



# Artisan Small Cap Fund

## MONTHLY Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 October 2023

### Commentary

The Russell 2000® Index fell -6.8% in October. Equity markets experienced volatility as economic strength and sticky inflation supported higher for longer interest rate expectations along with elevated geopolitical tensions driven by the war between Israel and Hamas. Consumer prices in the US rose 0.4% in September from August, slightly exceeding expectations. Compared with a year ago, prices rose 3.7%, unchanged from the month before. The preliminary GDP growth reading showed that the US economy expanded at a 4.9% annual pace in Q3, driven by robust consumer spending, and the US 10-year yield reached its highest level since 2006.

Our portfolio underperformed the Russell 2000® Growth Index in October. Among our top detractors were Lattice Semiconductor and Valmont. Lattice Semiconductor is a fabless vendor of field programmable gate array (FPGA) chips that customers can program and configure to their specifications. Shares underperformed after management lowered its forward guidance, mainly driven by its industrial business in Asia and Europe. Within its communications division, results within its central processing unit and graphic processing unit data center segments continue to be strong; however, these results are being offset by more cyclical end markets, such as telecommunications. We believe the company's best-in-class execution, combined with powerful secular content drivers, leaves it well positioned to continue to drive profit cycle acceleration, and we remain invested.

Valmont is a leading designer and manufacturer of engineered metal products. There remains a lot to like about the company, such as exposure to several secular tailwinds (accelerating spending for renewables, grid hardening and renewed irrigation investments to ensure more efficient water usage), a solid balance sheet, strong free cash flow generation and an attractive valuation. However, the company abruptly changed CEOs in July and reported a goodwill impairment in its most recent earnings release. The goodwill impairment was on Prospera, an artificial intelligence company focused on agriculture that Valmont acquired in 2021, due to significantly slower growth than original projections. Given the operational missteps and new management team, we trimmed the position.

Among our top contributors were Shockwave and Five Below. Shockwave is a medical device company developing and commercializing products for calcified cardiovascular disease. The company's technology enables safer and more effective treatment of cardiovascular diseases. Despite positive product cycle momentum, shares underperformed in Q3 given market concerns that the rapid growth of GLP-1 diabetes/obesity drugs will reduce demand for cardiovascular disease management technologies. However, investor concerns were eased at its recent analyst day event, where management provided forward guidance above expectations.

Five Below is a value-oriented discretionary retailer offering an evolving assortment of trend-right products oriented to kids (twens/teens). Management is playing offense with a "triple-double" strategy, aiming to triple Five Below's number of stores by 2030 and double revenue by 2025. Our consumer spending outlook remains uncertain given the slowing economy and inflationary pressures, but Five Below has shown an ability to adapt to changing market conditions over time. We are particularly attracted to its stores' high returns on invested capital, which should continue to support strong profit growth as the company grows its footprint over time.

### Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$26.59	\$26.86
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2023 <sup>1</sup>	1.22%	1.07%
Prospectus 30 Sep 2022 <sup>2</sup>	1.20%	1.07%

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

### Top 10 Holdings (% of total portfolio)

Argenx SE (Health Care)	6.9
Lattice Semiconductor Corp (Information Technology)	5.8
Halozyne Therapeutics Inc (Health Care)	5.7
Guidewire Software Inc (Information Technology)	4.4
Shockwave Medical Inc (Health Care)	4.2
Wingstop Inc (Consumer Discretionary)	4.2
Monolithic Power Systems Inc (Information Technology)	4.1
Ascendis Pharma A/S (Health Care)	3.8
Workiva Inc (Information Technology)	3.3
Novanta Inc (Information Technology)	2.9
<b>TOTAL</b>	<b>45.1%</b>

Source: Artisan Partners/GICS.

### Sector Diversification (% of portfolio securities)

	Fund	R2G <sup>1</sup>
Communication Services	0.0	2.3
Consumer Discretionary	10.7	10.9
Consumer Staples	0.7	4.7
Energy	0.0	5.9
Financials	1.8	6.6
Health Care	33.3	21.0
Industrials	15.3	20.3
Information Technology	38.2	21.0
Materials	0.0	4.2
Real Estate	0.0	1.6
Utilities	0.0	1.6
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.6% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

### Investment Results (%)

	Average Annual Total Returns							
As of 31 October 2023	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-9.93	-9.93	-9.83	-9.26	-10.27	3.22	6.47	8.23
Advisor Class: APDSX	-9.93	-9.93	-9.71	-9.13	-10.14	3.36	6.56	8.26
Russell 2000® Growth Index	-7.71	-7.71	-2.87	-7.63	-1.83	2.68	5.67	6.82
Russell 2000® Index	-6.82	-6.82	-4.45	-8.56	3.95	3.31	5.63	8.14
As of 30 September 2023								
Investor Class: ARTSX	-7.34	-7.98	0.10	6.38	-6.49	3.08	7.80	8.65
Advisor Class: APDSX	-7.33	-7.96	0.24	6.56	-6.35	3.22	7.89	8.69
Russell 2000® Growth Index	-6.60	-7.32	5.24	9.59	1.09	1.55	6.72	7.14
Russell 2000® Index	-5.89	-5.13	2.54	8.93	7.16	2.40	6.65	8.44

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 <sup>1</sup>
4.6+	74.7	21.0
3.5–4.6	13.5	16.0
2.4–3.5	4.3	21.2
1.5–2.4	4.1	19.7
0.0–1.5	3.4	22.1
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/Russell. <sup>1</sup>Russell 2000® Growth Index.

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Craig Cepukenas, CFA (Co-Lead)	35
Jay Warner, CFA (Co-Lead)	22
James Hamel, CFA	26
Jason White, CFA	23
Matthew Kamm, CFA	23

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 and less developed markets, including frontier 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. These holdings comprise the following percentages of the Fund's total net assets as of 31 Oct 2023: Five Below Inc 1.3%; Valmont Industries Inc 2.0%. 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.

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