



Artisan International Small-Mid Fund

MONTHLY
Commentary

Investor Class: ARTJX | Advisor Class: APDJX

As of 31 August 2019

Commentary

Non-US equities weakened in August as softening global growth and the US-China trade conflict returned to the fore of investor concerns. Reflecting macro uncertainties, returns were weakest in cyclicals: energy, industrials and financials. Defensives and interest rate proxies (consumer staples, real estate and utilities) were the best performers.

Our portfolio has held up better than the MSCI ACWI ex USA SMID Index for the QTD period and remains solidly ahead YTD. SolarEdge Technologies and NICE are our top QTD contributors. SolarEdge is an Israel-based producer of solar photovoltaic systems. After a few quarters of weak gross margins due to higher manufacturing costs and customer support expenses, shares have rallied on a rebound in margins and continued strong top-line growth. We believe the company's intellectual property positions it well to benefit from the sustainability of solar power. The cost of solar, which is already on par with coal, is continuing to come down. We also expect that due to its expertise in power optimization, which is relevant in other fields (e.g., utility-scale solar, charging stations for electric vehicles), the company can develop into a broader electrical power company.

NICE, an Israel-based provider of cloud-based and on-premise enterprise software solutions, is benefiting from the ongoing transition to cloud computing. Compared to traditional licensed software, cloud software boasts a greater customer lifetime value, higher operating margins and a greater mix of recurring revenue. We also think highly of the company's management team, which has a demonstrated track record of successfully making critical strategic decisions, including shedding less profitable businesses while making accretive acquisitions and focusing on taking share in the contact center market.

Among our biggest QTD detractors are Aston Martin Lagonda Global Holdings and Cree. Shares of Aston Martin, a luxury sports car maker, fell after the company lowered its sales forecast for the year on weakness in the UK and Europe. Investors are also concerned about the company's financial position given a large debt load and negative cash flow in the recent quarter due partly to a planned inventory build and heavy investment in new products. Our interest in the company is based on the growth potential from a model line expansion, including the launch of its new DBX sports utility vehicle. Unless it can reduce its cash burn, the company may look to raise capital, possibly via a debt offering. The stock remains a small position in the portfolio.

Cree—a holding in our next-generation auto theme—produces next-generation power semiconductors used in electric car batteries. Shares have been pressured by trade-related issues tied to the US ban on sales to Huawei, a Chinese multinational technology and telecommunications company, that represents about 4-5% of annual revenue. Additionally, trade uncertainty has slowed LED sales. Notwithstanding these near-term headwinds, the company's competitive position is strong. Cree is one of only a handful of companies with the intellectual property and process know-how to manufacture the silicon carbide wafers from which the next generation of power semiconductors used in electric vehicles is produced.

Investment Results (%)

As of 31 August 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	-2.11	-3.02	19.40	-3.80	7.00	3.39	7.76	10.92
Advisor Class: APDJX	-2.10	-3.02	19.59	-3.72	7.03	3.40	7.77	10.92
MSCI All Country World ex USA SMID Index	-2.81	-3.69	8.45	-7.40	4.90	2.25	6.04	8.46
MSCI All Country World ex USA Small Cap Index	-2.88	-3.53	7.66	-9.01	4.65	2.28	6.52	9.17

As of 30 June 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	3.89	6.92	23.12	2.65	9.20	2.64	9.64	11.22
Advisor Class: APDJX	3.96	7.00	23.32	2.72	9.23	2.65	9.65	11.23
MSCI All Country World ex USA SMID Index	5.22	2.14	12.61	-3.81	8.15	2.80	7.93	8.78
MSCI All Country World ex USA Small Cap Index	4.41	1.21	11.60	-5.94	7.76	2.77	8.48	9.48

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (21 December 2001); Advisor (4 December 2018). 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

	ARTJX	APDJX
Net Asset Value (NAV)	\$13.48	\$13.49
Inception	21 Dec 2001	4 Dec 2018
Expense Ratios		
Semi-Annual Report 31 Mar 2019	1.43% ¹	1.26% ²
Prospectus 30 Sep 2018 ³	1.36% ⁴	1.27% ⁵

¹Unaudited, annualized for the six-month period. ²Unaudited, for the period from commencement of operations 4 Dec 2018 through 31 Mar 2019. ³See prospectus for further details. ⁴Restated to reflect a reduction in management fees, effective 1 Dec 2018. ⁵Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Nice Ltd (Israel)	3.1
Tecan Group AG (Switzerland)	2.2
SG Holdings Co Ltd (Japan)	2.1
Obic Co Ltd (Japan)	1.8
SolarEdge Technologies Inc (United States)	1.8
Almirall SA (Spain)	1.7
Koninklijke DSM NV (Netherlands)	1.6
Azbil Corp (Japan)	1.6
Cree Inc (United States)	1.6
CAE Inc (Canada)	1.4
TOTAL	19.0%

Source: Artisan Partners/FactSet (MSCI).

Sector Diversification (% of total portfolio equities)

	Fund	ACxUS SMD ¹
Communication Services	2.8	4.9
Consumer Discretionary	9.7	12.2
Consumer Staples	9.0	6.9
Energy	0.0	2.9
Financials	3.5	11.2
Health Care	25.6	7.5
Industrials	17.5	19.7
Information Technology	27.9	9.3
Materials	2.8	11.1
Real Estate	1.2	10.0
Utilities	0.0	4.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.5% of the total portfolio. ¹MSCI All Country World ex USA SMID Index.

Region/Country Allocation (% of total portfolio equities)

REGION	Fund	ACxUS SMD ¹
EUROPE	50.6	42.3
United Kingdom	16.3	12.2
Germany	7.0	4.6
Switzerland	6.9	4.8
Denmark	6.1	1.8
Sweden	4.6	3.3
Netherlands	2.7	1.7
Spain	2.3	1.5
Italy	1.6	2.3
Finland	1.3	1.0
Belgium	0.9	1.2
France	0.7	5.2
Ireland	0.2	0.8
PACIFIC BASIN	23.2	29.9
Japan	21.6	20.2
Australia	1.6	5.5
AMERICAS	16.8	6.9
United States	11.5	—
Canada	5.4	6.9
MIDDLE EAST	5.7	1.1
Israel	5.7	1.1
EMERGING MARKETS	3.6	19.6
Brazil	3.6	2.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (MSCI). ¹MSCI All Country World ex USA SMID Index. Countries held in the index, but not held in the portfolio, are not listed.

Team Leadership



Portfolio Manager

Rezo Kanovich

Years of Investment Experience

20

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 All Country World ex USA SMID Index measures the performance of small- and mid-cap companies in developed and emerging markets excluding the US. MSCI All Country World ex USA Small Cap Index measures the performance of small-cap companies in developed markets and emerging markets excluding the US. 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 Aug 2019: Aston Martin Lagonda Global Holdings PLC 0.2%. 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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9/5/2019 A19756L_vR