



Artisan Small Cap Fund

MONTHLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 October 2022

Commentary

The Russell 2000® Index moved 11% higher in October, seemingly on renewed hope of a Fed pivot. Shortly after the end of the month, Fed Chair Powell reminded the market any hopes of pausing rate increases are “very premature,” casting doubt (again) on the intermittent narrative driving bear market rallies. Corporate earnings and several other macro indicators—positive GDP growth, low unemployment, and healthy consumer confidence and spending—suggest higher rates are still flowing through the economy and corporate earnings. For perspective, 2023 S&P 500® Index earnings estimates have fallen -5% since the market peaked in January, which compares to -14% in the early 2000s and -23% during the financial crisis (market peak to trough).

Our portfolio is trailing the Russell 2000® Growth Index. Among our bottom contributors are Monolithic Power and Wolfspeed. Monolithic Power designs analog power-management chips for a wide variety of industrial and consumer devices. Trends in the two drivers of its profit cycle—automotive and data centers—remain strong with company-specific content wins driving share gains. Based on its unique ability to offer highly integrated solutions and solve complex power management issues across multiple end-applications, we believe the profit cycle runway ahead is meaningful.

Wolfspeed is the leading manufacturer of silicon carbide (SiC) wafers, the next generation of power semiconductors. The market for SiC wafers could grow significantly over the next decade, primarily driven by battery electric vehicles capturing share from their internal combustion engine (ICE) counterparts. Various public and private sector initiatives are in motion to phase out ICE vehicles over the coming decades. While near-term yield issues in ramping Wolfspeed’s new Mohawk Valley fab have been frustrating, these short-term issues do not deter our secular growth thesis. Furthermore, no other company has more experience bringing silicon carbide wafers to market.

Valmont Industries and Wingstop are among our top contributors. Valmont recently reported both Q3 results and guidance for 2023 ahead of expectations. The company is benefiting from strong demand across its portfolio, evidenced by a record \$2 billion backlog (up 25% from the end of 2021). We continue to believe the profit cycle 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.

Wingstop recently delivered better-than-expected revenue and profit growth. The recent launch of the company’s chicken has been successful, selling four weeks of anticipated supply within six days. Meanwhile, we are optimistic about its unit growth potential in the periods ahead (core to our thesis). The goal to reach 6,000 stores (versus 1,800 today) is supported by a pipeline that is larger today than a year ago and improving economics as volumes tick higher, food costs decline (wing prices are down 43% YoY) and the product mix includes a larger portion of higher margin boneless products.

Portfolio Details

| | ARTSX | APDSX |
|---|-------------|------------|
| Net Asset Value (NAV) | \$29.38 | \$29.66 |
| 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) | 8.6 |
| Shockwave Medical Inc (Health Care) | 6.0 |
| Argenx SE (Health Care) | 5.3 |
| Valmont Industries Inc (Industrials) | 5.1 |
| Lattice Semiconductor Corp (Information Technology) | 4.8 |
| Ascendis Pharma A/S (Health Care) | 4.3 |
| Ingersoll Rand Inc (Industrials) | 3.5 |
| Wingstop Inc (Consumer Discretionary) | 3.3 |
| Monolithic Power Systems Inc (Information Technology) | 3.2 |
| Novanta Inc (Information Technology) | 3.2 |
| TOTAL | 47.3% |

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

| | Fund | R2G ¹ |
|------------------------|---------------|------------------|
| Communication Services | 0.6 | 2.4 |
| Consumer Discretionary | 11.3 | 11.1 |
| Consumer Staples | 0.6 | 4.3 |
| Energy | 0.0 | 7.7 |
| Financials | 3.1 | 5.9 |
| Health Care | 34.6 | 22.9 |
| Industrials | 13.2 | 17.6 |
| Information Technology | 36.5 | 19.7 |
| Materials | 0.0 | 4.5 |
| Real Estate | 0.0 | 2.2 |
| Utilities | 0.0 | 1.8 |
| TOTAL | 100.0% | 100.0% |

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.2% of the total portfolio. ¹Russell 2000® Growth Index.

Investment Results (%)

| As of 31 October 2022 | Average Annual Total Returns | | | | | | | |
|----------------------------|------------------------------|-------|--------|--------|------|------|-------|-----------|
| | MTD | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
| Investor Class: ARTSX | 5.61 | 5.61 | -29.88 | -37.14 | 3.63 | 8.54 | 11.30 | 8.92 |
| Advisor Class: APDSX | 5.63 | 5.63 | -29.82 | -37.05 | 3.76 | 8.68 | 11.38 | 8.95 |
| Russell 2000® Growth Index | 9.49 | 9.49 | -22.57 | -26.02 | 5.11 | 5.17 | 10.15 | 7.39 |
| Russell 2000® Index | 11.01 | 11.01 | -16.86 | -18.54 | 7.05 | 5.56 | 9.93 | 8.80 |

As of 30 September 2022

| | | | | | | | | |
|----------------------------|-------|-------|--------|--------|------|------|-------|------|
| 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.

Market Cap Distribution (% of portfolio securities)

| \$ in billions | Fund | R2G ¹ |
|----------------|---------------|------------------|
| 5.8+ | 58.2 | 10.2 |
| 4.4–5.8 | 15.2 | 12.9 |
| 3.2–4.4 | 12.0 | 20.8 |
| 1.8–3.2 | 5.6 | 30.5 |
| 0.0–1.8 | 9.0 | 25.6 |
| 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) | 34 |
| James D. Hamel, CFA | 26 |
| Matthew H. Kamm, CFA | 22 |
| 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[®] Growth Index measures the performance of US small-cap companies with higher price/book ratios and forecasted growth values. S&P 500[®] Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 Oct 2022: Wolfsped Inc 1.3%. 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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11/7/2022 A22826L_vR