



# Artisan International Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTJX

As of 30 September 2018

## Commentary

In Q3, non-US small-cap stocks finished slightly positive in local terms but were down about 1% in USD terms due to US dollar strength versus the Japanese yen, British pound and Australian dollar. Solid earnings growth and continued global expansion supported equity markets generally, although there were notable pockets of weakness geographically. Chinese stocks finished down as an escalating trade war with the US and signs of slowing growth took their toll. Additionally, Turkey was a key flashpoint as the country's longstanding economic imbalances and lack of an adequate policy response culminated in a plunging Turkish lira and stock market. Most sectors finished lower in Q3; energy and health care were bright spots.

Our portfolio outpaced the MSCI EAFE Small Cap Index in Q3, contributing to its YTD lead. Relative performance was driven by our technology and health care holdings. In the technology sector, payments processor Wirecard is delivering robust organic growth, as transaction volumes rise on the back of momentum in mobile and e-commerce. The new business pipeline is also quite strong. Even after strong stock-price appreciation over the past 12 months, Wirecard's valuation remains reasonable against our long-term earnings estimates.

In the health care sector, we had strong contributions from several names, including Q2 purchases CellaVision and ViewRay. CellaVision is a leading developer of digital cell morphology solutions for medical microscopy in hematology, which replaces manual analysis by a technician. CellaVision's product is now the standard in the US and Canada. We believe that as CellaVision machines become the global standard over the next decade, sales should grow at a high-teens CAGR. Strengthening our thesis, recent sales growth was led by the company's Asia Pacific business as local sales and marketing initiatives bore fruit.

ViewRay develops magnetic resonance imaging (MRI) systems. The company's MRIdian MR-LINAC system is a leading platform for real-time visualization of soft-tissue cancer, improving the safety and efficacy of radiation therapy. The company installed three units in its fiscal Q2 versus consensus expectations of two units, putting it on pace to meet full-year numbers. We believe there is a multi-year growth opportunity as MR-LINAC becomes the standard LINAC over the next five years, which is not currently appreciated by the consensus.

Our biggest detractors in Q3 were Tele Columbus and Theratechnologies. Tele Columbus, a German cable operator, has experienced disappointing broadband subscriber additions. We remain attracted to the company's competitive advantage in cable infrastructure and the potential for upselling existing customers to higher margin broadband and telephony services.

Shares of specialty pharmaceuticals company Theratechnologies—one of our top contributors in Q2—consolidated gains as investors took profits. We are not too concerned with the stock's pullback and remain positive on the company's fundamental outlook. Its new HIV medication Ibalizumab (branded as Trogarzo™)—approved by the FDA in March and launched in April—is a key catalyst for earnings growth.

## Portfolio Details

Net Asset Value (NAV)	\$23.47
ARTJX Inception	21 December 2001
Expense Ratios	
Semi-Annual Report 31 Mar 2018 <sup>1</sup>	1.56%
Prospectus 30 Sep 2017 <sup>2</sup>	1.57%

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

## Top 10 Holdings (% of total portfolio)

InterXion Holding NV (Netherlands)	6.9
NEX Group PLC (United Kingdom)	6.2
Wirecard AG (Germany)	6.0
Euronext NV (France)	4.1
Cellnex Telecom SA (Spain)	3.8
SyntheticMR AB (Sweden)	3.3
Cellavision AB (Sweden)	3.1
Yume No Machi Souzou Inkaik Co Ltd (Japan)	2.9
Aedas Homes SAU (Spain)	2.6
Haldex AB (Sweden)	2.4
<b>TOTAL</b>	<b>41.2%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	EAFE SC <sup>1</sup>
Communication Services	7.2	4.6
Consumer Discretionary	12.8	13.0
Consumer Staples	1.8	6.7
Energy	0.0	3.1
Financials	20.3	11.8
Health Care	16.6	7.5
Industrials	14.7	21.9
Information Technology	19.0	9.8
Materials	2.7	8.7
Real Estate	4.9	10.8
Utilities	0.0	2.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 10.5% of the total portfolio. <sup>1</sup>MSCI EAFE Small Cap Index.

## Investment Results (%)

As of 30 September 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTJX</b>	<b>-1.51</b>	<b>1.91</b>	<b>1.65</b>	<b>8.70</b>	<b>8.01</b>	<b>4.80</b>	<b>9.46</b>	<b>11.70</b>
MSCI EAFE Small Cap Index	-0.72	-0.88	-2.19	3.73	12.39	7.96	9.68	10.33
MSCI EAFE Index	0.87	1.35	-1.43	2.74	9.23	4.42	5.38	6.18

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized.

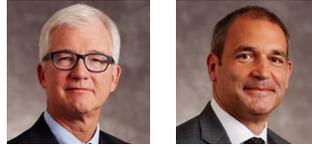
Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance.

## Region/Country Allocation (% of total portfolio equities)

REGION	Fund	EAFE SC <sup>1</sup>
<b>EUROPE</b>	<b>77.9</b>	<b>55.5</b>
Sweden	16.3	5.4
Germany	11.8	5.9
United Kingdom	10.6	18.2
Netherlands	7.8	2.6
Spain	7.1	2.6
Italy	6.6	3.7
France	6.6	3.7
Portugal	4.4	0.4
Ireland	4.3	0.8
Finland	1.6	1.5
Denmark	1.0	1.8
<b>PACIFIC BASIN</b>	<b>10.0</b>	<b>42.5</b>
Japan	9.0	31.1
Hong Kong	1.0	1.9
<b>AMERICAS</b>	<b>7.8</b>	<b>—</b>
United States	4.5	—
Canada	3.3	—
<b>EMERGING MARKETS</b>	<b>4.2</b>	<b>—</b>
India	2.2	—
Poland	1.9	—
Argentina	0.1	—
<b>MIDDLE EAST</b>	<b>—</b>	<b>2.0</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (MSCI). <sup>1</sup>MSCI EAFE Small Cap Index. Countries held in the index, but not held in the portfolio, are not listed.

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Mark L. Yockey, CFA	38
Charles-Henri Hamker	28

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.

MSCI EAFE Small Cap Index measures the performance of small-cap companies in developed markets, excluding the US and Canada. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. 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 30 Sep 2018: Tele Columbus AG 0.8%; Theratechnologies Inc 1.6%; ViewRay Inc 2.3%. 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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Compound Annual Growth Rate (CAGR) is the year-over-year average growth rate of an investment over a period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

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