



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 28 February 2022

Commentary

Equity markets are off to a volatile start this year. With inflation readings elevated and the Fed pointing to policy tightening ahead, many market participants have rapidly positioned for higher interest rates. This has caused companies whose valuations are dependent on profits further into the future (growth companies) to underperform despite mostly unchanged forward earnings outlooks. Meanwhile, the outbreak of war between Russia and Ukraine is giving the post-Cold War order its greatest test. Several countries across the globe have levied various sanctions on Russia, and if the 40% YTD decline in the MSCI Russia Index is any indication, these actions could push its economy into a deep recession. Our portfolio has no exposure to Russian and Ukrainian domiciled companies, and our holdings' combined revenue exposure to both countries is <1%. We are monitoring the situation and the impact sanctions could have on our holdings' profit cycles.

Our portfolio is trailing the Russell 2000® Growth Index QTD. Among our bottom contributors are Lattice Semiconductor and Ingersoll Rand. Lattice's quarterly results reported in February confirmed our investment thesis. We continue to believe the company is well positioned to provide FPGA chips to data centers and new 5G infrastructure and tap into low power/reprogrammable chips as well as industrial and automotive end markets. Furthermore, its solid pipeline of new chips should 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 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.

Among our top QTD contributors are Zynga and iRhythm. Zynga announced in early January it is being acquired by Take-Two at a 64% premium to the prior day's closing share price. Since the combined entity will exceed our small-cap market-cap mandate, we have been harvesting our position.

We have been recently encouraged by CMS' and Novitas' recent decisions to set reimbursements for iRhythm's Zio patch to ~\$200—a sign CMS and other Medicare Administrative Contractors are starting to appreciate its value proposition over the Holter monitor. The growth runway ahead is meaningful as the Holter monitor market (\$2 billion) converts to patch sensors over time. In addition, a new CEO is taking the appropriate steps to spearhead changes to lower the Zio's cost (as he did with Dexcom's G6/G7 CGM), more aggressively push into international markets and explore use cases beyond arrhythmias.

Investment Results (%)

As of 28 February 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-2.11	-18.19	-18.19	-27.46	10.50	15.10	12.75	9.78
Advisor Class: APDSX	-2.10	-18.17	-18.17	-27.34	10.64	15.24	12.83	9.81
Russell 2000® Growth Index	0.44	-13.03	-13.03	-17.40	9.22	10.49	11.38	8.04
Russell 2000® Index	1.07	-8.66	-8.66	-6.01	10.50	9.50	11.18	9.41

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)	\$34.28	\$34.58
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2021	1.19%	1.06%
Prospectus 30 Sep 2021 ¹	1.19%	1.06%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Halozyme Therapeutics Inc (Health Care)	5.5
Lattice Semiconductor Corp (Information Technology)	5.4
Monolithic Power Systems Inc (Information Technology)	4.2
Ascendis Pharma A/S (Health Care)	3.6
Blackline Inc (Information Technology)	3.4
Argenx SE (Health Care)	3.4
Novanta Inc (Information Technology)	3.0
Ingersoll Rand Inc (Industrials)	3.0
Valmont Industries Inc (Industrials)	3.0
Shockwave Medical Inc (Health Care)	3.0
TOTAL	37.5%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	R2G ¹
Communication Services	4.1	2.8
Consumer Discretionary	12.9	14.8
Consumer Staples	0.9	4.2
Energy	0.0	2.9
Financials	4.0	5.6
Health Care	26.2	24.5
Industrials	10.2	15.5
Information Technology	41.0	22.7
Materials	0.0	3.5
Real Estate	0.7	3.2
Utilities	0.0	0.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 0.0% of the total portfolio. ¹Russell 2000® Growth Index.

Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G ¹
5.8+	46.1	13.4
4.4–5.8	23.8	19.7
3.2–4.4	15.0	21.4
1.8–3.2	9.1	22.7
0.0–1.8	6.0	22.8
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 MSCI Russia Index is designed to measure the performance of the large- and mid-cap segments of the Russian market. 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 28 Feb 2022: iRhythm Technologies Inc 0.8%; Zynga Inc 2.4%. 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.

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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