



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 30 June 2022

Commentary

Inflation uncertainty prompted a sharp 17% selloff among US small-cap equities in Q2. For the first time in 40 years, Americans have witnessed the cost of everyday necessities—energy, food, shelter, transportation (air and road)—drive the annualized rate of CPI up nearly double digits every month this year. Investors have grown skeptical about the Fed's ability to cool demand, rein in inflation and avoid a recession. Uncertainty surrounds when and at what rate inflation will normalize, a first-of-its-kind environment for most market participants. Historically tight labor markets, the war in Ukraine and COVID-19 lockdowns in China all threaten to keep inflation high.

Our portfolio trailed the Russell 2000® Growth Index in Q2. Among our bottom contributors were Lattice Semiconductor and Ascendis Pharma. Lattice recently reported +30% revenue growth and +600bps of margin expansion. We expect this solid profit cycle momentum to continue. The company 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 over time.

Sales for Ascendis' recently approved pediatric growth hormone drug, Skytrofa, came in below expectations despite solid prescription volume. Patients are either on the free version of the drug or they are finishing their current supply before starting treatment. Longer term, we are optimistic the company will convert free Skytrofa patients to the commercial reimbursed product. Furthermore, we anticipate TransCon PTH, used to treat hyperparathyroidism, will be approved and rolled out in 2023, providing another tailwind to the company's profit cycle.

Among our top contributors were Halozyme Therapeutics and Argenx. Halozyme is a biotechnology firm that licenses to pharmaceutical companies the use of its proprietary enzyme—its ENHANZE® platform—which aids delivery of biologics subcutaneously, as opposed to intravenously. The company has a robust pipeline of 16 collaboration products leveraging its ENHANZE® platform. Positive clinical data this year would offer a clearer view into meaningfully higher royalty revenue in the coming years. In addition, shares of Halozyme could benefit from data on Argenx's (another top 10 holding) subcutaneous format of efgartigimod—uses ENHANZE® via collaborative partnership—which could obtain approval in 2023.

Argenx's sales for VYVGART—its recently approved drug to treat a chronic neuromuscular condition (myasthenia gravis)—is pacing well ahead of expectations (3X higher than consensus sales estimates in Q1). VYVGART is also in development for several other autoimmune diseases, including immune thrombocytopenia purpura, which is a blood disorder characterized by fewer platelets. This second indication reported positive phase 3 results during Q2, and we believe it could receive FDA approval in early 2023.

Investment Results (%)

As of 30 June 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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.

Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$26.95	\$27.19
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2022 ¹	1.20%	1.06%
Prospectus 30 Sep 2021 ²	1.19%	1.06%

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

Top 10 Holdings (% of total portfolio)

Halozyme Therapeutics Inc (Health Care)	8.7
Argenx SE (Health Care)	5.7
Lattice Semiconductor Corp (Information Technology)	5.3
Monolithic Power Systems Inc (Information Technology)	4.5
Shockwave Medical Inc (Health Care)	4.3
Valmont Industries Inc (Industrials)	3.9
Blackline Inc (Information Technology)	3.8
Ascendis Pharma A/S (Health Care)	3.8
Novanta Inc (Information Technology)	3.4
Ingersoll Rand Inc (Industrials)	3.2
TOTAL	46.6%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	R2G ¹
Communication Services	1.1	2.4
Consumer Discretionary	10.1	10.4
Consumer Staples	0.6	4.7
Energy	0.0	6.1
Financials	3.4	5.9
Health Care	33.7	22.7
Industrials	11.1	17.3
Information Technology	39.5	21.4
Materials	0.0	4.4
Real Estate	0.5	2.9
Utilities	0.0	1.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 0.9% of the total portfolio. ¹Russell 2000® Growth Index.

Average Annual Total Returns

As of 30 June 2022	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+	51.4	3.6
4.4–5.8	11.9	16.3
3.2–4.4	14.6	18.5
1.8–3.2	12.0	32.3
0.0–1.8	10.1	29.3
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)	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® 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.

Consumer Price Index measures the average change in prices over time that consumers pay for a basket of goods and services.

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