



# Artisan Small Cap Fund

## MONTHLY Commentary

Investor Class: ARTSX | Advisor Class: APDSX As of 31 January 2024

### Commentary

The Russell 2000® Index returned -3.9% in January. Throughout the month, various data points around decelerating inflation and resilient economic activity supported the prospect of a soft landing. US economic growth was reported at 3.3% for Q4 2023, buoyed by strong consumer spending. And core personal consumption expenditures rose at an annual rate of 2.9% in December, the slowest pace in three years.

Our portfolio outperformed the Russell 2000® Growth Index in January. Among our top contributors were Shockwave and Wingstop. Shockwave is a medical device company developing and commercializing products for calcified cardiovascular disease. The company is a leader in using miniaturized lithotripsy (soundwave) technology to break up heavy calcification in arteries, enabling safer and more effective treatment of cardiovascular disease. Shares have rebounded as investor fears around increased requirements for pre-authorization by insurers is fading.

Wingstop is a quick-service restaurant franchisor specializing in fresh, cooked-to-order chicken products including wings, sandwiches and side orders. The company is in the early stages of growing its store footprint domestically and internationally, which we believe is supported by attractive economics for franchisees and growing brand awareness in new and existing markets. We continue to be impressed by the company's earnings results, which are benefiting from strong same-store sales momentum driven by menu innovation, national branding efforts, integration of a second delivery provider (Uber Eats) and an ongoing value-based bundling strategy. However, after a period of strong performance we decided to trim the position based on our valuation discipline.

Among our top detractors were Lattice Semiconductor and Halozyme. Lattice shares underperformed due to a series of disappointing semiconductor earnings releases that have indicated continued weakness within more cyclical end markets. However, our investment thesis is driven by market share gains enabled by the company's reinvigorated product line. Despite the cyclical market correction underway, there remains solid evidence that Lattice continues to gain market share, and importantly, the company is just now launching a new medium-power Avant line of chips, which should be another catalyst going forward. Given our view that semiconductor downcycles tend to be short-lived, we are comfortable being patient for a reaccelerating profit cycle in 2024.

Halozyme provides a unique technology platform that allows for the conversion of biologics and small-molecule drugs administered intravenously into a subcutaneous formulation. Recent underperformance has been due to two failed clinical trial indications for Argenx (a key customer), along with headwinds due to Inflation Reduction Act-related US drug price regulation and a lack of new partnership announcements. Despite this setback, we continue to expect expanding commercial opportunities for Argenx's existing approved products, along with a solid pipeline of other new products from other partners in the coming years. Halozyme recently released updated guidance and forecasted 2023 royalty revenue of \$445 million–\$450 million and \$1 billion in royalty revenue by 2027.

### Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$31.36	\$31.69
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Annual Report 30 Sep 2023	1.23%	1.07%
Prospectus 30 Sep 2023 <sup>1</sup>	1.23%	1.07%

<sup>1</sup>See prospectus for further details.

### Top 10 Holdings (% of total portfolio)

Lattice Semiconductor Corp (Information Technology)	5.2
Ascendis Pharma A/S (Health Care)	4.5
Guidewire Software Inc (Information Technology)	4.4
Argenx SE (Health Care)	4.1
Halozyme Therapeutics Inc (Health Care)	4.0
Shockwave Medical Inc (Health Care)	3.8
Monolithic Power Systems Inc (Information Technology)	3.0
Wingstop Inc (Consumer Discretionary)	2.9
Workiva Inc (Information Technology)	2.9
Novanta Inc (Information Technology)	2.8
<b>TOTAL</b>	<b>37.6%</b>

Source: Artisan Partners/GICS.

### Sector Diversification (% of portfolio securities)

	Fund	R2G <sup>1</sup>
Communication Services	0.0	2.1
Consumer Discretionary	10.4	10.7
Consumer Staples	1.1	4.6
Energy	0.0	4.3
Financials	2.3	6.4
Health Care	33.1	22.4
Industrials	15.4	20.1
Information Technology	37.7	22.3
Materials	0.0	4.0
Real Estate	0.0	1.6
Utilities	0.0	1.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 5.5% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

### Investment Results (%)

As of 31 January 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-2.70	-2.70	-2.70	-1.88	-12.00	6.13	7.42	8.78
Advisor Class: APDSX	-2.73	-2.73	-2.73	-1.74	-11.88	6.27	7.52	8.81
Russell 2000® Growth Index	-3.21	-3.21	-3.21	4.46	-6.03	6.17	7.00	7.38
Russell 2000® Index	-3.89	-3.89	-3.89	2.40	-0.76	6.80	7.03	8.68

As of 31 December 2023

Investor Class: ARTSX	9.00	9.18	9.29	9.29	-11.10	9.65	8.00	8.91
Advisor Class: APDSX	9.04	9.26	9.51	9.51	-10.97	9.81	8.11	8.94
Russell 2000® Growth Index	11.97	12.75	18.66	18.66	-3.50	9.22	7.16	7.53
Russell 2000® Index	12.22	14.03	16.93	16.93	2.22	9.97	7.16	8.85

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

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.

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G <sup>1</sup>
5.9+	68.3	18.3
4.1–5.9	17.9	18.7
2.9–4.1	5.2	19.6
1.8–2.9	7.7	22.0
0.0–1.8	0.9	21.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/Russell. <sup>1</sup>Russell 2000<sup>®</sup> Growth Index.

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Craig Cepukenas, CFA (Co-Lead)	35
Jay Warner, CFA (Co-Lead)	22
James Hamel, CFA	27
Jason White, CFA	24
Matthew Kamm, CFA	24

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.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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 and less developed markets, including frontier 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<sup>®</sup> Growth Index measures the performance of US small-cap companies with higher price/book ratios and forecasted growth values. Russell 2000<sup>®</sup> 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> 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<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> 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<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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