mania could spread to the broader market. Despite the uneasiness, analysts' fundamental outlooks have generally been unphased.

Our portfolio trails the Russell 2000® Growth and Russell 2000® Indices so far in Q1. Among our bottom QTD contributors are iRhythm Technologies and Lattice Semiconductor. iRhythm received negative reimbursement news for its Zio patch, which is used to monitor suspected heartbeat arrhythmias. Novitas, a Medicare Administrative Contractor (MAC), announced it was cutting its payment rate for Zio by over 80%. While most of iRhythm's patients have private insurance, these payors tend to directionally follow MAC reimbursement rate changes. While the situation appears to still be in flux—the new published rates may in fact just be a placeholder pending additional negotiations—we meaningfully reduced our position in light of the uncertain profit cycle outlook.

Shares of Lattice Semiconductor consolidated some of their strong gains from the past 12 months. We remain confident in the company's new management team to provide FPGA chips to data centers and new 5G infrastructure as well as industrial and automotive end markets.

Among our top QTD contributors are Halozyme and Ollie's Bargain Outlet. 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.

Shares of Ollie's Bargain Outlet have rallied so far in Q1 primarily due to significant short covering. With shares approaching our PMV estimate 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 31 January 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	0.31	0.31	0.31	58.00	30.01	28.41	18.43	11.48
Advisor Class: APDSX	0.31	0.31	0.31	58.15	30.18	28.54	18.49	11.51
Russell 2000® Growth Index	4.82	4.82	4.82	42.69	16.54	20.19	14.08	9.06
Russell 2000® Index	5.03	5.03	5.03	30.17	11.11	16.50	11.78	9.83

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)	\$51.55	\$51.87
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)

Halozyme Therapeutics Inc (Health Care)	5.6
Chegg Inc (Consumer Discretionary)	5.0
Blackline Inc (Information Technology)	4.2
Q2 Holdings Inc (Information Technology)	4.1
NeoGenomics Inc (Health Care)	3.8
HubSpot Inc (Information Technology)	3.8
Zynga Inc (Communication Services)	3.4
LivePerson Inc (Information Technology)	3.1
Veracyte Inc (Health Care)	3.0
Teledyne Technologies Inc (Industrials)	2.6
TOTAL	38.7%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	R2G ¹
Communication Services	4.9	2.2
Consumer Discretionary	10.8	13.8
Consumer Staples	1.5	3.0
Energy	0.0	0.2
Financials	1.7	3.6
Health Care	34.2	34.6
Industrials	10.3	14.3
Information Technology	36.6	21.0
Materials	0.0	2.3
Real Estate	0.0	3.4
Utilities	0.0	1.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 5.2% of the total portfolio. ¹Russell 2000® Growth Index.

Average Annual Total Returns

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	R2G ¹
5.6+	68.5	24.1
4.2–5.6	14.8	19.0
2.9–4.2	9.9	19.7
1.7–2.9	1.3	17.9
0.0–1.7	5.4	19.3
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 Jan 2021: iRhythm Technologies Inc 0.8%; Lattice Semiconductor Corp 2.5%. 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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