Artisan Small Cap Fund

QUARTERLY
Commentary

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

As of 30 September 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

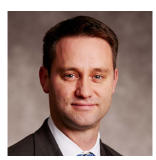
We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is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

As of 30 September 2018	QTD	YTD	1 Yr (Average Annual Total Returns)	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	**10.24**	**27.56**	**34.71**	**20.81**	**12.73**	**14.41**	**9.88**
Advisor Class: APDSX	**10.25**	**27.66**	**34.89**	**20.89**	**12.78**	**14.43**	**9.89**
Institutional Class: APHSX	**10.26**	**27.71**	**34.94**	**21.06**	**12.96**	**14.54**	**9.93**
Russell 2000® Growth Index	5.52	15.76	21.06	17.98	12.14	12.65	8.37
Russell 2000® Index	3.58	11.51	15.24	17.12	11.07	11.11	9.77

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
Semi-Annual Report 31 Mar 2018[1]	1.22	1.07	1.01
Prospectus 30 Sep 2017[2]	1.21	1.12	1.01

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

The themes that have dominated the global economic and market backdrop YTD have remained relatively consistent—Q3 proved no exception. Trade remains top of mind globally, with much focus on the US and its major trade partners, including China, Europe and its NAFTA neighbors. Developed markets defied the uncertainty, though, rising in Q3, led by the US. The UK was notably in the red as Brexit negotiations have proven challenging, rattling nerves about the likelihood the country successfully maintains trade agreements with its Continental brethren. In contrast, emerging markets were in the red in Q3 and trail YTD as well.

Among emerging markets, China was particularly weighed down by ongoing trade concerns. Meanwhile, Turkey, Argentina and other countries whose currencies are particularly exposed to volatility were pressured in Q3, prompting some concern their woes might become a broader contagion. However, to date it seems as though most of the vulnerable countries are taking largely appropriate steps to mitigate what volatility they can. Conversely, Brazil's market bounced in Q3, though it remains negative YTD as the economy remains sluggish and a hotly contested election looms in October.

Against this backdrop, the US Fed raised its benchmark rate 25bps to a range of 2.00%-2.25%—in line with expectations—continuing the divergence among major global central banks. The Bank of England, which faces heightened domestic uncertainty surrounding the country's impending exit from the EU, as well as the ECB, where economies remain relatively less economically robust, have thus far signaled they will remain as accommodative as they believe necessary to avoid unduly pressuring their markets or economies. Meanwhile, the Bank of Japan has shown no indication it will alter its exceedingly accommodative stance anytime soon.

As uncertainties mounted in the quarter, more defensive sectors led—including health care, industrials and telecom. Conversely, utilities and materials were the bottom-performing sectors in US and global markets. From a style and size standpoint, growth led value, as it has YTD, and larger stocks outperformed their smaller counterparts—also a YTD trend.

Performance Discussion

Our portfolio outperformed the Russell 2000® Growth and the Russell 2000® Indices in Q3 and remains nicely ahead YTD. The themes that have contributed to our positive performance in recent quarters largely remain intact: Against a backdrop of heightening uncertainty, many high-quality franchises are delivering solid results—largely in the form of earnings growth, which is in turn translating into price appreciation as we would expect.

At the sector level, our health care holdings were particular stand-outs. While we are certainly pleased with the performance of our Crop℠ holdings—including Veeva Systems and DexCom, which were among our top individual contributors—we were also able to initiate some compelling new Garden℠ positions in the sector, which we'll discuss further. Veeva Systems is a leading provider of cloud-based SaaS solutions for the pharmaceutical and life sciences industries. The company's Vault applications continue to be rapidly adopted by life sciences customers looking to enhance their clinical, regulatory, manufacturing and commercial operations by introducing modern cloud-based software tools—uptake which is translating into healthy subscription revenue growth. Importantly, Veeva is adding new products—as well as new markets, including other regulated industries where document control and quality assurance are critical—which should broaden its growth runway in the period ahead.

Since competitive pressures intensified in late 2017 and early 2018, DexCom has capitalized on growing patient awareness about continuous glucose monitors (CGM)—as well as the fact that DexCom's CGM is covered by Medicare—to drive increased uptake. Growth has been broad-based across patients, payors and geographies, while innovation is proceeding at a rapid pace. We maintain our conviction in the profit cycle potential ahead of DexCom as it seeks to continue taking share in a significant global market.

In a reversal from Q2, our industrials holdings were also a nice tailwind—with many companies that had been pressured earlier in the year releasing positive earnings revisions and prompting a nice quarter for holdings such as John Bean Technologies (JBT), which was also among our top individual contributors in Q3. JBT faced headwinds in Q2 as higher-than-anticipated costs crimped margins and cast doubt among investors on the likelihood of accelerating growth in the period ahead. These issues have since then largely been resolved, and we believe the outlook from here is positive. As a leading provider of technology solutions for the food-processing and air-transportation industries, we believe JBT is well-positioned to introduce innovative products, which should broaden the company's growth runway in coming quarters.

On the downside at the sector level, our consumer discretionary holdings were the primary relative headwind in Q3. Some of the pressure was undoubtedly tied to growing concern about the potential for meaningfully higher tariffs. Among our bottom individual contributors were consequently Visteon, Delphi Technologies (both of which are auto-related) and Floor & Décor. From an auto standpoint, trade pressures have dented China's auto-related demand, in turn slowing sales for Visteon and Delphi Technologies. Visteon is a producer of next-generation automotive dashboards. Our thesis has largely focused on the company's new product cycle in its core infotainment business, which we anticipate will drive materially higher profits and margin expansion in the coming years. Despite near-term, largely trade-related headwinds, we believe solid bookings, a growing backlog and larger deals are supportive of this thesis, and we consequently maintain our conviction.

Delphi Technologies, which represents the former Delphi Automotive's powertrain systems segment, was caught up alongside many auto-related companies in ongoing trade concerns. Further weighing on shares was China's recent economic slowdown—an important market for Delphi's products. We believe the long-term story surrounding the accelerating uptake in electric vehicles (EVs) is intact. However, after Q3 concluded, the company announced negative quarterly results as well as that its CEO is leaving the company to pursue other opportunities. Given this heightened uncertainty surrounding the outlook, we have begun harvesting our position to upgrade our capital into higher-conviction names.

Floor & Décor Holdings is a leading specialty retailer of hard-surface flooring in the US with the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring. We initiated our investing campaign in Q1 on the thesis that the company would be able to consolidate a fragmented market supported by a positive US housing backdrop. However, the company does have some exposure to ongoing trade-related concerns, as a meaningful share of flooring is imported from China—which likely means shares will continue to be pressured until some of the uncertainty is resolved, one way or the other. That said, we maintain our conviction in our thesis for what remains a Garden℠ holding for now.

Portfolio Activity

We remained active in Q3, taking advantage of volatility where practical to initiate several new Garden℠ campaigns—particularly in health care—including Tabula Rasa, Insulet and Tactile Systems. At a high level, Tabula Rasa is a health care technology company, and Insulet and Tactile Systems are medical devices companies—areas we are quite positive on as innovation helps bring overall health care costs down. Tabula Rasa is a medication risk mitigation provider, serving primarily Provider for All-Inclusive Care for the Elderly (PACE) markets. Tabula Rasa's proprietary software helps these PACE organizations, which serve patients who prefer care in their own homes over a care facility, to address adverse drug events, lowering overall costs for patients with complex medical needs. We believe this is a meaningful market opportunity, and Tabula Rasa is already the share leader, opening a compelling growth runway to the company.

Insulet develops, manufactures and markets OmniPod®, the only insulin patch pump on the market. The confluence of several factors has driven accelerating adoption of technology in the diabetes market. Some of these factors include: improved accuracy and data connectivity, smaller sensors, growing marketing budgets which have driven improved education, improved reimbursement, faster regulatory processes for the continuous glucose monitoring (CGM) market, and faster integration between CGM and insulin pumps. We consequently believe there are clear catalysts ahead for well-positioned companies like Insulet.

Tactile Systems' Flexitouch® system is a highly differentiated, best-in-class pneumatic compression device (PCD) targeting an underestimated population of patients suffering from lymphedema. Importantly, the company's direct-to-patient and direct-to-provider model allows it to capture better margins. This model has also allowed it to create a direct relationship among lymphedema patients and therapists, erecting a barrier to entry that is challenging for competitors to overcome. Given its significant advantage over competitors, we believe Tactile Systems is well-positioned to drive attractive levels of earnings growth in the future, as well as expand into new markets via product acquisitions.

We also added to several holdings in Q3, including Cree, Glaukos and Gardner Denver. Cree owns a portfolio of lighting fixtures, lighting electronics, semiconductors, chips and its silicon-carbide (SiC) business. We believe SiC has an important role to play in electronic vehicles, energy storage and next-generation communication networks like 5G, given its very high melting point and high electronic connectivity properties. Thanks to Cree's dominant position in the SiC business, the market is coming to the company, which is in turn reinvesting in the business to perpetuate its advantage and capitalize on the growth opportunity ahead. As our thesis shows signs of taking hold, we have increased our exposure to what we believe is a high-quality franchise with compelling profit-cycle potential ahead of it.

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. We initiated our campaign in Q3 2016 on the strength of the company's minimally invasive iStent® as well as its promising pipeline, which included a second-generation stent that could be implanted through a self-sealing injection, among other products. Recently, Alcon was forced to pull its CyPass, a competitor to iStent®, off the market, opening the door for Glaukos to take more market share. We are enthused about the opportunity ahead of Glaukos and have accordingly increased our position to a small Crop℠ holding.

Gardner Denver is a leading manufacturer of flow control and compression technologies for industrial end markets. As we have written in recent communications, shares have been pressured by the company's exposure to US Permian Basin drilling activity, which has been hampered by ongoing pipeline capacity constraints. However, we believe Gardner Denver is in the relatively early stages of an internal transformation under a new management team which is showing encouraging signs of operational progress. We consequently capitalized on share-price weakness to add to our position.

We concluded our campaigns in IDEX, Paylocity and Silicon Valley Bank in Q3. We have held IDEX, a designer of fluidics and specialty engineered products, since Q2 2009. Over the course of our campaign, the company 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. We began paring our exposure several quarters ago as the profit cycle was showing signs of maturity, and we concluded our harvest in Q3, bringing to a close a long, rewarding investing campaign.

SVB Financial (SIVB) is a leading banking franchise specializing in the West Coast tech community. Over the course of our campaign, it has executed at a high level, capitalizing on its growing pipeline of prospective venture capital and private equity deals and its strong competitive position to drive an attractive profit cycle. We concluded a successful Harvest[SM] in Q3 as it has surpassed our typical threshold for small-cap companies.

Paylocity is a developer and provider of cloud-based payroll and HR software solutions to small and medium businesses. It has capitalized on the secular trend toward SaaS- and cloud-based models to drive an attractive profit cycle. With the valuation approaching our estimate of PMV and the market having largely matured, we concluded our successful campaign in Q3.

Portfolio Statistics

As of September 30, we held 62 positions with a median market cap of $3.4 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 32X FY1 earnings and 29X FY2 earnings.

Perspective

As we approach the bull market's upcoming 10-year mark, we are witnessing increasing signs of a dual-speed global market. Non-US markets are reflecting the early negative impact of largely US-driven trade pressures—which weigh not only on markets and economies, but on consumer and investor confidence as well. Conversely, as the US economic data have overall and on average remained positive, investor and consumer expectations accordingly remain relatively healthy for now. This divergence naturally leads to questions about whether, when and how global markets realign—with myriad possible outcomes.

While we profess no unique ability to handicap these outcomes, we are watching closely for signs conditions are shifting meaningfully in one direction or another. Ongoing uncertainty aside, we remain pleased with the performance of our Crop[SM] holdings—particularly those which have to date been less impacted by trade woes and for now seem relatively insulated.

Further, we believe several meaningful secular trends remain nicely in motion—and are not particularly dependent on rapid global growth or trade conditions. For example, one trend we've highlighted recently is the ongoing shift toward digital payments, which are seeing rapid uptake globally. This is particularly the case in emerging economies, which in many cases have been able to "skip a step" technologically and financially speaking. We have several high-quality franchises well-positioned relative to this trend—including ACI Worldwide and Q2 Holdings.

Then, too, we also find internal change catalysts to be important drivers, particularly against slowing or mixed macroeconomic backdrops. These companies are often capitalizing on internal changes such as a newly installed management team, a new product cycle, the integration of an acquisition, or others, to drive revenue or profit growth (or, ideally, both) even against a more challenging backdrop. Examples of some of these holdings include the aforementioned Visteon, John Bean Technologies and Cree, as well as Proofpoint.

In short, we believe that despite rising uncertainty, there remain interesting investing opportunities globally—with many trading at valuations that still look reasonable to us given the opportunity ahead of them. Regardless of the direction markets take in the coming quarters, we will adhere to our disciplined approach, which over the course of our team's history, has proved sufficiently resilient to withstand a variety of investing environments.

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 Sep 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 Artisan Small Cap Fund's total net assets as of 30 Sep 2018: Veeva Systems Inc 4.5%, Q2 Holdings Inc 3.5%, DexCom Inc 3.2%, Proofpoint Inc 2.8%, John Bean Technologies Corp 2.8%, ACI Worldwide Inc 2.1%, Visteon Corp 2.0%, Gardner Denver Holdings Inc 2.0%, Glaukos Corp 1.6%, Cree Inc 1.3%, Delphi Technologies PLC 0.9%, Floor & Decor Holdings Inc 0.6%, Insulet Corp 0.6%, Tabula Rasa HealthCare Inc 0.5%, Tactile Systems Technology Inc 0.3%. 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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