Artisan Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTSX

As of 30 June 2016

Investment Process

We seek to invest in companies that possess franchise characteristics, are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. Our investment process focuses on two distinct elements—security selection and capital allocation. We overlay our investment process with broad knowledge of the global economy.

Security Selection

We seek to identify companies that have franchise characteristics (e.g. low cost production capability, possession of a proprietary asset, dominant market share or a defensible brand name), are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. We look for companies that are well positioned for long-term growth, which is driven by demand for their products and services, at an early enough stage in their profit cycle to benefit from the increased cash flows produced by the emerging profit cycle.

Capital Allocation

Based on our fundamental analysis of a company's profit cycle, we divide the portfolio into three parts. Garden℠ investments are small positions in the early part of their profit cycle that may warrant more sizeable allocations as their profit cycle accelerates. Crop℠ investments are positions that are being increased to a full weight because they are moving through the strongest part of their profit cycles. Harvest℠ investments are positions that are being reduced as they near our estimates of full valuation or their profit cycles begin to decelerate.

Broad Knowledge

We overlay the security selection and capital allocation elements of our investment process with a desire to invest opportunistically across the entire global economy. We seek broad knowledge of the global economy in order to find growth wherever it occurs.

Team Overview

We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is solely dedicated to our process and approach.

Portfolio Management

Craigh A. Cepukenas, CFA
Portfolio Manager (Lead)

James D. Hamel, CFA
Portfolio Manager

Matthew H. Kamm, CFA
Portfolio Manager

Jason L. White, CFA
Portfolio Manager

Investment Results (%)

As of 30 June 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTSX	**8.79**	**1.94**	**-7.07**	**7.81**	**9.47**	**6.75**	**8.32**
Russell 2000® Growth Index	3.24	-1.59	-10.75	7.74	8.51	7.14	6.91
Russell 2000® Index	3.79	2.22	-6.73	7.09	8.35	6.20	8.70

Source: Artisan Partners/Russell. [1]Returns for periods less than one year are not annualized. [2]Fund inception: 28 March 1995.

Expense Ratios	
Semi-Annual Report 31 Mar 2016[1]	1.20%
Prospectus 30 Sep 2015	1.23%

[1]Unaudited, annualized for the six month period.

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.

Investing Environment

Global markets closed the quarter slightly higher despite a surprising vote in favor of Brexit in the UK's June 23 referendum. In the vote's immediate aftermath, global markets fell precipitously then retraced much of those losses, while the pound lost ground (relative to the US dollar). Given the surprising nature of the outcome, we believe we are looking at a lengthy period of uncertainty. The UK is unlikely to vote to invoke Article 50 of the Lisbon Treaty until it has a new prime minister—David Cameron has announced plans to step down in October. That vote then opens a two-year window to negotiate terms for exit, which may take even longer to enact.

Leading up to the referendum, markets largely traded sideways on relatively little news. As has been the case for several years, monetary policy continued commanding headlines—though the Federal Reserve ultimately held rates steady yet again in its April and June meetings, and major global central banks similarly maintained an exceptionally accommodative status quo. Following the UK's referendum, the Bank of England indicated it is prepared to further ease if necessary as economies and markets adjust. Amid such broader UK and EU concerns, US markets led and yields fell to recent lows as investors sought perceived safety. Emerging markets also outperformed European, aided by improving oil prices and the perception these areas would be relatively less impacted by any Brexit fallout.

The lead-up to and aftermath of Brexit forced some of Q1's concerns into the background. In the emerging world, China's market was effectively flat as its economy muddles along at a mostly expected pace. In contrast, since bottoming in January, Brazil's market has been solidly positive, despite ongoing macroeconomic woes and political turmoil. Former President Dilma Rousseff has been suspended from office since May tied to fraud allegations for which she has yet to be tried. Meanwhile, inflation in Brazil remains high, economic growth is sluggish, and the spotlight on the upcoming Olympics, which have effectively bankrupted Rio de Janeiro, is intensifying.

US growth stocks again trailed value in the quarter—though the reverse was true in foreign markets. Inflation expectations across much of the globe remain exceptionally tame, as falling long-term rates have continued flattening yield curves. Oil prices bounced back sharply from their January 2016 multi-year low but remain well off their highs—contributing to the energy sector's solid Q2 performance. The health care sector also bounced back from its Q1 downturn, and investors sought the perceived safety of defensive utilities and telecom stocks. More economically sensitive sectors—such as consumer discretionary and industrials—were negative in Q2.

Performance Discussion

Our portfolio handily outperformed both the Russell 2000® and Russell 2000® Growth Indices in Q2. Many of the stocks that were particularly hard hit amid Q1's volatility rebounded in Q2. Our Crop℠ performed particularly well, with many of our largest holdings among our top contributors. Our technology holdings were standouts, with our industrials and health care holdings also additive to results. Our lack of exposure to the materials sector, which was up amid a bounce-back in commodities prices, detracted from relative results, as did weakness among select consumer discretionary holdings.

Among Q2's top contributors to performance were Taser, Demandware and DexCom. Taser is the leader in electric weapons used by police forces and now leads the movement to equip officers with body-worn cameras. Taser has recently announced major contract wins—including Los Angeles in Q2—and is expanding its sales pipeline overseas. Its long-term vision is to offer complete video and data management software systems on a subscription basis to raise policing efficiency while lowering capital spending. The outcome should be a high recurring-revenue model with deeper customer ties and greater profitability. While the possibility of competitors always exists, given Taser's sizeable lead, it seems unlikely Taser is matched anytime soon—which should lead to a healthy, accelerating profit cycle.

Demandware is a provider of software-as-a-service (SaaS) and e-commerce solutions enabling companies to design, implement and manage customized e-commerce sites and digital storefronts. We first added it to the Garden℠ in Q4 of 2012 tied to our belief its business model would disrupt markets and lower costs for its customers. Over the course of our investing campaign, this has proven true, as Demandware has driven an accelerating profit cycle via its proprietary software, which replaces legacy technology while simultaneously solving new pain points for customers. Late in Q2, Demandware received a credible buyout offer from salesforce.com (a holding in our global portfolio), which validates the confidence we've long had in the franchise's value. We subsequently harvested our position in early July.

DexCom is a best-in-class franchise whose continuous glucose-monitoring systems—where it is the market leader—are revolutionizing type 1 diabetes treatment. Strong recent clinical data and progress toward Medicare coverage for DexCom's glucose-monitoring systems, combined with evidence of ongoing share gains in its industry and the growing opportunity in the large type 2 market, add to DexCom's long growth runway.

Proto Labs, Cavium and Gentherm were among Q2's bottom contributors. Proto Labs is an on-demand manufacturer of custom prototypes and low-volume production parts for product developers. We believe it is a solid franchise with opportunities to benefit from a new product cycle and its expansion into European markets, as well as its potential to deepen relationships with customers, leading to cross-selling and upselling opportunities. Though it has generally executed well despite a challenging industrials environment, weaker revenues and margins in early 2016 have weighed on shares. We believe its longer-term ability to grow its customer base and consequently accelerate profits is intact, and we took advantage of near-term weakness to add to our position.

Cavium, a leading provider of highly integrated semiconductor products, was a bottom contributor following its announced acquisition of QLogic, a provider of network infrastructure products. We were surprised by the announced deal and have concerns about the likelihood of meaningful growth synergies in the combined company. We began harvesting our position late in Q2 and completed the sale in early July.

Shares of leading climate-controlled seats manufacturer Gentherm have been pressured amid concerns about slower auto demand—particularly in Asia—and Gentherm's energy-related exposure, as many energy industry clients have postponed projects. Despite these headwinds, Gentherm has maintained an attractive organic growth rate as it expands across multiple platforms—diversifying its product mix and helping offset slowing vehicle sales. We continue to believe there are multiple catalysts likely to drive future profit acceleration.

Portfolio Activity

Among the new holdings we added in Q2 were Manhattan Associates, Donaldson and Veeva Systems. Manhattan Associates has leveraged its deep domain experience to develop a suite of offerings that are enabling the next generation of commerce. It focuses on delivering supply-chain management technology and omni-channel solutions for retail, consumer goods, manufacturing and third-party logistics companies. We believe Manhattan's product offerings have the potential to be disruptive, lowering costs for its clients while driving an attractive profit cycle.

Donaldson is a leading original equipment manufacturer (OEM) of air and liquid filters. Against a challenging macroeconomic backdrop, tied partly to industrial slowing in China and Brazil, Donaldson has executed well, taking share in the growing aftermarket. Donaldson's new products—such as its PowerCore® filtration technology and Synteq® air filter—add to its growth runway not only via OEM sales, but also via increased recurring revenues for aftermarket replacement parts and service. We believe Donaldson's solid balance sheet combined with its credible expansion plans position it well for future growth.

Veeva Systems is a cloud software provider to global pharmaceutical and biotech companies. Its highly specialized software allows its customers to address and oversee complex government-regulation compliance. Veeva generates attractive levels of recurring revenues via its customer relationship management platform and its growing enterprise document management platform. We believe Veeva is well-positioned to benefit from meaningful acceleration as its target audience increasingly pivots toward cloud-based solutions, particularly for document management.

We exited our positions in Acxiom, Forward Air Corp and Ionis Pharmaceuticals during Q2. We first purchased database marketing provider Acxiom tied to its opportunity to help customers better target and track platform-agnostic advertising as they increasingly move advertising from offline to online channels. However, Acxiom's profit cycle hasn't materialized as we'd expected. Accordingly, we chose to upgrade our capital.

Similarly, Forward Air Corp's profit cycle failed to materialize as we expected. We purchased Forward Air in 2014 as it was gaining share in its core air-to-air business and positioning itself for acquisitions in its drayage service line (i.e., short-haul transit amid a longer shipping route). However, its recent strategic acquisition failed to drive the synergies we expected, and we chose to exit in favor of other opportunities.

We completed our harvest of Ionis Pharmaceuticals in Q2 following a successful investing campaign. Ionis has several drugs currently in late-stage trials and a fairly robust pipeline. However, recent setbacks for a few of its most promising drugs lead us to believe the current profit cycle has matured. Absent readily apparent catalysts, we concluded our campaign.

We pared our positions in CoStar, Acuity and Dunkin' Brands during Q2. Looking ahead, we believe CoStar is well-positioned to drive organic growth via its proprietary database, while cutting costs to expand margins. However, we trimmed in accordance with our valuation disciplined as it approached our estimate of its PMV.

Acuity, our largest Crop℠ holding, continues to execute at a very high level as it drives revenue growth via the ongoing transition to LED lighting. It has also shown an ability to effectively integrate growing acquisitions and broaden its product lines. We pared modestly in consideration of its position size—though we maintain a high level of conviction in this best-in-class franchise based on the strength of its profit cycle.

Over the past several years, Dunkin' Brands has faced a challenging macroeconomic backdrop—including a weak economic growth environment, uncertain commodities costs and increasing promotion among its competitors. We continue to like Dunkin' Brands' franchised model and its powerful portfolio of brands—including Dunkin' Donuts and Baskin-Robbins. However, given the likelihood that macroeconomic uncertainty persists for some time, we trimmed our position.

In addition to the aforementioned adds to Proto Labs and Gentherm, we also added to Proofpoint during Q2. Proofpoint is a leading software-as-a-service (SaaS) provider of email security and data-protection services. We are attracted to Proofpoint's strong management team and its attractive business model, with nearly all recurring revenues and a high renewal rate among clients. We believe it is capable of delivering stable, ongoing growth through new client acquisitions, as well as upselling to its growing enterprise space.

Portfolio Statistics

As of June 30, we held 61 positions with a median market cap of $3.0 billion. Our portfolio had a 3-5 year forecasted weighted average

earnings growth rate of 21% and our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 33X FY1 earnings and 29X FY2 earnings.

Perspective

Though unexpected, the market turmoil following Brexit was a continuation of the past several years, when the macro environment has dominated the investing environment, driving big swings in sentiment and style performance. Trying to time or react to these swings to optimize short-term performance does not line up with our investment philosophy—and would likely detract from our long-term performance—which is focused on bottom-up stock selection.

With the prospect for ongoing Brexit-related uncertainty, we would anticipate some continuation of heightened volatility over the near term. For our UK- and European-exposed holdings, we have been and will continue to monitor how profits may be impacted by ongoing uncertainty and will pare where appropriate. In particular, we are mindful of the impact on consumer discretionary businesses, as consumer confidence may dip on the speculation for near-term disruptions in Europe.

That said, we plan on responding to volatility as we always do—by looking to thoughtfully upgrade capital at more attractive valuations into holdings where we have greater conviction. Indeed, this year's volatility has provided us opportunities to introduce interesting new companies to our Garden℠ and to add to those in which we have a high level of conviction. Further, we believe our Crop℠ has solid overall fundamental momentum, and though Crop℠ valuations are higher now than the for-sale prices we saw in February 2016, they remain reasonable.

We believe the portfolio is well positioned to weather volatility ahead. Given the current lukewarm macro environment combined with the potential for lengthy Brexit uncertainty, we believe this remains a good backdrop for what we do—identifying quality franchises capable of growing profits at interesting rates without the benefit of a macro tailwind.

We would also note here that, though we use this letter to comment on quarterly performance, we take a long-term perspective—both with our profit cycles and with our overall performance. We believe that to beat an index over the long-term by a material margin, you must differ from the benchmark. As such, our process is designed to give us freedom to find growth wherever growth occurs, and not be constrained by rigid index-weight requirements. That means our performance will deviate from the benchmark—both to the up- and downside. However, we believe that through disciplined application of our methodical, repeatable process, we can deliver positive compounding and relative outperformance over a full market cycle.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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.

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 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.

This summary represents the views of the portfolio managers as of 30 Jun 2016. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Funds' holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprise the following percentages of the Small Cap Fund's total net assets as of 30 Jun 2016: Acuity Brands Inc 6.1%, DexCom Inc 4.7%, CoStar Group Inc 3.3%, TASER International Inc 3.1%, Proofpoint Inc 2.5%, Demandware Inc 2.4%, Dunkin' Brands Group Inc 1.6%, Veeva Systems Inc 1.2%, Gentherm Inc 1.2%, Donaldson Co Inc 1.0%, Proto Labs Inc 0.9%, Manhattan Associates Inc 0.5%, Cavium Inc <0.1%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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Median is the data's midpoint value. **Weighted Average** is the average of values weighted to the data set's composition. **Weighted Harmonic Average** is a calculation of weighted average commonly used for rates or ratios. **Market Cap** is the aggregate value of all of a company's outstanding equity securities. **Earnings Growth Rate** is the annual rate at which a company's earnings are expected to grow. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Private Market Value** is an estimate of the value of a company if divisions were each independent and established their own market stock prices.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: Garden℠, Crop℠ and Harvest℠. Garden℠ 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℠ investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest℠ 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℠ investments are generally being reduced or sold from the portfolios.

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A R T I S A N P A R T N E R S

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