Artisan Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTSX

As of 30 September 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 September 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTSX	**9.47**	**11.60**	**15.27**	**5.98**	**15.50**	**7.87**	**8.67**
Russell 2000® Growth Index	9.22	7.48	12.12	6.58	16.15	8.29	7.26
Russell 2000® Index	9.05	11.46	15.47	6.71	15.82	7.07	9.03

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 concluded a relatively quiet quarter in the black as global monetary policy continued dominating headlines. Overall economic data have been mostly positive, if tepid. The US and UK economies remain relative bright spots—both growing more than broadly anticipated. This is particularly the case for the UK, which many expected to slow following the country's surprise affirmative vote on Brexit at the end of June.

Against a backdrop of near-zero global inflation, central bankers remain highly accommodative. The Bank of Japan was the most dovish—indicating it will continue expanding Japan's money supply until inflation meets its 2% target. The Bank of England, meanwhile, held rates following August's cut—but indicated another cut may be warranted in November. The US Fed also held rates steady, though many now expect a hike in December.

Oil prices bounced in late September following talk of a potential cut in OPEC production and remain near year-to-date highs—though prices were up only modestly overall for the quarter. The bounce-back year to date in major commodities prices has coincided with a rebound for most emerging markets economies—particularly China and Brazil, whose markets were up nicely in Q3. China fears have seemingly faded for now on the back of economic data that mostly point toward solid continuing economic growth, though not at recent years' heady rates. Brazil, on the other hand, continues facing multiple macroeconomic headwinds, including stubbornly high inflation and unemployment. While bouncing commodities prices may provide a much-needed economic boost, Brazil faces ample political uncertainty in the aftermath of President Dilma Rousseff's impeachment.

Emerging markets overall led global markets, while the US modestly trailed foreign. Reversing the year-to-date trend, US growth stocks modestly outperformed value in the quarter—though the opposite was true in foreign markets. Technology stocks bounced back from their mild pullback in Q2 and were the top-performing sector domestically and globally, while more defensive sectors' performance abated and commodities-oriented industrials, materials and energy added to positive year-to-date returns. Health care stocks remain mostly flat year to date as political rhetoric continues to swirl, likely weighing on investor sentiment.

Performance Discussion

Our portfolio modestly outpaced the Russell 2000® and Russell 2000® Growth Indices in Q3. For the year, our portfolio is well ahead of the Russell 2000® Growth Index and in line with the Russell 2000®. Relative strength was concentrated in Q3 among our consumer discretionary, health care and industrials holdings, while our technology holdings detracted from relative results.

A number of our Crop℠ holdings were counted among our top contributors in Q3—a performance pattern we would expect—including Acuity, DexCom, Taser, Cognex and Proofpoint. Proofpoint, a leading SaaS-based provider of email security and data-protection services, continues its impressive and consistent execution. Despite a generally slow macro environment, the momentum the company has experienced through new partnerships, competitive wins and increasing sales of new products continues to drive better-than-expected results. We are not surprised, given the critical nature of data and email security and expect Proofpoint's strategic positioning to continue to strengthen as the company continues to cross-sell and upsell to its already sticky client base.

Also among Q3's top contributors were Cepheid and MercadoLibre. We first purchased Cepheid in Q3 2008 for its innovative leadership in molecular diagnostics—particularly infectious diseases and cancer—where it was making inroads in diagnoses for which rapid detection and accuracy were critical. Since then, Cepheid has successfully grown its installed base of molecular testing instruments and leveraged those placements with higher test volumes—though a mix shift to lower-priced tests and necessary investments to support growth contributed to occasional lumpiness in Cepheid's profit cycle. However, in Q3, the share price benefited when Cepheid's management announced it accepted an all-cash acquisition bid from Danaher at premium to recent trading levels. As a result, we have begun harvesting our position.

MercadoLibre is Latin America's largest e-commerce marketplace. Over the last several years, it has benefited from the intersection of two major secular trends: increased broadband penetration driving e-commerce activity and Latin America's growing middle class. It has also added value-added services, including expedited shipping and new payment and financing vehicles—executing very well amid a backdrop of economic malaise and heightened FX volatility across much of Latin America. We believe it remains a solid franchise; however with the stock price approaching our estimate of its private market value (PMV), we trimmed our exposure in Q3 in accordance with our valuation discipline.

PriceSmart, Guidewire Software and Gentherm were among our relatively few third-quarter detractors. PriceSmart is the largest operator of membership warehouse clubs in Central and South America and the Caribbean. While it has executed fairly well, it too faces steep currency headwinds—particularly in Colombia, a market which PriceSmart expected to be a meaningful driver of future growth. While we believe PriceSmart has the market position as a low-cost leader giving the company the potential to become the Costco of much of Latin America, we have begun harvesting our position as we have little visibility into when its macro headwinds may abate.

Guidewire Software is a leader in next-generation software for the property and casualty (P&C) insurance industry. Its shares traded down as investors digested news the company will ramp spending on a large project for a tier-one customer, which will weigh on margins in 2017—a reaction we believe to be too short-term focused. Looking ahead, we believe Guidewire remains well positioned to continue

taking share in the P&C industry while potentially opening new and sizeable markets, adding to its future growth runway.

Shares of leading climate-controlled seats manufacturer Gentherm have been be pressured by concerns about slower auto demand and the company's energy-industry exposure. In addition, Gentherm has increasingly branched out into additional businesses, including hybrid battery management, natural gas pipelines and medical products. While diversifying its product offerings could help offset slowing vehicle sales, we are monitoring to ensure that the broadened focus doesn't translate into weaker execution in core growth areas.

Portfolio Activity

We initiated new Garden℠ investing campaigns in Match Group and Glaukos in Q3. Match Group is the world's largest online dating company, comprising a number of the most popular brands, including OurTime, Tinder, Match.com, OKCupid and others. As the millennial generation has increasingly accepted online dating, Match has positioned itself well to monetize one of its top platforms, Tinder—capitalizing on its large and growing base of daily active users to generate an attractive recurring revenue stream via subscription fees as well as advertisements. We believe it also has an opportunity to refresh older, primarily desktop-based platforms such as Match.com, converting them to mobile and driving subscription growth.

Glaukos is an ophthalmic medical technology company focused on breakthrough products and therapies to transform the treatment of glaucoma, a leading cause of blindness caused by prolonged pressure on the optic nerve. Its minimally invasive product, iStent®, has been approved for patients who are undergoing annual cataract surgery and is driving attractive levels of revenue growth. Glaukos also has a promising pipeline, including iStent Inject®, a second-generation stent that can be implanted through a self-sealing injection, and iDose™ which is designed to continuously deliver therapeutic levels of medication from within the eye for an extended period of time. We believe Glaukos has a compelling opportunity to become the leading provider of treatment in a growing field.

We added to Veeva Systems, Ollie's Bargain Outlet Holdings and Bright Horizons in Q3. Veeva Systems is a leading provider of cloud-based software-as-a-service (SaaS) solutions for the pharmaceutical and life sciences industries. While it enjoyed initial success selling customer relationship management software, over the past year, it has made excellent progress growing its second service, Vault, which helps pharmaceutical customers manage highly regulated marketing and clinical trial data and content. Unlike many fast-growing SaaS companies, Veeva has solid operating margins at an early stage of its growth, which we attribute to its laser-focus on a single, large industry. We've also been impressed with the company's strong customer-focused culture, which we attribute to its management team's history as executives at PeopleSoft, another software company known for its commitment to customer success.

Ollie's Bargain Outlet is a closeout retailer of branded merchandise known for its attractive assortment of discounted products. Its buying organization looks for closeouts, overstocks, package changes, bankruptcies, manufacturer refurbished goods and irregular products and sells them 40%-60% cheaper than most mass retailers. Amid a challenged retail environment, the close-out/off-price model has held up fairly well. We believe Ollie's is helmed by a capable management team with credible plans for scaling up the business, which should in turn drive an attractive profit cycle.

Bright Horizons is the largest provider of corporate-sponsored childcare and early education centers in the US. We first purchased it in 2014 based on its attractive business model, which is capital efficient with a high degree of revenue growth. Bright Horizons has executed well while gradually accelerating acquisition activity, which should further aid enrollment growth. While margins have been pressured in recent quarters tied to increased spending on new centers and currency headwinds, we believe those pressures will abate moving forward, contributing to margin expansion.

We exited Buffalo Wild Wings, Cavium and MakeMyTrip during the quarter. Buffalo Wild Wings, the only national sports-bar franchise, has struggled to find its footing amid a challenging retail backdrop—hiring a consultant to help it identify and appeal to its target audience. Recently, an activist shareholder entered the picture, providing a sentiment-related boost to the share price—which we used as an opportunity to exit and redeploy capital into profit cycles where we have greater conviction.

We completed our harvest of Cavium in July. As discussed in our Q2 letter, Cavium, a leading provider of highly integrated semiconductor products, had announced plans to acquire QLogic, a provider of network infrastructure products. We were surprised by the transaction—which has since concluded—and had concerns the combination would lack meaningful growth synergies. As a result, we chose to exit.

We purchased MakeMyTrip, India's leading online travel agent, in 2014, as we believed it was attractively positioned relative to several powerful secular tailwinds. To start, India has one of the largest populations in the world and, like other emerging markets, has a growing middle class that is increasingly able to afford leisure travel. India also remains relatively underpenetrated by Internet access and smartphones—though both are growing rapidly as costs continue falling. Though MakeMyTrip has undoubtedly benefited from the collision of these trends, the competition has been fierce, forcing MakeMyTrip to offer frequent pricing promotions, crimping margins. Though we believe the long-term opportunity remains compelling, it still seems several years off—so we chose to exit our position in favor of more attractive opportunities elsewhere.

We pared our exposure to Cognex and Dunkin' Brands. Cognex, the leader in machine-vision systems, is benefiting from strong demand from the electronics, automotive and logistics industries—particularly in China and the Americas. While demand from key customer Apple has been robust, we pared our position as it approached our estimate of private market value to allow us better flexibility while we await signs that demand will remain resilient.

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 believe Dunkin' Brands is fairly well positioned versus its competitors, with a franchised business model and a powerful portfolio of brands that lend to its relative resilience in the face of a tough retail environment. However, given the likelihood that macroeconomic uncertainty persists for some time, we have begun slowly harvesting our position.

Portfolio Statistics

As of September 30, we held 61 positions with a median market cap of $3.7 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 35X FY1 earnings and 30X FY2 earnings.

Perspective

We are witnessing some unusual dynamics in equity markets. Lower-(or even negative)-for-longer interest rates around the globe appear to be driving increased demand for equities that offer relatively stable and predictable yields. These "bond proxies" have seen their prices pushed ever higher. At the same time, heavy outflows from active strategies into passive vehicles over the last several years may have created something of a perversely virtuous cycle—increasing demand for key index constituents and driving their prices higher as well.

These unusual market dynamics help inform our outlook for future periods. We suspect that this extended period of low interest rates may have pulled forward (and made riskier) future investment returns—especially for bond proxies. Many average businesses have been revalued higher because of their yield characteristics. In addition, we've seen corporate debt levels rising—in some cases to fund higher payouts to shareholders, in others to take advantage of cheap capital for questionable projects. Taken together, the quest for "safe" yield in the equity markets may be actually leading investors (and popular passive strategies) toward risk-taking, momentum-driven behavior.

What does this mean for us as growth investors? By no means do unusual market dynamics lessen the long-term attractiveness or effectiveness of what we strive to deliver. The strong performance of our approach over longer periods of time gives us confidence that our core tenets—owning strong franchises with reasonable valuations and high-conviction profit growth catalysts—remain very relevant moving forward. Unlike passive investment strategies, we care about the quality of the management teams running a business and the strength of the balance sheet supporting it. Unlike yield-chasing approaches, we look for companies whose futures are bright and expansive enough to justify healthy reinvestment in new products, geographic expansion and industry consolidation.

The performance of bond proxies and passive strategies over the next few years may depend above all else on the path of interest rates. That's hard for us to predict with any confidence. But we think the performance of your portfolio (which of course is not immune to macro factors such as interest rates) stands to benefit from superior profit growth, where our confidence is supported by the expertise and judgment demonstrated daily by our investment team. We believe in the compounding power of our process and the capabilities of our team members much more than we do the sustainability of the unusual market dynamics witnessed in recent quarters.

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 Sep 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 Sep 2016: Acuity Brands Inc 6.0%, DexCom Inc 4.8%, TASER International Inc 3.3%, Cognex Corp 3.1%, Proofpoint Inc 2.8%, Cepheid 2.6%, Bright Horizons Family Solutions Inc 2.4%, Veeva Systems Inc 2.2%, Ollie's Bargain Outlet Holdings Inc 1.3%, Dunkin' Brands Group Inc 1.2%, MercadoLibre Inc 1.0%, Gentherm Inc 1.0%, PriceSmart Inc 0.8%, Match Group Inc 0.3%, Glaukos Corp 0.2%; Guidewire Software Inc 3.1%. 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.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Artisan Partners. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in Artisan Partners' presentation thereof.

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.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

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

10/20/2016 A16675L_vR