Artisan Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTSX | Advisor Class: APDSX | Institutional Class: APHSX

As of 31 March 2018

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

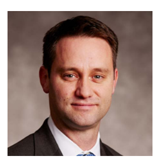
We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is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

			Average Annual Total Returns				
As of 31 March 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	**7.59**	**7.59**	**24.56**	**12.18**	**12.85**	**11.39**	**9.29**
Advisor Class: APDSX	**7.62**	**7.62**	**24.69**	**12.23**	**12.88**	**11.40**	**9.30**
Institutional Class: APHSX	**7.66**	**7.66**	**24.80**	**12.43**	**13.10**	**11.51**	**9.34**
Russell 2000® Growth Index	2.30	2.30	18.63	8.77	12.90	10.95	7.98
Russell 2000® Index	-0.08	-0.08	11.79	8.39	11.47	9.84	9.46

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (28 March 1995); Advisor (1 February 2017); Institutional (7 May 2012). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTSX	APDSX	APHSX
Annual Report 30 Sep 2017	1.21	1.12[1]	1.01
Prospectus 30 Sep 2017[2]	1.21	1.12	1.01

[1]For the period from commencement of operations 1 Feb 2017 through 30 Sep 2017. [2]See prospectus for further details.

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

Volatility picked up noticeably in Q1, spiking first in late January and early February as investors fretted signs inflation may be rising, which prompted speculation global central banks would be forced to tighten monetary policy more than anticipated. A second round followed in late March—tied to a combination of increasing concerns about ratcheting protectionist talk and heightened regulatory scrutiny of some of the world's biggest technology companies—and was sufficient to drag most global markets into modestly negative territory for the quarter. We will offer further thoughts on volatility later in this communication.

Newly installed Fed chairman Jerome Powell raised rates 25bps (to a target range of 1.50%-1.75%) as anticipated and signaled further hikes as the year progresses predicated on economic strength. The Bank of England left its benchmark rate unchanged at 0.50% but similarly indicated it would likely raise it as soon as Q2. Of the major developed world central banks, the ECB and BOJ have thus far been the slowest to pivot toward an even modestly tighter stance—though the ECB is finally showing some inclination to tighten, hinting it may soon begin paring monthly asset purchases.

Despite a spate of varying geopolitical concerns, emerging markets led global markets in Q1, followed by the US and foreign developed markets. Within emerging markets, Brazil and Russia were among the standouts. Brazil's economy is generally improving and some of its political headwinds seem to be abating. In Russia, President Putin's reelection seemed to provide a sentiment boost, outweighing concerns about increasing sanctions from the developed world.

With respect to style, growth stocks handily outperformed value in Q1, continuing their recent performance pattern. Small-cap stocks outperformed their larger counterparts by a fairly sizeable margin. Despite a late-quarter selloff on growing concerns about the potential for tighter regulations, technology stocks remained in the black, as did discretionary stocks—the only two positive sectors in Q1. The worst performing areas globally and in the US were staples, telecom, materials and energy stocks—the latter despite higher global oil prices.

Performance Discussion

Our portfolio led the Russell 2000® and Russell 2000® Growth Indices in Q1. As has been the case over most of the last year, relative strength has been fairly broad-based. The majority of our Crop℠ holdings delivered solid earnings reports, driven by a combination of past investments to fuel profitable growth, a healthy economy and the recently enacted US corporate tax cut. The first quarter also saw a resurgence of acquisition activity in the small-cap space after a respite—with two of our holdings accepting offers (MuleSoft and RSP Permian).

At the sector level, our technology exposure remains our top contributor—tied particularly to strength among our enterprise software holdings. We live in an increasingly subscription-based economy, in which buyers choose recurring-service payments over outright purchases. Our meaningful exposure to cloud-based innovators has been rewarded as these companies capitalize on this shift through a powerful combination of providing disruptive products (e.g., modern applications for the Internet era, designed and iterated by talented development teams) at the right time, as businesses are undergoing major digital transformations. They are also demonstrating the impressive leveragability of their recurring subscription-based business models. We believe this confluence of positive factors is driving compelling profit cycles, which remain in their relatively early innings.

Our health care holdings were also a source of relative strength during Q1—a welcome improvement from the stock-selection challenges we have faced over the past year or so in the sector. We are eager to continue building on this early momentum in what has historically been a productive sector for us from a profit-cycle standpoint.

It's also noteworthy that no single sector weighed on our relative results in Q1, which means we also benefited from what we *didn't* own. Namely, this included the real estate sector—in which we struggle to reconcile low-quality franchises with their valuations. We continue to believe there are better opportunities in other corners of the market.

Among our top individual contributors in Q1 were Virtu Financial, MuleSoft and Veeva Systems. Virtu Financial is a technology-enabled market maker and liquidity provider to global financial markets. We first purchased it in Q2 2017 on the thesis that it would effectively leverage its low-cost, lean and scalable business model against the backdrop of an ongoing shift toward increased transparency in markets. We further anticipated its acquisition of KCG Holdings could add scale and an underappreciated runway of new opportunities for revenue synergies—though we viewed the acquisition as an option, rather than critical to our thesis. Since then, we have seen early signs of the acquisition's synergies—a positive sign for future revenue growth. Combined with Q1's meaningful uptick in trading volumes, we believe Virtu's profit cycle is nicely in motion.

MuleSoft provides a platform for large enterprises to stitch together software applications across multiple environments, allowing software developers and systems-integrator partners to create scalable connections among different applications that have been developed using a wide variety of infrastructure over the years. Its unified platform also scales seamlessly, even as the complexity of the software network grows. Shares jumped in Q1 on the announcement that Salesforce.com would acquire the company at an attractive premium.

Veeva Systems, the leading cloud-based software provider in the biopharmaceutical industry, is benefiting from strong momentum behind its Vault suite of content management tools. Importantly, Vault sales carry higher margins than the company's legacy customer relationship management business, on which it pays a meaningful royalty to Salesforce.com. Veeva is also laying the groundwork to bring Vault beyond life sciences and into other regulated industries where document control and quality assurance are critical. In a relatively short period of time, the company has tailored its product for manufacturing industries and begun validation tests with early reference customers. While these expansionary efforts will take time to bear fruit, they offer meaningful optionality longer term. Meanwhile, Veeva continues to deliver impressive margins and cash-flow growth despite these investments.

Among our bottom contributors in Q1 were Rogers, Donaldson and Ambarella. Rogers is a well-established materials technology firm which produces low-cost, high-performance and mission-critical materials and applications for its end users, including electronic vehicles, advanced driver-assistance systems (ADAS), semi- and fully autonomous driving cars, cellular base stations and others. Shares were pressured in Q1 as the company struggled to keep up with high demand, in turn crimping margins. We maintain our conviction in Rogers's position relative to several meaningful, secular tailwinds, including the next wave of wireless infrastructure buildout, electric vehicles and clean energy. Though it remains in the Garden℠ while we watch for signs its recent capacity issues are indeed short-term, we capitalized on the recent pullback to add to our position.

Donaldson is a leading original equipment manufacturer of air and liquid filters. Margins were pressured in Q1 as the company faced constrained capacity and higher raw materials prices—which in turn weighed on shares. We are confident the company's management team will resolve its capacity issues and get ahead of inflationary pressures as it passes the majority of higher costs on to customers. Further, given the combination of strengthening global demand—including from China, which remains a meaningful market opportunity—and an improving cyclical backdrop, we believe Donaldson remains well-positioned to capitalize on the period ahead.

Ambarella produces video processing system-on-a-chip (SoC) products for consumer and professional cameras. We first purchased it in Q2 2017 on the expectation that it would capitalize on the growing trend toward computer vision and smarter image-capturing devices in both its core markets and growth areas, including automotive, to drive a compelling profit cycle. Shares were pressured largely for sentiment reasons in Q1—likely primarily revolving around growing concerns about the future of autonomous driving in the wake of several high-profile accidents. While we maintain our conviction in our thesis, the position remains in the Garden℠ while we await signs the profit cycle is taking hold as we envisioned.

Portfolio Activity

We introduced several new holdings to the portfolio in Q1, including Monolithic Power, Curtiss-Wright and SiteOne Landscape Supply. Monolithic Power designs analog power-management chips for a wide variety of industrial and consumer devices. Over the years, it has steadily capitalized on a consolidating industry to take market share while increasing its margins. We believe it is well positioned in front of several meaningful secular trends, including ongoing automation trends within the automotive industry, and capitalized on Q1's volatility to initiate a Garden℠ position.

Curtiss-Wright designs and manufactures precision electronic and nuclear components. The company installed a new management team in 2013, which has successfully divested lower-margin businesses and is turning its attention to organic growth and accretive acquisitions. In addition to these internal drivers, we believe Curtiss-Wright is attractively poised to benefit from several secular tailwinds, including rising US aerospace and defense spending—especially the increased focus on US Navy spending, much of which is aimed specifically at nuclear submarines and aircraft carriers. Further, a hefty backlog in commercial airplanes and heavy industrial vehicles as well as general improvement in the industrial production backdrop should benefit Curtiss-Wright. The company is well-positioned with respect to China's ongoing shift toward nuclear power plants as part of its emphasis on clean energy—an option we don't view as critical to our thesis but that would be additive nonetheless.

SiteOne Landscape Supply is the largest and only wholesale distributor of landscape supplies in the US, with a growing business in Canada as well. Given its scale, the company's distribution network and market share should provide a low-cost position relative to competitors, allowing it to consolidate a highly fragmented industry through accretive acquisitions. Further, we anticipate it will increase wallet share as it introduces a full product line-up across its distribution network and fully utilizes its loyalty program. We capitalized on near-term weather-related weakness in Q1 to initiate a position at an attractive price.

We also added to several existing holdings in Q1, including Chegg, Delphi Technologies and Halozyme. Chegg is a digital educational company. Having divested its legacy textbook business over the last several years, we believe Chegg is well-positioned to expand its product offerings in the period ahead, transforming itself into the go-to digital platform for students both through organic additions and bolt-on acquisitions. The company is showing early signs of subscription growth, which we believe has the potential to expand meaningfully, particularly via its tutoring service, which remains in its early days. We capitalized on volatility in Q1 to continue building our position in this high-quality franchise.

Delphi Technologies, which represents the former Delphi Automotive's powertrain systems segment, is focused on optimizing vehicle propulsion systems by improving environmental efficiency and vehicle performance. We believe it is well-positioned relative to secular tailwinds driving increased energy efficiency and electrification. However, shares were pressured in Q1 as investors weighed a German court ruling that could ultimately allow German cities to ban diesel engines. While not a certainty, we have factored this eventuality into our long-term estimates. Further, we believe Delphi has compelling drivers aside from its diesel business which likely offset any potential losses in Germany. We capitalized on Q1's weakness to increase our position on the strength of our conviction in the profit cycle ahead.

Halozyme's ENHAZE® platform—a proprietary enzyme which aids delivery of biologics subcutaneously—is showing promising signs of progress as a growing number of drug companies is testing whether the ENHAZE® platform is beneficial in combination with their drugs. As the results of these studies come back, we anticipate the platform will expand with new partners. While shares were pressured early in Q1 tied to an unrelated but disappointing study which we had already factored into our estimates, we believe the opportunity ahead of the company is meaningful. We consequently added to our position.

Conversely, we concluded our campaigns in CoStar Group, Take-Two Interactive and Masonite, while paring our exposure to Cognex and IDEX. We first purchased CoStar Group, a leading provider of information services to the global real estate industry, in Q2 2012, tied to our belief that its compelling product offering would generate consistent, subscription-based recurring revenues, in turn driving an attractive profit cycle. Since then, our thesis has largely played out as anticipated, with the company capitalizing on acquisitions to consolidate its market leadership. With the company's market capitalization well above the average small-cap company, we concluded our successful, long-term campaign.

Take-Two Interactive has capitalized on the combination of its high-quality gaming IP and the ongoing secular shift to digital gaming to drive solid sales growth and margin expansion. While we believe the company remains well-positioned given its promising pipeline and the meaningful opportunity in significant markets like China, the company has similarly expanded beyond the typical small-cap range, and we consequently concluded our successful investing campaign in Q1.

Masonite is a leading producer of interior and exterior residential and commercial doors in the US. We first purchased it on the thesis that it would capitalize on its membership in an effective duopoly to drive an attractive profit cycle. Since then, a series of management missteps has pressured shares—including logistical challenges which caused it to overproduce in some markets and under-produce in others. The company also maintained a higher-than-necessary labor force in anticipation of a tightening labor market—which added unnecessary costs—only to adjust too late. Consequently, it now faces the combination of rising inflation and wages with little prospect of passing those costs through, despite the duopolistic nature of its market, given slowing activity in its construction and remodeling end markets. We consequently chose to exit our position in favor of more compelling opportunities elsewhere.

Cognex has been a highly successful campaign to date, tied to the company's outstanding execution as demand for its vision technology has rapidly increased. However, we have been paring our position over the last several quarters tied to our valuation discipline and as its market capitalization has grown.

Over the course of our campaign, IDEX, a designer of fluidics and specialty engineered products, has delivered consistently impressive results, driving broad-based organic growth as its end markets have improved. It has also consistently capitalized on a strong balance sheet to make smart, accretive acquisitions. With the profit cycle beginning to mature, we began harvesting our position in Q1 as its valuation has approached our estimate of private market value.

Portfolio Statistics

As of March 31, we held 60 positions with a median market cap of $4.0 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 29X FY1 earnings and 26X FY2 earnings.

Perspective

The last couple years' relatively lower-volatility market provided positive absolute returns for many indices as well as our portfolios. We are cognizant that an environment marked by broad-based economic improvement and rising stock prices can make it difficult for us to distinguish ourselves relative to the market. Our process is aimed at finding quality businesses in the early stages of profit growth cycles based on internal and/or external catalysts—which often are not predicated on broad economic growth. When a rising tide is indiscriminately lifting all boats, our stock selection process may deliver fewer advantages than in other phases of the market cycle. Furthermore, for the last several years, the lack of volatility—notwithstanding the late-March pullback, the first quarter of 2018 represented the 8th consecutive quarter of uninterrupted gains for the Russell 2000® Growth Index—provided us with relatively fewer compelling chances to upgrade the portfolio, either by introducing new Garden℠ investments or by opportunistically adding capital to existing holdings.

But that rising-tide, low-volatility backdrop certainly did not limit the productivity of our research process. As a result, we entered 2018 with a relatively full bench of investment candidates ripe for a compelling entry point. The first quarter of 2018 provided the type of volatility that typically allows us to productively seed the Garden℠ with high-quality franchises we had been following for some time—including the aforementioned Monolithic Power, Curtiss-Wright and SiteOne Landscape Supply, but also Floor and Décor, Coherent and Callon Petroleum. We also increased our exposure to a number of franchises in which we have high conviction but whose price activity had, for some time, provided relatively few opportunities to accumulate larger positions—including Chegg, Delphi Technologies, Halozyme, Tableau, Webster Financial, Zynga and others.

Such an environment is particularly productive for us, allowing us to be more opportunistic than a less volatile one. We view volatility as a healthy, normal feature of well-functioning markets, allowing high-quality franchises to differentiate themselves from competitors and simultaneously providing an opportunity for our approach to distinguish itself. Should it persist into future quarters, we anticipate being similarly proactive and opportunistic where appropriate.

However, we simultaneously remain cautious. We recognize that, nearly a decade into the bull market, some individual valuations are undoubtedly stretched, and some areas of the market and trends are showing signs of greater maturity. In addition, while the current US administration's laissez-faire approach toward financial industry regulations and corporate taxes helped catalyze stocks in 2017, more recent developments have been a reminder that government activism can cut both ways. Regulatory pressures in the US and EU appear to be mounting for some of the world's technology giants (and noted stock-market bellwethers) such as Facebook and Amazon, and protectionist rhetoric in North America and China has risen sharply. Taken together, we wouldn't be surprised if volatility remains elevated, even against a generally positive economic backdrop. As such, we remain committed to our disciplined and rigorous approach to stock selection and capital allocation, which have served us well since the team's founding.

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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 2018. 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 2018: Veeva Systems Inc 3.7%, Webster Financial Corp 2.8%, RSP Permian Inc 2.2%, Donaldson Co Inc 2.2%, MuleSoft Inc 2.1%, Curtiss-Wright Corp 2.0%, Tableau Software Inc 1.8%, IDEX Corp 1.6%, Delphi Technologies PLC 1.5%, Virtu Financial Inc 1.5%, Halozyme Therapeutics Inc 1.4%, Zynga Inc 1.3%, Chegg Inc 1.3%, Rogers Corp 1.1%, Callon Petroleum Co 1.0%, Cognex Corp 1.0%, Ambarella Inc 0.9%, Monolithic Power Systems Inc 0.8%, Floor & Decor Holdings Inc 0.5%, SiteOne Landscape Supply Inc 0.5%, Coherent Inc 0.4%. 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.

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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