



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 July 2022

## Commentary

In a sharp reversal from what investors have grown accustomed to so far this year, multiple expansion drove the Russell 2000® Index to rally 10% in July. Despite the jury being out on how sticky inflation will be on the way back down, the market is seemingly anticipating an earlier than expected Fed policy pivot after recent economic data indicated the aggressive actions taken so far this year are cooling demand—GDP fell at an inflation and seasonally adjusted annual rate of -0.9% in Q2 (-1.6% in Q1). Meanwhile, investors are closely watching Q2 earnings results and updated forward outlooks to see how elevated inflation and a recession are impacting businesses' abilities to generate profits.

Wingstop is a quick-service restaurant franchisor specializing in fresh, cooked-to-order chicken wings and fries. The company recently added a record number of new stores which we find encouraging given our thesis is primarily predicated on the company growing its footprint. Meanwhile, falling wing prices, menu innovation (chicken sandwich rollout in September, new flavors) and a ramp up in advertising should fuel better growth in the upcoming periods.

Valmont reported thesis confirming results last week. Revenue grew 27% YoY, which was well ahead of expectations. The company is not only experiencing strong demand for its engineered metal products—the company's \$2 billion order backlog is up 25% from the end of 2021—but also raising its prices to offset inflation. The long-term growth runway remains compelling given several secular and cyclical tailwinds: accelerating spending for renewables, grid hardening and renewed irrigation investments in international markets to ensure more efficient water usage.

Lattice Semiconductor's profit cycle remains on solid footing, evidenced by it recently reporting +28% top-line growth and +140bps of QoQ margin expansion (+700bps YoY)—both of which were better than expected. We believe multiple product and program launches throughout the remainder of the year will sustain the company's solid fundamental momentum. Longer term, Lattice is well-positioned to provide FPGA chips to data centers, new 5G infrastructure and to tap into low power/reprogrammable chips as well as the industrial and automotive end markets. In addition, its solid pipeline of new chips should expand its addressable market and margins.

Among our bottom contributors is Argenx. Shares of Argenx gave back some of their YTD gains in July despite an impressive earnings report. For the second consecutive quarter, sales for VYVGART—its recently approved drug to treat a chronic neuromuscular condition (myasthenia gravis)—paced well ahead of expectations (2X higher than consensus, 3X higher than consensus in Q1). VYVGART's outperformance was essentially all demand-driven, with ~1,400 patients on the drug (versus 380 in Q1). We continue to believe the second indication for VYVGART for immune thrombocytopenia purpura will receive FDA approval in early 2023 with the potential to treat numerous other rare autoimmune disorders longer term.

## Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$30.72	\$31.00
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2022 <sup>1</sup>	1.20%	1.06%
Prospectus 30 Sep 2021 <sup>2</sup>	1.19%	1.06%

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Halozyme Therapeutics Inc (Health Care)	8.4
Lattice Semiconductor Corp (Information Technology)	5.9
Argenx SE (Health Care)	4.8
Monolithic Power Systems Inc (Information Technology)	4.7
Shockwave Medical Inc (Health Care)	4.2
Valmont Industries Inc (Industrials)	4.2
Novanta Inc (Information Technology)	3.3
Ingersoll Rand Inc (Industrials)	3.3
Blackline Inc (Information Technology)	3.2
Ascendis Pharma A/S (Health Care)	3.1
<b>TOTAL</b>	<b>45.0%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	R2G <sup>1</sup>
Communication Services	0.8	2.5
Consumer Discretionary	11.1	10.9
Consumer Staples	0.5	4.1
Energy	0.0	6.4
Financials	3.6	6.0
Health Care	32.3	22.8
Industrials	11.9	17.8
Information Technology	39.3	21.0
Materials	0.0	4.4
Real Estate	0.4	2.5
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 0.7% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Investment Results (%)

As of 31 July 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	13.99	13.99	-26.68	-32.40	3.57	10.67	12.01	9.19
Advisor Class: APDSX	14.01	14.01	-26.64	-32.30	3.70	10.81	12.09	9.21
Russell 2000® Growth Index	11.20	11.20	-21.55	-23.18	4.71	6.87	10.66	7.51
Russell 2000® Index	10.44	10.44	-15.43	-14.29	7.51	7.12	10.60	8.95

As of 30 June 2022

Investor Class: ARTSX	-6.20	-21.52	-35.68	-40.89	0.24	8.17	10.50	8.69
Advisor Class: APDSX	-6.21	-21.48	-35.66	-40.82	0.36	8.30	10.57	8.72
Russell 2000® Growth Index	-6.19	-19.25	-29.45	-33.43	1.40	4.80	9.30	7.11
Russell 2000® Index	-8.22	-17.20	-23.43	-25.20	4.21	5.17	9.35	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.

## Average Annual Total Returns

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G <sup>1</sup>
5.8+	53.0	7.7
4.4–5.8	15.9	15.2
3.2–4.4	14.8	23.2
1.8–3.2	11.0	28.2
0.0–1.8	5.4	25.7
<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)	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. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. 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 Jul 2022: Wingstop Inc 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.

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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.

**Multiple Expansion** is an increase in the price-earnings ratio, or some other multiple, of a stock or group of stocks. **Seasonally Adjusted Annual Rate** is a rate adjustment used in business to account for changes in data due to seasonal variations.

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