Artisan Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 March 2017

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 31 March 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTSX	**9.54**	**9.54**	**23.38**	**4.85**	**10.61**	**7.58**	**8.64**
Advisor Class: APDSX	**9.57**	**9.57**	**23.42**	**4.86**	**10.62**	**7.58**	**8.64**
Russell 2000® Growth Index	5.35	5.35	23.03	6.72	12.10	8.06	7.52
Russell 2000® Index	2.47	2.47	26.22	7.22	12.35	7.12	9.36

Source: Artisan Partners/Russell. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 28 March 1995. Advisor Class performance is that of the Investor Class from 28 March 1995 through the inception of the Advisor Class on 1 February 2017, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTSX	APDSX
Annual Report 30 Sep 2016	1.25	—
Prospectus 30 Sep 2016[1]	1.25	1.10[2]

[1]See prospectus for more information. [2]Includes estimated expenses for the current fiscal year.

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

The bull market officially turned eight in March, but global markets barely skipped a beat, concluding Q1 in solidly positive territory. Emerging markets led the way, and foreign stocks were modestly ahead of domestic. The new administration's January inauguration has bolstered investor expectations for accelerating global economic growth. US economic reports were mostly positive in Q1, while the UK, euro zone and major emerging markets economies like China are showing similar robustness. The Fed raised rates at its March meeting and hinted at a total of three possible hikes over the course of the calendar year. Markets largely shrugged, including interest rates, which were fairly flat across maturities during the quarter.

Among emerging markets, India was the best performer, rebounding from Q4's volatility tied to the country's de-monetization policy. China and Brazil were also solidly positive—the latter continuing to defy a challenging macroeconomic and political backdrop.

After jumping through some legal and legislative hoops, the UK triggered Article 50 of the Lisbon Treaty, formally announcing its intention to leave the European Union and officially starting the two-year timer on negotiations between the two parties. Though the ultimate shape of any deal remains uncertain, the fact that it will take two years to negotiate should give markets ample time to digest any meaningful changes.

Reversing Q4's rotation, growth stocks outperformed value in Q1, with large growth stocks outperforming their smaller counterparts. Health care, technology and consumer discretionary were the top sectors in the US and developed world, more than recouping losses from late 2016. Though political uncertainty surrounding US health care remains elevated, it was insufficient to outweigh the sector's gains in the first quarter. Energy stocks fell in concert with oil prices, which gave back some of their Q4 rebound against a backdrop of data indicating supply is unlikely to abate meaningfully in the near term.

Performance Discussion

Our portfolio handily outperformed the Russell 2000® and Russell 2000® Growth Indices in Q1 as investors' appetites for high-quality growth stocks seemed to return following Q4's post-election rotation, allowing us to recapture some of Q4's underperformance. Outperformance was concentrated among our technology holdings—particularly our software holdings, which were especially solid in Q1, bouncing back from Q4's underperformance as the market returned to our high-quality software holdings with accelerating profit cycles. We believe this type of growing profit cycle remains hard to find within technology and consequently remain enthusiastic about our Crop℠ positions—among them, Atlassian, Guidewire Software, Ellie Mae, Take-Two Interactive, Ultimate Software and Q2 Holdings.

Our consumer discretionary and health care holdings were also additive—a noteworthy accomplishment given our meaningful underweight to the biotechnology and pharmaceutical industries, both of which were solidly positive in Q1. Our materials and industrials exposure were the only headwinds at the sector level—our above-benchmark exposure to index-lagging industrials detracted, though our holdings were positive on an absolute basis and ahead of index peers. With respect to materials, our lack of exposure to an outperforming sector was a modest headwind.

Among our top individual contributors in Q1 were DexCom, Cognex, Veeva Systems and Q2 Holdings. Meaningful volatility in DexCom's shares over the past couple quarters has shifted the stock from one of our most challenged in Q4 to one of our top absolute performers in Q1. Volatility aside, fundamental developments in Q1 have reinforced our conviction in the growth potential for DexCom's continuous glucose monitoring (CGM) technology. Historically, the majority of DexCom's sales have been to US, Type-1 diabetics who have commercial insurance. While we believe there remains meaningful growth potential in this market segment, in Q1, Medicare instituted first-time reimbursement for seniors—including those with Type-1 diabetes as well as those with Type-2, who require multiple daily insulin injections. Medicare reimbursement was not expected until 2018, and it was expected to be limited to Type-1 patients, making the Q1 announcement a surprise positive. Meanwhile, DexCom's sales continue to ramp off a small base in Europe, adding to the potential growth runway and contributing to our confidence in this market-leading company.

Cognex is benefiting from accelerating growth across most regions and verticals, suggesting broad-based progression of vision technology penetration. We are encouraged by signs Cognex's growth is coming from emerging areas such as consumer electronics and automotive, as well as from more mature industries. The emerging areas are being driven by new and more versatile applications of vision products—from inspection to alignment in product assembly. This broad growth suggests to us the anticipated saturation of vision products is still well down the road, even in mature industries and markets, as vision technologies progress and become more powerful. We believe Cognex is well positioned, with new products and recent acquisitions poised to drive high-growth segments, broadening the growth runway and sustaining the profit cycle into the future.

Veeva Systems is a life sciences software-as-a-service (SaaS) company that is benefiting from meaningful shifts in its industry. At a broad level, it is helping usher in an industry-wide move to SaaS and the cloud—though it is still in the very early stages of displacing on-premise software solutions. The company has had success selling its customer relationship management software. Further, its Vault product, which helps customers manage highly regulated marketing and clinical trial data and content, is showing signs of similarly rapid uptake, with several recent wins among large pharmaceuticals industry customers. We believe Vault has the potential to expand its target market beyond investors' current expectations and have a high level of conviction in this Crop℠ holding.

Q2 Holdings is a software provider that helps smaller regional and community banks deliver products and services in high demand from their increasingly tech-savvy customers—improving the smaller banks' competitive positioning relative to larger national banks. As more transactions are conducted on smartphones as opposed to in physical branch locations, Q2's software increases its customers' appeal to younger clients—in turn helping Q2 take market share from back-end core processors, which tend to be slower-moving industry incumbents. Q2 is also benefiting from improving sentiment among its customers, as banks increasingly anticipate an improved regulatory environment and a higher likelihood of further rate hikes ahead. We expect Q2 to generate attractive margin expansion and free cash flow as it continues expanding its customer base and banks add users, which should drive higher revenues.

Among our relatively few negative contributors in Q1 were Acuity Brands, SPS Commerce and Dun & Bradstreet. Lighting and LED fixture supplier Acuity Brands' business is best thought of in terms of short- and long-term cycle components. Its long-cycle business includes large projects, which have recently been solid. However, its short-cycle business, which is largely conducted through distributors, has showed signs of recent deceleration. While we continue to believe Acuity's long-term profit cycle potential is compelling, we are watching for signs of reacceleration in its short-cycle business.

SPS Commerce is a leading provider of SaaS supply chain management and data analytics to the retail industry. We first initiated our position in 2014 as we believed SPS had a compelling opportunity for margin expansion and solid organic growth as firms in the retail space expanded their omni-channel efforts and increasingly recognized the importance of data analytics. Further, SPS had scale advantages in an underpenetrated area. However, against a challenging retail backdrop, retailers have been slow in decision making—delaying upgrades to IT systems which require large investments—which has in turn weighed on SPS's sales. Though the company is implementing cost-cutting measures, including streamlining its salesforce, we believe we have more compelling opportunities elsewhere and consequently chose to exit our position.

Dun & Bradstreet collects and provides commercial data, analytics and business insight to its customers, with the broadest credit data in the industry. We first purchased it in Q3 2016 on the thesis that broad management changes and product investments and innovations would drive an accelerating profit cycle. However, we have yet to see evidence Dun & Bradstreet is effectively capitalizing on its hefty investments to drive profit growth—and believe more investments may yet lie ahead. We chose to upgrade our capital and exited our Garden℠ position.

Portfolio Activity

We added to several holdings in Q1—among them Webster Financial, Paylocity and ACI Worldwide. Webster Financial owns the US's largest health savings account (HSA) platform. As we outlined last quarter, we believe rising domestic health care costs have contributed to a modest, but likely growing, shift toward HSAs, which often incentivize consumers to make better-informed care decisions on price. Shares of Webster were pressured in Q1 by a combination of investor concerns about the likely direction of US health care following Congress's failure to repeal and replace the Affordable Care Act (ACA) as well as a minor accounting-related concern about the solidity of Webster's loan loss provisions. We believe Webster has taken appropriate measures to address the accounting concern. We further remain confident in Webster's growth profile, despite the fact that the status quo remains intact for now—legislative change would primarily have been an incremental tailwind and therefore is not critical to our investment thesis. We capitalized on recent weakness to add to our position.

Conversely, Paylocity's shares were pressured in Q4 by concerns the ACA would be repealed by the incoming administration, as it has generally benefited from the ACA's various payroll- and workforce-related components, which its software solutions help small and medium businesses track. With a repeal off the table for the foreseeable future, we believe Paylocity's growth runway is intact and consequently added to our position.

ACI Worldwide provides financial payment software and subscription-based services, aiding in enabling the processing of secure transactions such as bill pay and online banking. ACI's recently announced win of a top-10 US bank customer for its universal payments platform, should precipitate accelerating sales. As banks increasingly shift from legacy software and operating systems, we believe ACI is well positioned to take share and consolidate a growing yet fragmented market. We added to our position as we're seeing evidence the profit cycle we anticipated is beginning to take hold.

We trimmed our exposure to Seattle Genetics and MercadoLibre in Q1. We anticipate the primary focus for Seattle Genetics in 2017 will be the results of its clinical trial for its flagship drug, Adcetris, in front-line Hodgkins lymphoma. While we believe a positive outcome is likely and would meaningfully expand Adcetris' uptake, it is far from guaranteed. Given the majority of Seattle Genetics' pipeline is fairly early-stage, we pared our exposure ahead of Adcetris' impending binary event.

MercadoLibre, Latin America's largest e-commerce marketplace, has benefited from the intersection of increased broadband penetration driving e-commerce activity and Latin America's rapidly growing middle class. It has also executed well with its value-added services, including expedited shipping and new payment and financing vehicles. However, its valuation has reached our estimate of private market value at a time when it is increasingly reinvesting in driving customer loyalty, engagement and volume. As such, we have trimmed our exposure in accordance with our valuation discipline.

We initiated a new campaign in Q1 in Halozyme Therapeutics—a biopharmaceutical company engaged in developing cancer therapies. Halozyme has a compelling pipeline which includes a formulation technology that can concentrate more of a biologic into a smaller

volume, allowing antibody drugs that were previously delivered intravenously to be reformulated as subcutaneous injections. We believe the potential market for such a development is sizeable and could precipitate a compelling profit cycle.

We exited our positions in Surgical Care Affiliates, RSP Permian and Gentherm in Q1. Surgical Care Affiliates (SCAI) was one of the largest ambulatory surgery center companies in the US. With low penetration in a highly fragmented outpatient market, we anticipated a long runway of accelerating growth as the health care system was increasingly drawn to the potential cost savings associated with ambulatory centers versus hospitals. We first purchased the company in mid-2014 and grew it to a Crop℠ position by early 2016. In January 2016, United Health announced it would acquire SCAI for a premium very close to our estimate of private market value. At a strategic level, the deal is quite logical, as it allows United Health, the country's largest insurer, to contain costs by funneling surgical procedures out of high-cost inpatient environments into low-cost outpatient environments. Though we believe SCAI could have become a much larger company prior to an acquisition, given the size of its potential runway, we were pleased to conclude a successful campaign in a compelling franchise.

We were initially attracted to RSP Permian, an oil and gas exploration and production company, for its high-quality position in the low-cost Permian Basin. However, we've increasingly become concerned the company has over-extended itself, particularly with its large acquisition of Silver Hill. The combination of these factors along with already high investor expectations lead us to believe the outlook over coming quarters is skewed to the downside. We consequently chose to upgrade our capital into more compelling opportunities.

Over the course of our campaign, Gentherm has positioned itself as the go-to manufacturer of climate-controlled seats among luxury-brand autos, driving generally solid revenue growth. However, it has recently shifted from its primary focus on automotive content to new verticals, including the electronic vehicles, medical and energy industries. As the thesis has shifted and the profit cycle we originally envisioned largely matured, we concluded our successful investing campaign.

Portfolio Statistics

As of March 31, we held 57 positions with a median market cap of $4.2 billion. Our portfolio had a 3-5 year forecasted weighted average earnings growth rate of 22% and our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 32X FY1 earnings and 28X FY2 earnings.

Perspective

The market has focused intently on the likely direction of the economy under the new administration—and we don't expect that focus to shift in the near term. From our perspective, the signals are mixed: There are undoubtedly signs of underlying economic improvement in the US, Europe and China. But there are simultaneously reasons to question the market's post-election euphoria regarding government-driven boosts to growth from corporate tax reform and infrastructure investments. While these remain possible, the probabilities appear to have been set too high initially.

Our moderate level of cyclical exposure remains concentrated in rate-sensitive financials and energy—two areas where we believe leading franchises can drive accelerating profit cycles based on trends already in motion. Our traditional financials holdings in particular—including SVB Financial and Webster Financial—are benefiting from normalizing interest rates, reasonably healthy levels of underlying economic activity and increasingly efficient cost structures. Regulatory pressures are unlikely to get materially worse (and may in fact improve) under the new administration, and in the event corporate tax reform materializes, earnings would likely step up nicely.

After a challenging Q4, we were gratified to see our secular growth holdings perform well in Q1. We entered the year believing these securities' relative valuations were compelling after 2016's rotation into value stocks. Beyond valuation, we've been encouraged by the positive fundamental updates year to date from many of our large Crop℠ holdings, highlighted by strong quarterly earnings reports from many of our top 20 holdings. Over time, our team has found that finding and owning fundamentally solid franchises with reasonable valuations and rising profits has carried us through prior periods of shorter-term lagging performance. Our process has not changed, and while securities markets have never been more competitive, our team is better resourced and more experienced than it's ever been.

Business Update

After a successful investment career spanning over 30 years, 20 of which have been here at Artisan Partners on the Growth Team, Andy Stephens has announced his intent to retire from investment management, in March 2018. Andy founded the Growth team, and, along with Jim Hamel, developed a team-building philosophy aimed at fostering intergenerational decision-making with both depth and breadth of knowledge.

As such, in 2013, operational responsibilities and decision-making leadership for the Growth team's portfolios were transitioned to Jim Hamel as lead portfolio manager of the Global Opportunities Fund, Matt Kamm as lead portfolio manager of the Mid Cap Fund and Craigh Cepukenas as lead portfolio manager of the Small Cap Fund. (Jason White was subsequently named portfolio manager across all three portfolios in 2016.) In 2014, Andy fully relinquished all portfolio management responsibilities. He has since remained with the team in an advisory-only capacity. With solid continuity and a clearly defined investment process, Andy feels he can begin moving toward retirement. Until his retirement in 2018, Andy will continue functioning in his same advisory role on the Growth team.

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- 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.

This summary represents the views of the portfolio managers as of 31 Mar 2017. 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 31 Mar 2017: Acuity Brands Inc 4.4%, DexCom Inc 4.4%, Cognex Corp 4.2%, Veeva Systems Inc 3.2%, The Ultimate Software Group Inc 2.9%, Guidewire Software Inc 2.8%, Q2 Holdings Inc 2.6%, Ellie Mae Inc 1.9%, Take-Two Interactive Software Inc 1.9%, Atlassian Corp PLC 1.7%, Webster Financial Corp 1.3%, Paylocity Holding Corp 1.3%, ACI Worldwide Inc 1.2%, MercadoLibre Inc 0.7%, Halozyme Therapeutics Inc 0.6%, Seattle Genetics Inc 0.5%; SVB Financial Group 2.0%. 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.

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Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Artisan Partners excludes outliers when calculating portfolio characteristics. If information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio statistics. **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. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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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