



Artisan International Small-Mid Fund

MONTHLY
Commentary

Investor Class: ARTJX | Advisor Class: APDJX

As of 31 December 2019

Commentary

Positive sentiment around US-China trade, Brexit and a potential bottoming in global growth powered non-US equity indices higher in Q4. All regions and sectors participated in the strength. By sector, returns were led by technology, materials and health care. Interest-rate sensitive and defensive groups—utilities, real estate and consumer staples—albeit positive returners, were laggards.

Our portfolio outperformed the MSCI ACWI ex USA SMID Index in Q4, expanding its strong absolute and relative performance results for the full year. Many individual holdings from a variety of industries contributed strongly in Q4. Among them were Japanese food retailer Kobe Bussan, cloud software company AVEVA Group and HVAC manufacturer Belimo Holding.

Kobe Bussan is a discount retailer in Japan with an interesting high return-on-capital business model that is comparable to Aldi. The company generates high returns by focusing on private-label products across a limited market basket, which allows the company to offer customers higher quality items at lower prices. This is a new concept in Japan. Historically, Japan has been a very premium-oriented market, particularly as it relates to food quality and experiences. Yet there is a massive bifurcation in income levels, with a sizable population of older people on fixed incomes. Additionally, higher consumption taxes are pressuring household budgets—reinforcing the appeal of discount prices. The company has been successfully growing its market share, driven by its dominant price competitiveness and franchise store growth nationally.

AVEVA, a leading provider of industrial design software, is continuing to successfully convert its business from traditional licensed software to a subscription model. Relative to licensed software, we believe a subscription model offers a greater customer lifetime value, higher operating margins and a greater mix of recurring revenue.

On the down side, SG Holdings and Cellavision were our biggest Q4 detractors. SG Holdings is a Japanese provider of logistics and delivery services. Earnings growth has slowed due to weak domestic delivery volumes growth, increased labor costs and spending on its delivery network. We remain attracted to the company's competitive advantage in Japan's parcel delivery market based on its superior parcel collection network that was built out over many years and the long-term tailwinds from steady volume growth and customers' willingness to pay higher rates.

Cellavision is a leading developer of digital cell morphology solutions for medical microscopy in hematology. The stock pulled back due to softer-than-expected earnings growth as R&D investments picked up. Our investment case is based on digital solutions continuing to take share from manual analysis. Cellavision's product is now the standard in the US and Canada, and we believe Cellavision machines should become the global standard over the next decade.

Investment Results (%)

As of 31 December 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	3.78	13.03	36.25	36.25	14.75	7.88	8.06	11.52
Advisor Class: APDJX	3.78	13.13	36.60	36.60	14.81	7.92	8.07	11.53
MSCI All Country World ex USA SMID Index	4.36	10.27	22.36	22.36	9.78	6.59	6.40	9.03
MSCI All Country World ex USA Small Cap Index	4.93	11.01	22.42	22.42	9.65	7.04	6.92	9.77

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)	\$15.36	\$15.37
Inception	21 Dec 2001	4 Dec 2018
Expense Ratios		
Annual Report 30 Sep 2019	1.43%	1.25% ¹
Prospectus 30 Sep 2018 ²	1.36% ³	1.27% ⁴

¹For the period from commencement of operations 4 Dec 2018 through 30 Sep 2019. ²See prospectus for further details. ³Restated to reflect a reduction in management fees, effective 1 Dec 2018. ⁴Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Nice Ltd (Israel)	3.0
MorphoSys AG (Germany)	2.2
Tecan Group AG (Switzerland)	2.1
SG Holdings Co Ltd (Japan)	1.7
Obic Co Ltd (Japan)	1.6
Cree Inc (United States)	1.5
Belimo Holding AG (Switzerland)	1.5
Azbil Corp (Japan)	1.5
Metso Oyj (Finland)	1.4
Koninklijke DSM NV (Netherlands)	1.4
TOTAL	17.7%

Source: Artisan Partners/MSCI.

Sector Diversification (% of total portfolio equities)

	Fund	ACxUS SMD ¹
Communication Services	3.5	4.8
Consumer Discretionary	9.5	12.2
Consumer Staples	8.3	6.5
Energy	0.0	3.0
Financials	3.5	11.2
Health Care	28.2	7.5
Industrials	17.4	20.5
Information Technology	26.0	9.8
Materials	2.5	10.5
Real Estate	1.0	9.6
Utilities	0.0	4.2
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/MSCI. Cash and cash equivalents represented 6.0% 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	51.9	42.9
United Kingdom	17.1	12.7
Germany	8.0	4.5
Switzerland	6.9	4.5
Denmark	6.1	1.8
Sweden	3.4	3.5
Netherlands	2.5	1.7
Finland	2.1	1.0
Spain	1.9	1.5
Belgium	1.7	1.3
Italy	1.5	2.3
France	0.5	5.2
Ireland	0.2	0.8
PACIFIC BASIN	21.9	29.2
Japan	21.1	19.9
Australia	0.8	5.3
AMERICAS	16.5	6.3
United States	12.6	—
Canada	3.9	6.3
MIDDLE EAST	6.2	1.1
Israel	6.2	1.1
EMERGING MARKETS	3.4	20.6
Brazil	3.4	2.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/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

Years of Investment Experience

Rezo Kanovich

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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 Dec 2019: AVEVA Group PLC 1.2%; Cellavision AB 0.5%; Kobe Bussan Co Ltd 1.1%. 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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Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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