



# Artisan International Small-Mid Fund

MONTHLY  
Commentary

Investor Class: ARTJX | Advisor Class: APDJX

As of 31 July 2019

## Commentary

In July, non-US small- and mid-cap equities were positive in local terms but down in USD terms. Europe and emerging markets finished lower, while the Americas and Japan advanced. By sector, returns were weakest in the industrials, materials and financials sectors. The technology, health care and consumer staples sectors posted modest gains.

Our portfolio performed in line with the MSCI ACWI ex USA SMID Index in July. NICE and Cree were our top contributors. 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 its 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.

Cree—a holding in our next-generation auto theme—produces next-generation power semiconductors used in electric car batteries. The stock is recovering from weakness in May when the US instituted a ban on sales to Huawei, a Chinese multinational technology and telecommunications company. 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.

Our biggest detractors were Aston Martin Lagonda Global Holdings and SG Holdings. 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.

SG Holdings is a Japanese provider of logistics and delivery services. After growing operating profit 25% year over year in the company's fiscal year 2018, it expects low-single digit growth in the current fiscal year due to 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.

## Portfolio Details

	ARTJX	APDJX
Net Asset Value (NAV)	\$13.77	\$13.78
Inception	21 Dec 2001	4 Dec 2018
Expense Ratios		
Semi-Annual Report 31 Mar 2019	1.43% <sup>1</sup>	1.26% <sup>2</sup>
Prospectus 30 Sep 2018 <sup>3</sup>	1.36% <sup>4</sup>	1.27% <sup>5</sup>

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

## Top 10 Holdings (% of total portfolio)

Nice Ltd (Israel)	3.1
Tecan Group AG (Switzerland)	2.3
SG Holdings Co Ltd (Japan)	2.0
Cree Inc (United States)	1.8
Obic Co Ltd (Japan)	1.7
Koninklijke DSM NV (Netherlands)	1.6
Almirall SA (Spain)	1.5
SolarEdge Technologies Inc (United States)	1.5
Azbil Corp (Japan)	1.5
CAE Inc (Canada)	1.4
<b>TOTAL</b>	<b>18.5%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	ACxUS SMD <sup>1</sup>
Communication Services	3.0	4.7
Consumer Discretionary	10.0	12.5
Consumer Staples	8.0	6.8
Energy	0.0	3.1
Financials	3.4	11.5
Health Care	25.5	7.5
Industrials	18.7	19.8
Information Technology	27.5	9.3
Materials	2.7	11.1
Real Estate	1.1	9.6
Utilities	0.0	4.2
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.8% of the total portfolio. <sup>1</sup>MSCI All Country World ex USA SMID Index.

## Investment Results (%)

As of 31 July 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	-0.94	-0.94	21.97	-1.73	7.32	3.73	8.71	11.11
Advisor Class: APDJX	-0.93	-0.93	22.16	-1.65	7.35	3.75	8.72	11.11
MSCI All Country World ex USA SMID Index	-0.90	-0.90	11.59	-5.76	5.81	2.98	6.89	8.68
MSCI All Country World ex USA Small Cap Index	-0.67	-0.67	10.85	-7.22	5.59	3.03	7.47	9.40

As of 30 June 2019

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.

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

REGION	Fund	ACxUS SMD <sup>1</sup>
<b>EUROPE</b>	<b>52.0</b>	<b>42.5</b>
United Kingdom	17.1	12.4
Germany	7.3	4.5
Switzerland	7.2	4.7
Denmark	5.4	1.7
Sweden	5.1	3.3
Netherlands	2.9	1.7
Spain	2.1	1.5
Italy	1.6	2.4
Finland	1.3	1.0
Belgium	1.0	1.2
France	0.8	5.2
Ireland	0.2	0.8
<b>PACIFIC BASIN</b>	<b>22.1</b>	<b>29.8</b>
Japan	20.7	19.8
Australia	1.4	5.6
<b>AMERICAS</b>	<b>16.3</b>	<b>6.6</b>
United States	11.4	—
Canada	4.8	6.6
<b>MIDDLE EAST</b>	<b>5.5</b>	<b>1.1</b>
Israel	5.5	1.1
<b>EMERGING MARKETS</b>	<b>4.1</b>	<b>19.9</b>
Brazil	3.6	2.5
India	0.5	2.1
<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

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 Jul 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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