



Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 31 March 2019

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 March 2019 | Average Annual Total Returns | | | | | | |
|---|------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|
| | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
| Investor Class: ARTJX | 15.15 | 15.15 | -5.84 | 5.81 | 1.21 | 12.17 | 10.96 |
| Advisor Class: APDJX | 15.25 | 15.25 | -5.84 | 5.81 | 1.21 | 12.17 | 10.96 |
| Institutional Class: APHJX | 15.28 | 15.28 | -5.66 | 6.01 | 1.32 | 12.23 | 11.00 |
| MSCI All Country World ex USA SMID Index | 10.25 | 10.25 | -7.88 | 6.91 | 3.21 | 10.86 | 8.78 |
| MSCI All Country World ex USA Small Cap Index | 10.26 | 10.26 | -9.49 | 7.01 | 3.26 | 11.86 | 9.55 |

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 | — | 1.35 |
| Prospectus 30 Sep 2018 ¹ | 1.36 ² | 1.27 ³ | 1.15 ² |

¹See prospectus for further details. ²Restated to reflect a reduction in management fees, effective 1 Dec 2018. ³Includes 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.



Investing Environment

Stocks snapped back strongly in Q1 with all regions and sectors participating in the upswing. The MSCI ACWI ex USA SMID Index turned in its strongest quarterly gain since 2013. Solid corporate earnings, which have been generally better than expected, a dovish pivot by the Fed and anticipation of a US-China trade deal, have been among the key storylines impacting global equity markets.

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. Instead, we spend our time looking for structural growth 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. We seek a shareholder base that values our approach and aligns with our long-term orientation.

Rather than focus on broad market volatility we continue to consistently apply our exclusionary approach. We look to identify a small subset of companies offering exposure to structural growth and possessing the requisite business quality characteristics. High-quality businesses, as we define them, are those with defensible business models, favorable positions in their industry value chains and strong management teams. We look for companies with meaningful competitive advantages such as technological leadership, intellectual property, strong brands or industries favoring natural monopolies. In short, we look for small companies with the ability to become meaningfully larger, and we look to acquire these businesses in a contrarian fashion in times of adversity by opportunistically taking advantage of price dislocations.

Finally, our universe allows us to create a diverse collection of themes and stocks. The success of these companies is much more a function of idiosyncratic factors, such as managements and technologies, rather than the cyclical market backdrop.

Performance Discussion

Our portfolio outpaced the MSCI ACWI ex USA SMID Index in Q1. Outperformance was broad-based across sectors and themes with the vast majority of portfolio holdings producing robust gains. Among our top contributors in Q1 were ACADIA Pharmaceuticals, Cree, OBIC and Tecan Group.

Sales growth for ACADIA's lead drug Nuplazid® (pimavanserin), a next-generation antipsychotic for treating hallucinations and delusions associated with Parkinson's disease psychosis, continued to recover after reporting on the drug's safety risks. Although the FDA reaffirmed the drug's safety in September 2018, shares fell again in Q4 2018 amid the broader market selloff, providing us an attractive entry point. Our investment case in ACADIA is focused on the company's rebuilding Nuplazid®'s position in the marketplace. We are also attracted to the large embedded option around potential label expansion for pimavanserin as ACADIA is engaged in multiple late-stage programs

to broaden the drug's clinical use to additional indications, such as major depressive disorder and schizophrenia.

Cree is a holding we discussed in our Q4 2018 letter as a part of an in-depth review of our next-generation auto theme. The secular shift to electric and hybrid vehicles that require batteries is driving the need for advanced-materials science in order to meet appropriate standards of safety, durability, power and range of the car. Traditional silicon-based semiconductors are reaching their physical limitations in terms of ability to efficiently handle high voltages. Cree's Wolfspeed semiconductor business specializes in producing semiconductors from silicon carbide, which exhibits greater physical capabilities and is superior to traditional silicon when it comes to power management batteries. Cree is one of only a handful of companies having the intellectual property and process know-how to manufacture the silicon carbide wafers from which the next generation of power semiconductors are produced. In March, Cree announced it was selling its lighting business to sharpen its focus on the bigger growth opportunity of its Wolfspeed division.

OBIC is a leading provider of enterprise resource planning software in Japan. The company is capitalizing on the evolution of the software industry in Japan from customized solutions to packaged software, as well as the long-term transition from traditional licensed software to cloud computing. Relative to licensed software, we believe cloud software provides a greater customer lifetime value, higher operating margins and a greater mix of recurring revenue. Though still early, the company's cloud conversion is showing strong momentum. Besides OBIC, we own several other companies providing cloud software, including AVEVA Group, Nice, Rakus and OBIC Business Consultants.

Tecan Group, a Swiss leader in the design and manufacturing of life-sciences tools and diagnostics instruments, is an example of a holding in our life-sciences tools theme. Other examples are Biotage, Fluidigm, Jeol and NanoString Technologies. These companies provide the picks and shovels that are powering the biotech revolution. Tecan's specialty is designing robotic liquid handling with important applications in molecular diagnostics and gene sequencing. Tecan also provides laboratory equipment and other products for the diagnostics market, serving as a partner to larger diagnostics companies. Robotic fluid handling is a growing market driven by the increasing automation needs of pharma and biotech companies. The company's flagship Fluent liquid-handling robot continues to deliver strong organic growth. Additionally, the company is exploring adjacencies to fluid handling by branching out to software and analytics and is leveraging its leadership to cross-sell consumables. The growth in consumables sales has led to greater predictability as recurring revenue has become more than half of total sales.

Our biggest price decliners in Q1 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

AC Immune and partner Roche were halting late-stage clinical trials of its Crenezumab drug, a monoclonal antibody, for the treatment of Alzheimer's disease. We fully appreciated the high-risk and high-reward nature of the Alzheimer's market and therefore had kept the position-size small. The company has several other drugs in development that have promise. AC Immune remains a small position in the portfolio.

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. As a result, the bank will need to hold more reserves. Though the business faces challenges, we continue to like the bank's differentiated position in the UK marketplace with its strong digital banking platform and unique emphasis on customer service that have contributed to its excellence in deposit taking. We remain investors and will continue to monitor its execution.

A third detractor in Q1 was Ariake Japan, a producer of livestock-derived natural flavors and seasonings used as key ingredients in soups, instant noodles and other foods. Ariake is an example of a company in what we call our high value-added bottlenecks theme. Another example is Symrise, a German manufacturer of fragrances, flavorings and cosmetics base materials. These are businesses that provide high-value inputs within their respective supply chains but that represent only a small portion of the total product cost. Ariake produces its seasonings by using byproducts of the meat-processing industry, primarily using bones to extract flavors. This is a very high-value business as very few companies have the technological capability to do this properly, and Ariake's seasonings play a predominant role in the final product's taste. Most companies use synthetics, but the industry prefers natural flavors given health consciousness among consumers and the increasing preference for organic foods. Consequently, Ariake has historically had pricing power with their customers. The stock has been weak recently following the company's announcement that it would be selling its US subsidiary—one of its main sources of growth—to focus on growing its nascent Asia business. Management decided the US and Asia were difficult to pursue simultaneously and saw Asia as a bigger long-term opportunity. We plan continued dialogue with management surrounding strategy, including site visits in Japan later this year.

Outlook and Positioning

As we reflect on our first completed quarter after fully repositioning the portfolio in Q4 2018, we are fairly enthusiastic about what we have built. We believe we have created a diversified portfolio of high-quality international small- and mid-cap businesses with meaningful exposure to structural growth trends. These structural growth trends include the adoption of e-commerce, the next-generation automobile, advances in life sciences, industrial automation and the increasing role of technology throughout the economy.

We are also excited by our ability to access the lower end of the market-cap universe and have made a number of investments in the small-cap space. Examples are Fuji Soft, Quotient and MIPS. Fuji Soft is a Japanese systems integration provider with a history of developing software for banking systems and telecommunications. More recently, the company has focused its efforts on supporting the automotive software market, specifically in the development of embedded software. Embedded software development requires specialized knowledge, and Fuji Soft is one of a few companies in the world with these capabilities at the scale needed to support large auto projects. We believe Fuji Soft is well-positioned to benefit from the increasing importance of embedded software in the automobile given the shift toward self-driving and connected cars.

Quotient is a Switzerland-headquartered provider of blood transfusion diagnostics solutions to hospitals and blood banks. Quotient currently provides automated systems for blood typing but is developing a testing platform called MosaiQ™ that promises to fully automate and consolidate both blood typing and screening of a broad set of infectious diseases and immune disorders in donor and patient blood using a single technology platform. This would be a transformative solution both for improved patient care and the alleviation of health care cost pressures associated with manual testing methods.

MIPS is a Swedish developer and marketer of brain-protection technology used in helmets for cycling, skiing, motorcycle riding, car racing and helmet-bearing sports and activities. The company's patented, proprietary MIPS brain-protection system (BPS) has been shown to reduce the risk of brain injuries from rotational forces—an issue that still exists for traditional helmets. The company runs an asset-light business model, having chosen to outsource manufacturing of the MIPS BPS. We believe the company's rapid growth should continue as it drives penetration within its existing customer base, acquires new customers and branches out into other market segments.

As investors, particularly in this exciting and ever-changing market segment, our work is never done. The opportunity to discover businesses that are unknown or misunderstood is a challenge and a joy, and we are hard at work on a handful of new investments that we look forward to updating you on 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 Mar 2019. 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 Mar 2019: ACADIA Pharmaceuticals Inc 1.0%; Cree Inc 1.9%; Obic Co Ltd 1.8%; Tecan Group AG 2.3%; AVEVA Group PLC 1.2%; Nice Ltd 2.8%; Rakus Co Ltd 0.8%; OBIC Business Consultants Co Ltd 1.0%; Biotech AB 0.7%; Fluidigm Corp 0.4%; Jeol Ltd 1.0%; NanoString Technologies Inc 0.6%; AC Immune SA 0.1%; Metro Bank PLC 0.1%; Ariake Japan Co Ltd 0.6%; Symrise AG 1.1%; Fujii Soft Inc 1.0%; Quotient Ltd 0.4%; MIPS AB 0.6%. 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.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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