Artisan Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 30 June 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 30 June 2017	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
			Average Annual Total Returns				
Investor Class: ARTSX	**5.64**	**15.72**	**19.81**	**8.19**	**12.87**	**7.33**	**8.81**
Advisor Class: APDSX	**5.71**	**15.83**	**19.92**	**8.22**	**12.89**	**7.34**	**8.81**
Russell 2000® Growth Index	4.39	9.97	24.40	7.64	13.98	7.82	7.64
Russell 2000® Index	2.46	4.99	24.60	7.36	13.70	6.92	9.37

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 (% Gross/Net)	ARTSX	APDSX
Semi-Annual Report 31 Mar 2017	1.23[1]/—	1.18/1.15[2,3]
Prospectus 30 Sep 2016[4]	1.25/—	1.10[5]/—

[1]Unaudited, annualized for the six month period. [2]Unaudited, annualized for the period from commencement of operations 1 Feb 2017 through 31 Mar 2017. [3]Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2018. [4]See prospectus for more information. [5]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

Markets notched a solidly positive Q2, with emerging markets leading the way and developed markets just behind against a backdrop of solid corporate earnings growth. European markets led the US in Q2 as several noteworthy elections—including France's presidential and parliamentary elections and the UK's snap parliamentary election—seemed to calm investor nerves about the likelihood for near-term dramatic political change.

As anticipated, the Fed raised its key rate 25bps in June, citing a relatively upbeat outlook on US economic growth and employment. Elsewhere, the Bank of England and ECB struggled to clarify their plans for exiting more stimulative monetary policies, contributing to the market's sideways action toward the end of the quarter.

China was among the top-performing emerging markets as economic data improved and MSCI indicated it will include China A-shares in its index as of next year. Korea was also a strong EM performer, tied largely to the country's heavy technology-sector exposure. Brazil's market reversed its recent strength and was in negative territory as political scandals present continued headwinds.

Continuing their year-to-date trend, growth stocks outperformed value in Q2, and there has been little differentiation among size. Health care and technology stocks continued Q1's solid performance in Q2, along with industrials and financials. Technology has been the best-performing sector in the US and globally year to date, while energy has been the worst-performing sector on the year as oil prices remain subdued against a backdrop of ample global supply that seems unlikely to abate in the near term.

Performance Discussion

Similar to Q1, our portfolio handily outperformed the Russell 2000® and Russell 2000® Growth Indices in Q2, with growth stocks again in favor. Meanwhile, more cyclical categories fared worse as investors' post-election hopes for tax reform, increased infrastructure spending and regulatory rollbacks have faded.

On a sector basis, relative strength was fairly broad-based, with consumer discretionary and financials holdings being notable contributors, and our technology holdings our biggest source of relative strength. Within technology, our software holdings were particularly strong, with a number of our Crop℠ holdings delivering solid quarters—including Guidewire Software, Proofpoint, Take-Two Interactive and Atlassian. We also benefited from our lack of exposure to semiconductors, which underperformed technology and delivered negative returns in Q2.

On an individual basis, our top Q2 contributors were the aforementioned Guidewire Software, CoStar Group and Veeva Systems. Veeva Systems is steadily growing its customer relationship management and its Vault products—both cloud-based systems aimed at life-sciences industry customers. Encouragingly, there are nascent signs of uptake for its software among customers in other industries—including recent wins of two Fortune 500, top-30 chemical companies. These early initiatives as well as the company's new clinical trial data-management product for the life-sciences industry appear promising to us and could add meaningfully to the company's growth runway.

Guidewire Software, a leading provider of next-generation software for the property and casualty insurance industry, is demonstrating the powerful potential of a profit cycle predicated upon a compelling product that is generating consistent, subscription-based recurring revenues. Sales among its top-tier customers have been solid, as is its sales pipeline. Further, Guidewire is showing initial signs of success migrating clients to its cloud-based offering—a development which should contribute nicely to margin growth over time.

CoStar Group, a leading provider of information services to the global real estate industry, is driving a similarly premised profit cycle. Like Guidewire, it offers a compelling product to its customers that generates consistent, subscription-based recurring revenues. Its recent acquisition of LoopNet—a listing website for commercial real estate agents—has progressed nicely, and CoStar is beginning to see the fruits of its investment in the merger via expanding margins. We capitalized on recent strength to trim our position as it approached our estimate of private market value.

Among our relatively few negative contributors in Q2 were Burlington Stores, Nevro and Brady Corp. Shares of Burlington have been pressured as investors have questioned whether its business model is sufficiently Amazon-proof following Amazon's announcement it would begin focusing on personalized clothing deliveries. However, we maintain our conviction in Burlington's ability to differentiate itself and believe it is capable of driving attractive levels of margin expansion from here.

Shares of Nevro, a developer of chronic pain relief products, have been pressured by some growing pains with its sales force. Namely, though the company has dramatically increased the size of its sales force, its sales management staffing has failed to keep up. The result has been less field and clinical support for sales representatives, in turn muting Nevro's overall sales growth. While we anticipate the steps the company has taken to rectify these headwinds could take several quarters to resolve themselves, we maintain our conviction in Nevro's ability to become the eventual market-share leader in the spinal cord stimulation market and are willing to remain patient.

Brady Corp is a manufacturer and marketer of identification and workplace safety solutions. We first purchased Brady in 2015 as we believed its newly installed management team would be able to turn the franchise around given its track record of similar successes elsewhere. Since then, the company has made progress streamlining its unfocused business and better concentrating its R&D efforts. However, Brady has recently faced increasing e-commerce-related headwinds as competitors have exerted price pressure in the workplace safety segment, pressuring margins. We have trimmed our

position while we evaluate the likelihood our thesis takes hold from here.

Portfolio Activity

We added to GenMark and ACI Worldwide in Q2. GenMark is a provider of simple-to-use molecular tests to make complex medical diagnoses. Its ePlex system, which is designed to provide rapid lab results, and its Respiratory Pathogen Panel, which detects over 20 viral and bacterial pathogens that commonly cause upper respiratory infections, recently received FDA approval. This critical de-risking event for GenMark paves the way for it to ramp sales, which should contribute meaningfully to the profit cycle we've anticipated. We added to our position in concert with our growing conviction.

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. On the strength of its solid pipeline, ACI has been accelerating sales growth as ongoing technology changes translate into customers increasingly seeing the need to upgrade their payments infrastructure. We added to our position as the profit cycle we anticipated picks up steam.

We also introduced several new holdings to the Garden in Q2, including Zynga, Virtu Financial and Neurocrine Biosciences. Zynga is a leading social game developer. At the time of its initial public offering in late 2011, Zynga was heavily based on Facebook's desktop platform and struggled as Facebook soon thereafter pivoted to a mobile interface. Since then, Zynga has brought on a new, experienced management team that has begun refocusing the company on refreshing its existing intellectual property library as opposed to developing new games. This shift is allowing Zynga to better engage its existing user base, driving higher levels of monetization with it—which we believe should in turn drive an attractive profit cycle.

Virtu Financial is a technology-enabled market maker and liquidity provider to global financial markets. It makes markets across a broad range of asset classes, including equities, foreign exchange, commodities, options and fixed income. Its low-cost, lean business model enables it to lower costs for retail and institutional investors alike by supplying competitive bids and offers. We believe the company's electronic platform is scalable and is well positioned to take advantage of an ongoing shift in markets toward increased transparency which traditional market makers are typically unable to provide. Further, its recent acquisition of KCG Holdings should give Virtu added scale and an underappreciated runway of new opportunities for revenue synergies—though our thesis is not dependent on this development.

Neurocrine Biosciences (NBIX) is a biotechnology company focused on central nervous system and endocrine system disorders. Its drug Ingrezza™ was recently approved by the FDA for tardive dyskinesia without requiring a black-box label regarding the possibility for suicidal side effects, which should contribute to faster uptake. With Ingrezza™ the only approved drug in the space, FDA approval represented a meaningful de-risking of our thesis and should position NBIX nicely to drive an attractive profit cycle.

In addition to the aforementioned CoStar Group, we also pared our exposure to Ultimate Software, Cognex and Blackbaud in Q2. We find these franchises' business models, which are predicated on high recurring revenues highly attractive. Further, many such software-related companies are gradually migrating from a perpetual software-license revenue model to a cloud-based subscription revenue model, benefiting all parties involved. From a customer perspective, this shift allows them to always operate on the latest product version without disruptions associated with software upgrades. From an investor standpoint, a cloud-based model also allows for highly consistent and transparent free cash-flow generation. As investors have rewarded such companies, their valuations have crept up—leading us to trim all three in Q2 in keeping with our disciplined process.

We concluded our campaigns in Dunkin' Brands, National Instruments and MercadoLibre in Q2 as their valuations reached our estimates of private market value. Over the first half of the year, the market rewarded growth stocks with strong fundamentals like these—giving us an attractive opportunity to exit our positions in favor of earlier stage profit cycles elsewhere.

In contrast, we exited Seattle Genetics in Q2 as its fundamentals were increasingly challenged. In advance of clinical trial results for its flagship drug Adcetris (for front-line treatment of Hodgkins lymphoma), one of its two primary pipeline drugs beyond Adcetris failed—further magnifying the risk of Adcetris's impending binary event. With growing questions about the likelihood of its profit cycle, we chose to exit in favor of more compelling opportunities.

Portfolio Statistics

As of June 30, we held 59 positions with a median market cap of $4.0 billion. Our portfolio had a 3-5 year forecasted weighted average earnings growth rate of 18% and our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 34X FY1 earnings and 28X FY2 earnings.

Perspective

Through the year's first half, markets have favored innovative growth stocks, which has been a tailwind for our absolute and relative performance. However, true to our mantra that "stocks follow profits over time," we have stayed focused on profit trends within the portfolio—which in the short term can diverge from market sentiment. In this regard, we have been pleased to witness a wave of thesis-affirming earnings reports from many of our Crop℠ holdings. In fact, the April–May earnings season on balance struck us as the most positive we have seen in years.

Certainly a reasonably healthy macro environment has helped profit trends within the portfolio. But as we reflect on our large Crop℠

holdings, we see numerous examples of forward-looking companies who have responsibly reinvested in their franchises—regardless of short-term macroeconomic volatility—and are today seeing those investments bear fruit. For example, Veeva Systems' strong results year-to-date are a direct result of its commitment in recent years to devoting a portion of its base business cash flows to developing new products (the Vault document management service) and more recently new end markets (taking Vault outside of life sciences). And Guidewire Systems' decision to take a step back in operating margins over the last year in order to invest in cloud-enabling its software has now positioned it for faster revenue growth in the periods ahead.

In the short term, reinvestment cycles can suppress profits and stock performance as investors reset their earnings expectations lower. In fact, such franchises—whose earnings and stock price are depressed due to investments to support what we find to be a promising, but unproven profit cycle—are exactly what we tend to look for in new Garden℠ investments. For our larger holdings, reinvestment cycles can represent healthy signs of discipline as management teams trade short-term profit maximization for more durable growth opportunities. Or alternatively, they can put us on alert for signs of maturing growth and rising competitive pressures. We believe our team's collective experience in evaluating countless profit cycles over time gives us an advantage in making these important judgment calls.

Looking forward, we expect the macroeconomic environment to help shape investors' appetite for growth versus more cyclically oriented companies. We don't currently see much evidence that macro fundamentals are lining up to deliver the cyclical bull case. However, should cyclicals decisively resume market leadership, we have reasonable balance in the portfolio in the form of our selective financials and energy exposure, as we've written about in recent quarters. While our exposure to businesses in cyclical industries has not been additive to relative performance year-to-date, we believe our holdings still represent promising profit cycles, even in an environment that favors more secular-oriented growth companies.

We recognize that valuations are not what they were at the beginning of the year, and we have been disciplined in our approach to harvesting stocks on valuation where appropriate (examples of which were cited earlier in this letter). While a market pullback would allow us to introduce some new franchises at better entry points, we've nonetheless remained active in the Garden℠, seeding it with companies we believe are exiting reinvestment cycles and are poised to deliver faster profit growth ahead.

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 30 Jun 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 30 Jun 2017: Veeva Systems Inc 3.7%, Proofpoint Inc 3.3%, Guidewire Software Inc 3.2%, Cognex Corp 3.2%, The Ultimate Software Group Inc 2.5%, Take-Two Interactive Software Inc 2.2%, Burlington Stores Inc 2.0%, CoStar Group Inc 2.0%, Atlassian Corp PLC 1.9%, ACI Worldwide Inc 1.6%, Nevro Corp 1.3%, GenMark Diagnostics Inc 1.2%, Virtu Financial Inc 0.9%, Neurocrine Biosciences Inc 0.7%, Blackbaud Inc 0.7%, Brady Corp 0.5%, Zynga Inc 0.5%. 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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