



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 30 November 2022

## Commentary

The Russell 2000® Index continued its fourth-quarter upward ascent in November, returning 2.34%. The major catalyst for the market strength happened earlier in the month when both US headline and core consumer price index measures for October surprised to the down side. Markets rallied significantly as investors grew optimistic that the positive inflation data would mean the Fed would curb its aggressive rate-hiking actions. However, optimism waned throughout the month as various Federal Reserve officials indicated their ultimate terminal rate expectations remain largely unchanged.

Our portfolio is leading the Russell 2000® Growth Index for the QTD period. Among our top contributors for the QTD period are Halozyme Therapeutics and Lattice Semiconductor. Halozyme is a biotechnology firm with a unique technology platform enabling the conversion of intravenous (IV) formulated biologic and small molecule drugs to a subcutaneous (SC) form. Pharmaceutical companies license this technology to optimize their flagship therapies, generating predictable and durable royalties for Halozyme. Shares rallied after releasing better-than-expected top- and bottom-line results. Halozyme has five royalty products which we believe could triple over the next five years given its robust pipeline of products.

Lattice Semiconductor is a fabless vendor of field programmable gate array (FPGA) chips which customers can program and configure to their specifications. These chips are used in numerous applications, from data centers and 5G infrastructure to routers, switches, PCs, industrial Internet of things devices, factory automation and automobiles, to name a few. Shares rallied after Lattice reported revenue, gross margins and operating margins that were all records and ahead of expectations, reinforcing our conviction in the company's profit cycle.

Among our top detractors for the QTD period are Advanced Drainage Systems and Q2 Holdings. Advanced Drainage Systems is a leader in plastic-pipe drainage systems, which are an attractive alternative to traditional concrete pipes. Shares declined after a disappointing earnings release as end markets softened faster than anticipated, especially its residential business. However, we continue to believe Advanced Drainage will benefit from ongoing conversion from concrete to plastic materials over the long term, and we continue to hold the position.

Q2 Holdings is a leading provider of secure, cloud-based virtual banking solutions. The company has a strong franchise and remains the provider of choice in digital banking. Unfortunately, it has not been able to outrun macro-related headwinds that are pressuring large transformational deals, showing up in transactional revenue and a lowering of expectations. While we believe some of these headwinds are temporary, macro headwinds combined with our disappointment in the lack of leverage in the model as it has scaled revenues dictated the harvest of our Crop<sup>SM</sup> position and upgrade of the capital.

## Investment Results (%)

As of 30 November 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	8.24	14.31	-24.10	-24.48	3.74	9.74	12.10	9.21
Advisor Class: APDSX	8.25	14.35	-24.02	-24.38	3.88	9.88	12.19	9.24
Russell 2000® Growth Index	1.63	11.27	-21.31	-20.96	3.68	4.91	10.24	7.43
Russell 2000® Index	2.34	13.60	-14.91	-13.01	6.44	5.45	10.13	8.86

  

As of 30 September 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-6.74	3.23	-33.60	-38.24	2.35	8.06	10.17	8.74
Advisor Class: APDSX	-6.68	3.27	-33.55	-38.16	2.48	8.21	10.25	8.76
Russell 2000® Growth Index	-9.00	0.24	-29.28	-29.27	2.94	3.60	8.81	7.06
Russell 2000® Index	-9.58	-2.19	-25.10	-23.50	4.29	3.55	8.55	8.42

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)	\$31.72	\$32.00
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2022	1.20%	1.06%
Prospectus 30 Sep 2021 <sup>1</sup>	1.19%	1.06%

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Halozyme Therapeutics Inc (Health Care)	9.5
Lattice Semiconductor Corp (Information Technology)	6.7
Argenx SE (Health Care)	5.0
Valmont Industries Inc (Industrials)	5.0
Shockwave Medical Inc (Health Care)	4.8
Ascendis Pharma A/S (Health Care)	4.2
Monolithic Power Systems Inc (Information Technology)	3.4
Blackline Inc (Information Technology)	3.3
Novanta Inc (Information Technology)	3.3
Wingstop Inc (Consumer Discretionary)	3.2
<b>TOTAL</b>	<b>48.3%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	R2G <sup>1</sup>
Communication Services	0.6	2.4
Consumer Discretionary	11.8	11.2
Consumer Staples	0.7	4.5
Energy	0.0	7.6
Financials	2.3	5.9
Health Care	36.7	22.0
Industrials	10.8	18.0
Information Technology	37.1	19.7
Materials	0.0	4.6
Real Estate	0.0	2.3
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 1.3% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Average Annual Total Returns

	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-24.48	3.74	9.74	12.10	9.21
Advisor Class: APDSX	-24.38	3.88	9.88	12.19	9.24
Russell 2000® Growth Index	-20.96	3.68	4.91	10.24	7.43
Russell 2000® Index	-13.01	6.44	5.45	10.13	8.86

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G <sup>1</sup>
5.8+	61.5	10.9
4.4–5.8	15.2	17.0
3.2–4.4	13.6	18.4
1.8–3.2	6.4	28.8
0.0–1.8	3.3	24.9
<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)	34
James D. Hamel, CFA	26
Matthew H. Kamm, CFA	23
Jason L. White, CFA	22
Jay C. Warner, 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. 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. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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 30 Nov 2022: Advanced Drainage Systems Inc 1.1%; Q2 Holdings Inc 0.1%. 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: 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.

**Gross Profit Margin** is a metric analysts use to assess a company's financial health by calculating the amount of money left over from product sales after subtracting the cost of goods sold (COGS). Sometimes referred to as the gross margin ratio, gross profit margin is frequently expressed as a percentage of sales.

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