



# Artisan Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTSX | Advisor Class: APDSX

As of 31 October 2024

## Commentary

The Russell 2000® Index returned -1.4% in October. The US macroeconomic narrative from Q3 shifted in October. From an inflation perspective, the September report was a bit concerning, as both the headline and core readings surprised to the upside. And from an economy perspective, the September jobs report was quite robust. The economy added 254,000 jobs versus 140,000 expectations, hourly earnings increased more than expected, and the unemployment rate fell to 4.1%. The inflation reading and labor market resilience have called into question the future trajectory of interest rate cuts.

Our portfolio underperformed the Russell 2000® Growth Index in October. Among our top contributors were Dayforce and Saia. Dayforce is a cloud-based provider of payroll and related software. We believe that the company's transition to a recurring revenue model via its Dayforce suite will not only translate into margin expansion but also enable the company to capture market share. The company's stock has recently struggled due to macroeconomic uncertainty weighing on small- and medium-sized businesses and disruption in large enterprises that are currently focused on artificial intelligence plans. However, shares rebounded in October after the company reported earnings results that beat expectations and as it provided preliminary 2025 guidance that was also ahead of expectations.

Saia operates in less-than-truckload shipping, a structurally attractive area of transportation that features several solid franchise characteristics supported by real estate assets and network advantages. Shares experienced weakness in Q3, but we remained invested due to industry pricing trends that remained rational, added capacity that should be accretive in the future, the bankruptcy of Yellow (a key competitor) in August 2023 that has left a void in the market and an attractive valuation. Our patience was rewarded after the company reported strong results and shares rallied.

Among our top detractors were SharkNinja and Crocs. SharkNinja is a leading household consumer products company. Its Shark brand focuses on the cleaning category and, more recently, beauty. Its Ninja brand focuses on food preparation and cooking. We believe a healthy combination of market share gains within existing categories, new category entries and international expansion will drive growth. After outperforming meaningfully this year, shares declined due to earnings results that failed to meet investors' elevated expectations.

Crocs designs, develops, manufactures and distributes casual footwear and accessories for men, women and children. The company invented the molded plastic Clog in 2002 and has turned it into a multi-billion global revenue base. We believe expansion opportunities outside the US, demand from new product introductions (including from recently acquired Hey Dude) and distribution pushes within the direct-to-consumer and wholesale channels will drive greater-than-expected revenue growth. Shares experienced weakness after disappointing earnings results that indicated a slower-than-expected turnaround in its Hey Dude franchise.

## Investment Results (%)

As of 31 October 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	-1.88	-1.88	11.85	35.58	-8.21	6.48	9.62	9.06
Advisor Class: APDSX	-1.83	-1.83	11.97	35.82	-8.07	6.63	9.74	9.10
Russell 2000® Growth Index	-1.33	-1.33	11.72	36.49	-2.30	7.92	8.15	7.71
Russell 2000® Index	-1.44	-1.44	9.56	34.07	-0.05	8.50	7.94	8.93

  

As of 30 September 2024	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTSX	3.64	9.02	13.99	24.46	-6.49	7.26	10.54	9.15
Advisor Class: APDSX	3.63	9.04	14.06	24.61	-6.36	7.40	10.65	9.19
Russell 2000® Growth Index	1.33	8.41	13.22	27.66	-0.35	8.82	8.95	7.78
Russell 2000® Index	0.70	9.27	11.17	26.76	1.84	9.39	8.78	9.01

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.

## Portfolio Details

	ARTSX	APDSX
Net Asset Value (NAV)	\$36.05	\$36.48
Inception	28 Mar 1995	1 Feb 2017
Expense Ratios		
Semi-Annual Report 31 Mar 2024 <sup>1</sup>	1.22%	1.09%
Prospectus 30 Sep 2023 <sup>2</sup>	1.23%	1.07%

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Guidewire Software Inc (Information Technology)	5.5
Halozyme Therapeutics Inc (Health Care)	4.8
Lattice Semiconductor Corp (Information Technology)	3.8
Ascendis Pharma A/S (Health Care)	3.8
Argenx SE (Health Care)	3.3
SPX Technologies Inc (Industrials)	3.2
MACOM Technology Solutions Holdings Inc (Information Technology)	3.0
Veracyte Inc (Health Care)	3.0
Novanta Inc (Information Technology)	2.7
SharkNinja Inc (Consumer Discretionary)	2.7
<b>TOTAL</b>	<b>35.9%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	R2G <sup>1</sup>
Communication Services	0.0	2.1
Consumer Discretionary	9.9	10.1
Consumer Staples	2.5	3.3
Energy	0.0	3.4
Financials	3.8	8.6
Health Care	32.9	25.4
Industrials	15.8	22.0
Information Technology	33.5	19.2
Materials	0.0	3.8
Real Estate	1.6	1.5
Utilities	0.0	0.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.7% of the total portfolio. <sup>1</sup>Russell 2000® Growth Index.

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	R2G <sup>1</sup>
5.9+	73.2	20.0
4.1–5.9	9.6	22.4
2.9–4.1	6.1	19.7
1.8–2.9	8.7	17.8
0.0–1.8	2.4	20.1
<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)	36
Jay Warner, CFA (Co-Lead)	23
James Hamel, CFA	28
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. These holdings comprise the following percentages of the Fund's total net assets as of 31 Oct 2024: Crocs Inc 1.3%; Dayforce Inc 2.3%; Soia Inc 2.1%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. Totals may not sum due to rounding.

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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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