Artisan International Small-Mid Fund

QUARTERLY Commentary

Investor Class: ARTJX | Advisor Class: APDJX | Institutional Class: APHJX

As of 31 December 2018

Investment Process

We seek long-term investments in high-quality businesses exposed to structural growth themes that can be acquired at sensible valuations in a contrarian fashion and are led by excellent management teams.

Investing with Tailwinds

We identify structural themes at the intersection of growth and change with the objective of investing in companies having meaningful exposure to these trends. Themes can be identified from both bottom-up and top-down perspectives.

High-Quality Businesses

We seek future leaders with attractive growth characteristics that we can own for the long term. Our fundamental analysis focuses on those companies exhibiting unique and defensible business models, high barriers to entry, proven management teams, favorable positions within their industry value chains and high or improving returns on capital. In short, we look to invest in small companies that have potential to become large.

A Contrarian Approach to Valuation

We seek to invest in high-quality businesses in a contrarian fashion. Mismatches between stock price and long-term business value are created by market dislocations, temporary slowdowns in individual businesses or misperceptions in the investment community. We also examine business transformation brought about by management change or restructuring.

Manage Unique Risks of International Small- and Mid-Cap Equities

International small- and mid-cap equities are exposed to unique investment risks that require managing. We define risk as permanent loss of capital, not share price volatility. We manage this risk by having a long-term ownership focus, understanding the direct and indirect security risks for each business, constructing the portfolio on a well-diversified basis and sizing positions according to individual risk characteristics.

Team Overview

Our team is intellectually curious about the world and how it is changing. Each team member is passionate about small company investing and discovering businesses with meaningful and open-ended growth opportunities.

Portfolio Management

Rezo Kanovich
Portfolio Manager

Investment Results (%)

As of 31 December 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTJX	**-18.19**	**-16.84**	**-16.84**	**-1.14**	**-1.14**	**9.68**	**10.21**
Advisor Class: APDJX	**-18.26**	**-16.92**	**-16.92**	**-1.17**	**-1.16**	**9.67**	**10.21**
Institutional Class: APHJX	**-18.20**	**-16.75**	**-16.75**	**-1.00**	**-1.05**	**9.73**	**10.24**
MSCI All Country World ex USA SMID Index	-13.97	-17.06	-17.06	3.84	1.75	8.84	8.29
MSCI All Country World ex USA Small Cap Index	-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); Institutional (12 April 2016). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTJX	APDJX	APHJX
Annual Report 30 Sep 2018	1.55[1]	—	1.35[1,2]
Prospectus 30 Sep 2018[1]	1.36[3]	1.27[4]	1.15[3]

[1]See prospectus for further details. [2]Excludes Acquired Fund Fees & Expenses as described in the prospectus. [3]Restated to reflect a reduction in management fees, effective 1 Dec 2018. [4]Includes estimated expenses for the current fiscal year.

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.

Introduction to Artisan International Small-Mid Fund

As of October 15, 2018, my team and I took over portfolio management responsibilities for Artisan International Small-Mid Fund (formerly Artisan International Small Cap Fund). Changes to the Fund's name and guidelines took effect on December 4, 2018. Transition of the portfolio, including use of increased flexibility, took place throughout the quarter. Due to the changes in leadership and portfolio guidelines, we'd like to take this opportunity to elaborate on the key elements of our investment approach.

We seek to identify structural themes at the intersection of growth and change with the objective of investing in high-quality companies having meaningful exposure to these tailwinds. Our process is exclusionary—many companies are quickly eliminated due to either lack of exposure to structural growth, or they lack the required business quality characteristics. High-quality businesses, as we define them, are those with unique and defensible business models, favorable positions in their industry value chains and proven management teams. We look for companies with meaningful competitive advantages such as technological leadership, intellectual property, strong brands or industries favoring natural monopolies. These businesses also tend to have above-average returns on capital, solid balance sheets and the ability to self-finance growth.

The process is labor intensive, requiring extensive travel and dialogue with company management teams. We focus our efforts on understanding the underlying themes, analyzing the industry value chains and conducting geographic triangulation. As though pulling on a string, this may lead to additional opportunities within the industry, similar business models in other geographies or new derivative themes. The process is ongoing and iterative.

We look to acquire these businesses in a contrarian fashion in times of adversity. Wonderful businesses are rarely available at interesting prices. We believe one must be contrarian in thinking about the circumstances creating the opportunity and have patience in building positions. Mismatches between stock price and long-term business value are often created by market dislocations, temporary slowdowns in individual businesses or misperceptions in the investment community. Our approach to assessing valuation is grounded in understanding the normalized cash flow generation power of companies over the medium term. Additionally, we look for non-linear optionality embedded in businesses. Examples may include R&D pipelines, new product development and new growth markets. We like to find situations where there are cheap embedded options on large potential outcomes.

Importantly, we believe international small- and mid-cap growth equities are exposed to unique risks that are important to recognize. Faster-growing small companies are frequently at the forefront of macroeconomic change, often compete with larger, more diversified operators that enjoy benefits of scale, and may face key person risks. The most important way we can address these risks is to know our companies well and be mindful of these risks. We try to do so in a deliberate and calculated fashion.

Further, we view risk as the probability of permanent loss of capital, not share price volatility. In fact, as long-term investors, volatility tends to create opportunities for us to acquire high-quality companies in a contrarian fashion. We seek to understand the direct and indirect security risks for each business and maintain a long-term ownership focus. We construct the portfolio in a well-diversified manner and size positions according to individual risk characteristics. Larger positions reflect higher confidence in the risk/reward of the holding. Those positions believed to have greater risk are typically afforded smaller sizes in the portfolio.

In summary, our investment philosophy is oriented toward long-term outcomes. Our investment horizon is typically around five or more years. We look for high-quality businesses exposed to structural growth themes where we believe high returns on capital can be compounded over long periods of time. We are more concerned that the markets for our companies can grow multiple-fold over time, than the false precision around what may occur over the next quarter or two. That is, we seek to invest in businesses that will evolve with their opportunity set and that hypothetically we never have to sell.

Portfolio Positioning

Following the changes in portfolio leadership and additional investment flexibility that took effect in Q4, our focus has been on repositioning the portfolio toward the best structural growth opportunities we are finding in our investment universe. Structural growth, by definition, is long term in nature. We look for themes that will serve as tailwinds for our portfolio companies for many years to come. Accordingly, when we invest, we think about the opportunity over an investment horizon of five or more years. The macro backdrop is something we're aware of, particularly since it may provide us opportunities to invest at more attractive prices, but short-term market fluctuations are not a focus of our process. The increased market volatility in Q4 that coincided with the repositioning of the portfolio, as it so happened, worked in our favor as it provided attractive entry points into stocks we want to own for the long term.

For example, industrial automation and robotics stocks, which have been exceptionally strong performers over the last few years, sold off massively due to the ongoing trade frictions between the US and China and concerns around a cyclical downturn. We're aware of these concerns, but our investment process gives us confidence that the trend toward automation is structural and enduring. We use times of intense market volatility to find high-quality companies that have become significantly cheaper in valuation. Specifically, we look for companies that occupy what we call high value-added bottleneck positions within an industry value chain and we believe will emerge as winners on the other side of the current situation. That is, we want to own companies that provide a product that is crucial to their customers but represents only a small percentage of their customers' overall costs. Because these products are unlikely to be commoditized, it increases the probability that these solutions providers will be advantaged long term. Examples in the industrial automation industry are companies in the machine vision space and companies that make robotic components required for fine motor movements. Harmonic Drive Systems, a maker of robotic components, is one such company.

Similarly, Brexit-related jitters provided us opportunities to buy a few high-quality UK-based businesses at attractive prices. Among them were AVEVA Group, an engineering and industrial software provider, Britvic, a soft drinks manufacturer and distributor, and SSP Group, an airport food concession operator with an exceptional management team.

A few of the other key themes currently expressed in the portfolio are the structural shift of IT from on-premise hosting to being delivered via the cloud, innovation in life sciences development and manufacturing and the fundamental re-architecture of the automobile. The proliferation of cloud computing has led to a number of exciting opportunities across every industry vertical. For many industries, we are still early in the cycle of conversion to the cloud. As we've thought about the shift to cloud computing, one observation is the lifetime value of the customer meaningfully increases for a software business when the customer transitions to the cloud even though the upfront economics in year one or two may not be as attractive as in the traditional software perpetual-licensing model. As a result, the long-term values of these software companies increase meaningfully. However, this aspect is not always properly appreciated by the capital markets and therefore not always reflected in the valuations of these businesses. An example is NICE, an Israel-based provider of cloud-based call center automation software.

Another theme is innovation in life sciences and biotechnology. We live in a period of biotech revolution where the amount of innovation is staggering. Further, the nature of drug development is changing with a shift away from small molecules to biologics, which are large molecule drugs based on living cells. In addition to the drug development space, we find opportunities in the life sciences tools industry particularly compelling as these companies provide picks and shovels that power the biotech revolution. One of our larger positions is Tecan Group, a leader in the design and manufacturing of life sciences tools and diagnostics instruments.

One of the more prominent themes in the portfolio is the next-generation automobile. The automobile is going through a fundamental re-architecture where it is becoming electrified, connected, and in the long-run, autonomous. As with other themes, we try to identify businesses that will serve as high value-added bottlenecks in their industries. We choose to avoid parts of the industry value chain that we believe will be commoditized or highly capital intensive, such as battery suppliers. Instead, we are more focused on the increased semiconductor content of the car and, in particular, the role of next-generation power semiconductor technologies. Handling tasks such as fast charging or control of electric current to the main motor, these devices are critical in enabling appropriate standards of safety, durability, power and range for the car. Not only are the number of power semiconductors within a car structurally increasing, but the underlying material science is also shifting. Traditional silicon-based semiconductors are reaching their physical limitations in terms of ability to efficiently handle high voltages. Instead, compound semiconductor materials such as silicon carbide (SiC) are becoming crucial. SiC, one of the hardest materials on the planet, enables semiconductors to operate efficiently across a much wider range of voltages and temperatures, meaningfully extending battery efficiency while reducing the weight of the system.

Therefore, we invested in a Japanese company called Rohm, which is where we first identified the critical role of silicon carbide-based power semiconductor technology. As mentioned, our approach to idea generation is to triangulate—geographically and also within industries. We think up and down the value chain and ask who else may benefit. Analyzing the competitive landscape across geographies, we realized that there were only a handful of companies that have intellectual property and process know-how to manufacture the silicon carbide wafers from which power semiconductors are produced. There's Rohm, and there's US-based Cree.

We then thought further about the broad adoption of these compound semiconductors and what it means for the industry. That analysis led us to a German company called Aixtron that has a dominant market position in making metal-organic chemical vapor deposition (MOCVD) equipment critical in manufacturing of compound semiconductors. We believe Aixtron will benefit tremendously as we see an explosion of growth in the number of use cases for compound semiconductors.

Additionally, we looked at the increased software content in the future automobile, and in particular, the security aspects of automotive software. We have a small position in a company called Blackberry, which is commonly known for its legacy in telephone handsets. At the direction of a new CEO, the company applied the underlying IP that made these handsets so secure, to other end-market applications. Specifically, BlackBerry has a software business called QNX that is a world-leading operating system with the necessary security features for a connected car. QNX is being used in ~120 million cars today and has a significant opportunity to increase its content sold per car. Although this space is competitive, BlackBerry has a lead in the race for the operating system of the connected car.

Hopefully these examples give you a flavor of how we think about themes, industry value chains and geographic triangulation.

Performance Discussion

In Q4, non-US equities suffered further selling pressure as end-of-cycle ruminations centered around normalizing monetary policies, softening global growth and the US-China trade conflict. This led to the MSCI AC World Ex USA Small Mid Index's worst quarter since Q3 2011. No regions were unscathed. Europe, Japan and the US were each down double-digit percentages. Emerging markets, which trailed developed markets through the first three quarters of 2018, held up better. They were down about 7% in Q4 but declined 14% for the full year, in line with non-US developed markets.

Our portfolio trailed the MSCI AC World Ex USA Small Mid Index in Q4 but finished slightly ahead for the full year. Among our bottom contributors to return in Q4 were Cellavision, InterXion and ViewRay.

- Cellavision, a developer of digital cell morphology solutions for medical microscopy in hematology, generated strong organic sales growth as digital solutions continued to take share from manual analysis, but shares consolidated their multi-year gains—having risen roughly six-fold over the previous three years.
- InterXion, a European data center operator, continued to benefit from accelerating demand for colocation in Europe driven in part by cloud adoption; however, the stock pulled back in line with the broader IT services industry.
- ViewRay, a developer of radiation therapy technology for the treatment of cancer, reduced its 2018 sales guidance due to a system installation delay at a customer site.

Our top contributors to return in Q4 included BK Brasil, Cree and Mellanox Technologies.

- BK Brasil, the master franchisee of the Burger King and Popeyes restaurant chains in Brazil, experienced 7% same-store-sales growth, benefiting from menu enhancements and post-election confidence in the country, in addition to continued rollout of its store footprint.
- Cree, a developer of power semiconductors, LED products, and lighting products, was previously mentioned as a holding in our next-generation automobile theme. The company's compound materials and power semiconductor division, Wolfspeed—its fastest growth driver and most profitable business—continued to experience outsized organic growth as its silicon carbide products gained further adoption in the electric vehicles market.
- Mellanox Technologies, an Israel-based manufacturer of high-performance interconnect solutions for data centers, was higher on continued adoption of its products by leading technology companies and reports that it was receiving interest from potential acquirers.

We look forward to updating you on these and other portfolio companies in future letters.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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.

This summary represents the views of the portfolio managers as of 31 Dec 2018. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 31 Dec 2018: Harmonic Drive Systems Inc 0.5%; AVEVA Group PLC 1.0%; Britvic PLC 1.4%; SSP Group PLC 1.6%; Nice Ltd 2.5%; Tecan Group AG 2.1%; Rohm Co Ltd 1.2%; Cree Inc 1.5%; AIXTRON SE 0.6%; BlackBerry Ltd 0.5%; Cellavision AB 1.2%; InterXion Holding NV 0.5%; ViewRay Inc 0.8%; BK Brasil Operacao e Assessoria a Restaurantes SA 1.0%; Mellanox Technologies Ltd 1.4%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

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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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