



# Artisan International Small-Mid Fund

MONTHLY  
Commentary

Investor Class: ARTJX | Advisor Class: APDJX

As of 31 January 2019

## Commentary

Stocks snapped back strongly in January, with all regions and sectors participating in the upswing. Solid corporate earnings, which were generally better than expected, a dovish pivot by the Fed and anticipation of a US-China trade deal, were among the key storylines impacting global equity markets.

Our portfolio led the MSCI AC World Ex USA Small Mid Index in January. The vast majority of portfolio holdings produced gains on the month. Among our top contributors were Teva Pharmaceutical Industries, ACADIA Pharmaceuticals and OBIC. Shares of Teva and ACADIA rebounded from their steep declines amid the broader market selloff in November and December. With respect to Teva, our investment case centers on a turnaround in Teva's business, but the stock can be volatile. Regarding ACADIA, our focus is on the re-launch of its lead drug Nuplazid® (pimavanserin) for treating hallucinations and delusions associated with Parkinson's disease psychosis.

OBIC, a systems integration and support services provider in Japan, delivered double-digit percentage growth in operating profits bolstered by the structural growth in its cloud services business.

Our weakest performers were AC Immune and Metro Bank—both of which are smaller positions in the portfolio. AC Immune is a Swiss clinical-stage biopharmaceutical company that develops treatments for neurodegenerative diseases. Shares dropped on news it was halting late-stage clinical trials of its Crenezumab drug, a monoclonal antibody, for the treatment of Alzheimer's disease.

Metro Bank, a UK provider of retail and commercial banking services, issued a profit warning for Q4 due to margin pressure—particularly in mortgages—and higher costs associated with the rollout of new branches. In addition, the company reported a weaker capital position driven by reclassifications of certain property-related loans into higher risk categories.

## Portfolio Details

|                                     | ARTJX              | APDJX              |
|-------------------------------------|--------------------|--------------------|
| Net Asset Value (NAV)               | \$12.32            | \$12.32            |
| Inception                           | 21 Dec 2001        | 4 Dec 2018         |
| Expense Ratios                      |                    |                    |
| Annual Report 30 Sep 2018           | 1.55% <sup>1</sup> | —                  |
| Prospectus 30 Sep 2018 <sup>1</sup> | 1.36% <sup>2</sup> | 1.27% <sup>3</sup> |

<sup>1</sup>See prospectus for further details. <sup>2</sup>Restated to reflect a reduction in management fees, effective 1 Dec 2018. <sup>3</sup>Includes estimated expenses for the current fiscal year.

## Top 10 Holdings (% of total portfolio)

|   |              |
|---|--------------|
| Nice Ltd (Israel)                           | 2.7          |
| Tecan Group AG (Switzerland)                | 2.1          |
| SG Holdings Co Ltd (Japan)                  | 1.8          |
| Obic Co Ltd (Japan)                         | 1.8          |
| Cree Inc (United States)                    | 1.6          |
| Azbil Corp (Japan)                          | 1.6          |
| Davide Campari-Milano SpA (Italy)           | 1.5          |
| SSP Group PLC (United Kingdom)              | 1.5          |
| Teva Pharmaceutical Industries Ltd (Israel) | 1.5          |
| Britvic PLC (United Kingdom)                | 1.5          |
| <b>TOTAL</b>                                | <b>17.6%</b> |

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

|                        | Fund          | ACxUS SMD <sup>1</sup> |
|------------------------|---------------|------------------------|
| Communication Services | 3.2           | 4.7                    |
| Consumer Discretionary | 9.5           | 13.1                   |
| Consumer Staples       | 8.0           | 6.9                    |
| Energy                 | 0.0           | 3.5                    |
| Financials             | 4.3           | 11.5                   |
| Health Care            | 26.0          | 7.2                    |
| Industrials            | 18.9          | 19.8                   |
| Information Technology | 26.9          | 8.9                    |
| Materials              | 2.7           | 11.3                   |
| Real Estate            | 0.5           | 9.4                    |
| Utilities              | 0.0           | 3.9                    |
| <b>TOTAL</b>           | <b>100.0%</b> | <b>100.0%</b>          |

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 5.2% of the total portfolio. <sup>1</sup>MSCI All Country World ex USA SMID Index.

## Investment Results (%)

| As of 31 January 2019                         | Average Annual Total Returns |             |             |               |             |             |              |              |
|---|------------------------------|-------------|-------------|---------------|-------------|-------------|--------------|--------------|
|   | MTD                          | QTD         | YTD         | 1 Yr          | 3 Yr        | 5 Yr        | 10 Yr        | Inception    |
| <b>Investor Class: ARTJX</b>                  | <b>9.12</b>                  | <b>9.12</b> | <b>9.12</b> | <b>-13.63</b> | <b>4.24</b> | <b>1.04</b> | <b>12.00</b> | <b>10.72</b> |
| <b>Advisor Class: APDJX</b>                   | <b>9.22</b>                  | <b>9.22</b> | <b>9.22</b> | <b>-13.63</b> | <b>4.24</b> | <b>1.04</b> | <b>12.00</b> | <b>10.72</b> |
| MSCI All Country World ex USA SMID Index      | 7.85                         | 7.85        | 7.85        | -14.75        | 9.15        | 3.85        | 10.44        | 8.73         |
| MSCI All Country World ex USA Small Cap Index | 7.83                         | 7.83        | 7.83        | -15.93        | 9.33        | 3.91        | 11.53        | 9.50         |

As of 31 December 2018

|   |              |               |               |               |              |              |             |              |
|---|--------------|---------------|---------------|---------------|--------------|--------------|-------------|--------------|
| <b>Investor Class: ARTJX</b>                  | <b>-6.00</b> | <b>-18.19</b> | <b>-16.84</b> | <b>-16.84</b> | <b>-1.14</b> | <b>-1.14</b> | <b>9.68</b> | <b>10.21</b> |
| <b>Advisor Class: APDJX</b>                   | <b>-6.08</b> | <b>-18.26</b> | <b>-16.92</b> | <b>-16.92</b> | <b>-1.17</b> | <b>-1.16</b> | <b>9.67</b> | <b>10.21</b> |
| MSCI All Country World ex USA SMID Index      | -4.96        | -13.97        | -17.06        | -17.06        | 3.84         | 1.75         | 8.84        | 8.29         |
| MSCI All Country World ex USA Small Cap Index | -5.44        | -14.43        | -18.20        | -18.20        | 3.82         | 1.96         | 10.02       | 9.07         |

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.

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

| REGION                  | Fund          | ACxUS SMD <sup>1</sup> |
|-------------------------|---------------|------------------------|
| <b>EUROPE</b>           | <b>55.8</b>   | <b>42.7</b>            |
| United Kingdom          | 18.3          | 12.8                   |
| Switzerland             | 8.3           | 4.2                    |
| Germany                 | 8.2           | 4.6                    |
| Denmark                 | 5.1           | 1.7                    |
| Sweden                  | 4.9           | 3.3                    |
| Netherlands             | 3.3           | 1.7                    |
| Italy                   | 2.0           | 2.3                    |
| Spain                   | 1.8           | 1.6                    |
| Finland                 | 1.8           | 1.3                    |
| Belgium                 | 1.4           | 1.2                    |
| France                  | 0.4           | 5.0                    |
| Ireland                 | 0.2           | 0.8                    |
| <b>PACIFIC BASIN</b>    | <b>20.9</b>   | <b>30.1</b>            |
| Japan                   | 19.6          | 20.4                   |
| Australia               | 1.3           | 5.2                    |
| <b>AMERICAS</b>         | <b>15.3</b>   | <b>6.8</b>             |
| United States           | 11.0          | —                      |
| Canada                  | 4.2           | 6.8                    |
| <b>MIDDLE EAST</b>      | <b>4.4</b>    | <b>0.9</b>             |
| Israel                  | 4.4           | 0.9                    |
| <b>EMERGING MARKETS</b> | <b>3.6</b>    | <b>19.5</b>            |
| Brazil                  | 2.9           | 2.0                    |
| India                   | 0.8           | 2.2                    |
| <b>TOTAL</b>            | <b>100.0%</b> | <b>100.0%</b>          |

Source: Artisan Partners/FactSet (MSCI). <sup>1</sup>MSCI 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 Jan 2019: AC Immune SA 0.1%; ACADIA Pharmaceuticals Inc 1.0%; Metro Bank 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.

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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