



Artisan Global Discovery Fund

QUARTERLY
Commentary

Investor Class: APFDX

As of 30 September 2019

Investment Process

We seek to invest in companies that possess franchise characteristics, are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. Our investment process focuses on two distinct elements—security selection and capital allocation. We overlay our investment process with broad knowledge of the global economy.

Security Selection

We seek to identify companies that have franchise characteristics (e.g. low cost production capability, possession of a proprietary asset, dominant market share or a defensible brand name), are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. We look for companies that are well positioned for long-term growth, which is driven by demand for their products and services, at an early enough stage in their profit cycle to benefit from the increased cash flows produced by the emerging profit cycle.

Capital Allocation

Based on our fundamental analysis of a company's profit cycle, we divide the portfolio into three parts. GardenSM investments are small positions in the early part of their profit cycle that may warrant more sizeable allocations as their profit cycle accelerates. CropSM investments are positions that are being increased to a full weight because they are moving through the strongest part of their profit cycles. HarvestSM investments are positions that are being reduced as they near our estimates of full valuation or their profit cycles begin to decelerate.

Broad Knowledge

We overlay the security selection and capital allocation elements of our investment process with a desire to invest opportunistically across the entire global economy. We seek broad knowledge of the global economy in order to find growth wherever it occurs.

Team Overview

We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is solely dedicated to our process and approach.

Portfolio Management



Jason L. White, CFA
Portfolio Manager (Lead)



James D. Hamel, CFA
Portfolio Manager



Matthew H. Kamm, CFA
Portfolio Manager



Craigh A. Cepukenas, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2019	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Investor Class: APFDX	-0.22	29.25	7.98	—	—	—	15.18
MSCI All Country World Index	-0.03	16.20	1.38	—	—	—	6.95

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Fund inception: 21 August 2017.

Expense Ratios	Gross	Net ¹
Semi-Annual Report 31 Mar 2019 ²	1.43%	—
Prospectus 30 Sep 2018 ³	1.71%	1.50%

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2020. ²Unaudited, annualized for the six-month period. ³See prospectus for further details.

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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.



Investing Environment

Global equity markets proved resilient through a choppy Q3, with most markets turning in flat performances despite trade tensions, spiking oil prices, ongoing concerns about slowing global growth and Brexit uncertainty. US equity markets led, followed by non-US developed and emerging markets.

Many economies globally are starting to show some fallout from tariffs, and the US-China trade war remains front and center. Both parties announced another round of tariffs during the quarter, with the US expected to levy tariffs on consumer goods for the first time. Trade talks are expected to resume in October in Washington, D.C., though the consensus is that a comprehensive deal is unlikely.

On the monetary policy front, many central banks globally shifted toward accommodative stances against the backdrop of low inflation, escalating trade conflicts and other geopolitical uncertainties. Domestically, the Federal Reserve reversed course for the first time in 11 years, cutting rates by 25bps twice in the quarter and bringing the federal funds rate to 1.75%-2.00%.

More defensive sectors led, including utilities, real estate and consumer staples. Conversely, health care, materials and energy lagged—the latter despite a brief spike in oil prices following an Iranian attack on Saudi oil fields. The health care sector has been pressured amid intensifying US political rhetoric ahead of the presidential primary, which has increased uncertainty about the future of the insurance industry and pharmaceutical pricing. From a size perspective, large-cap indices outperformed mid and small caps, and growth lagged value in the small- and mid-cap indices. However, growth remains ahead of value in large-, mid- and small-cap indices YTD.

Performance Discussion

Against a backdrop of ample market volatility and geopolitical uncertainty, our portfolio trailed the MSCI All Country World Index in Q3 but remains ahead YTD. Given a strong first half for the portfolio, more modest absolute and relative performances in Q3 were not a shock to us. Our information technology holdings were the primary relative detractor, while relative strength was concentrated among our industrials, consumer discretionary and financials holdings.

Among our top contributors in Q3 were Varta, Notre Dame Intermedica and Burberry. Varta, the world's leading manufacturer of microbatteries, turned in solid Q2 results, adding new contracts with better pricing terms. The company is benefiting from the accelerating secular trend toward wireless headphones, which are rapidly proliferating, and rechargeable hearing aids, which have become sufficiently affordable that consumers find them compelling. Both devices are experiencing accelerating market share gains, creating a backlog of orders which the company has recently chipped away with increases in production capacity. Though we are monitoring the valuation, we believe the secular trends toward wireless headphones

and rechargeable hearing aids remain relatively early in their penetration curves.

Notre Dame Intermedica is one of the largest health plan and hospital groups in Brazil. As Brazil has faced rapid health care cost inflation, Intermedica has vertically integrated by acquiring hospitals, building outpatient ERs and clinics and adding lab and imaging services. Through these efforts, the company is lowering costs and premiums, improving quality of service and capturing market share—even against a recession in Brazil. Further, the company has recently expanded its business into Rio de Janeiro, where we anticipate it will largely replicate the success it has seen in São Paulo. Given the broad growth runway, we believe Intermedica is well-positioned to drive a compelling, ongoing profit cycle in the period ahead.

Leading global luxury retailer Burberry has executed well on its strategic plan under a new CEO, CFO and creative designer to revitalize its business, particularly with younger customers. The company's new collection by Riccardo Tisci—targeted toward millennials and the bulk of which is expected to be rolled out this Fall—has shown early promise, particularly among Chinese consumers. With signs the company has moved from stability to modest acceleration, we added to our GardenSM position during the quarter.

Among our bottom contributors this quarter were IMCD, Alexion Pharmaceuticals, Techtronic and Cision. IMCD, a specialty chemical distributor, outperformed throughout the first half of 2019—successfully dodging most industrial weakness in the US and Europe. However, the company's Q3 results exhibited signs of weakness in sympathy with the broader industrial sector, and shares consolidated some of their solid YTD gains. We pared our exposure in anticipation of the reported fundamental slowdown and as the valuation approached our estimate of private market value. Longer term, we believe the company remains well-positioned to consolidate a fragmented market and take share in non-European markets.

Shares of Alexion were pressured by negative news on the intellectual property front for its legacy Soliris[®] product, increasing the likelihood that biosimilar versions will reach the US and Europe in a few years. This news was disappointing but contemplated in our scenario forecast. More important, we believe the company is pressing well in converting its Soliris[®] franchise to its next-gen, patent-protected Ultomiris[®] product. As doctors and patients continue to move to Ultomiris[®] in the quarters and years ahead, we expect Soliris[®] to be a smaller part of revenue (and therefore a smaller business risk) when generics come to market. At the current stock price, we believe Alexion's future cash flows remain meaningfully undervalued, but it may require patience as we wait for future catalysts to convince the market there is an interesting profit cycle beyond Soliris[®].

Shares of Techtronic consolidated solid YTD gains during Q3 as US-China trade tensions escalated. However, we believe the company is

taking appropriate steps to mitigate tariffs' potential impact—reducing its manufacturing footprint in China by opening new plants in Vietnam and Mexico. We remain excited about the profit-cycle potential as the company rolls out product innovations, particularly with the Milwaukee brand's cordless products which we expect to be a key growth driver over the next several years.

Cision is the leading provider of workflow software utilized by public relations professionals. We have held Cision as we anticipated it would disrupt an industry which lacked fully integrated solutions, in turn becoming the go-to software provider and capturing a growing stream of recurring revenues as its product gained traction. Since initiating our campaign, however, Cision has struggled to accelerate organic growth due to a slower-than-expected sales cycle for Cision Impact, weaker-than-anticipated product cross-sells, and an inability to gain traction in the international markets. We consequently harvested our GardenSM position in favor of better opportunities.

Portfolio Activity

We initiated a new position in Koninklijke DSM in Q3. DSM is an innovative global manufacturer of ingredients used in the animal feed, food and personal care industries, as well as specialty plastics and resin solutions for the automotive, solar, electrical, food and consumer goods industries. Shares have been volatile over recent years as it has been a major supplier of Vitamin E—a supplement that has become somewhat commoditized. However, we feel this has masked the company's innovation, particularly in its nutrition segment where DSM has a sizable pipeline of sustainable and healthy food products. These products include sugar replacements and more sustainably produced animal feed—including a salmon-feed additive that increases Omega 3s and reduces time to grow, a bovine feed additive that reduces methane gas emissions, and a sugar replacement that is sustainably manufactured and lower in caloric intake. These products tend to have attractive margins, and we are monitoring approvals and early uptake within its pipeline. We believe the market hasn't given the company enough credit for this pipeline as well as the innovation and consistency of its offerings.

In addition to the aforementioned sale of Cision, we also concluded our campaigns in Husqvarna and HDFC Bank in Q3. We held Husqvarna, a producer of power products for forest, park and garden care, as we anticipated the company's efforts to restructure its consumer brands segment combined with the rollout of new driverless lawnmowers in the US would drive improved top-line growth and margins. However, given a couple quarters of disappointing results and underwhelming indicators for the robotics business, we exited our GardenSM position.

HDFC Bank is a leading provider of banking and financial services in India. Despite solid underwriting standards and a healthy customer credit profile, Q3 results were weak as India's slowing economy is impacting the personal auto loan market—one of HDFC's largest businesses. Furthermore, the Reserve Bank of India recently cut interest rates, pressuring bank fundamentals more broadly. We exited

our position during the quarter in favor of companies in our pipeline with more visible near-term profit cycle drivers.

We trimmed our exposure to Progressive and Gardner Denver during the quarter. While Progressive continues delivering excellent results, taking share in the sizeable personal auto and homeowners insurance markets, the industry's margin cycle is moderating, which should lead to slower profit growth than the company has experienced in recent years.

Shares of Gardner Denver were pressured based on a weak quarter and near-term outlook for its energy business. We have accordingly reduced our profit expectations for the next few years. The industrial segment has proven more resilient, which we find encouraging, as this will increasingly be the focus of the business as it completes its merger with Ingersoll Rand's industrial segment in the coming quarters. Gardner Denver's initiatives to improve operations have been impressive in recent years, and we expect the Ingersoll Rand transaction to create new opportunities in that area going forward. However, based on our cautious outlook for the company's more cyclical businesses, we reduced our position.

Portfolio Statistics

As of September 30, the portfolio had a median market cap of \$12.5 billion and a 3-5 year forecasted weighted average earnings growth rate of 16%. Our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 29X FY1 earnings and 25X FY2 earnings. As of quarter end, we held 59 positions. Our top 20 holdings accounted for roughly 52% of portfolio assets as of quarter end. Our top 30 holdings represented about 67% of portfolio assets.

Perspective

For nearly a decade, we have enjoyed economic expansion and strong stock market returns coming out of the worst economic crisis since the Great Depression. Interest rates have remained below pre-crisis levels throughout this cycle, creating a favorable environment for equities—growth stocks in particular. More recently, rates have marched back toward historic lows and monetary policy makers have become more accommodative, which gives equity markets some level of confidence. The big debate is whether historically low interest rates are foretelling global recession, or whether they potentially prolong what has been something of a Goldilocks period for the stocks of well-positioned growth franchises. On one hand, if one really believes the risk-free rate is likely to remain historically low for the next several years, then equities are not overvalued—particularly relative to alternatives. On the other hand, if the risk-free rate is predicting a bear market (and there are undoubtedly some economic indicators which could point in that direction), then the end of the bull market may be near in conjunction with a recession.

Expectations for return potential are more muted today relative to the beginning of the year and most indicators—mounting pressures from the ongoing trade war, Hong Kong protests, Brexit disruption, US election uncertainty—point to a tougher road ahead. Scrutiny of

business models and valuation assumptions are increasing as evidenced by recent failed or poor-performing initial public offerings (IPOs)—most notably Uber, Lyft, WeWork and Peloton. While late-cycle, failed IPOs tend to predicate a bear market, an argument could be made these companies stayed private too long and were asking for far too generous valuations. In fact, one could argue that public investors' poor reception to these cash-burning, asset-intensive business models suggests the "technology-stock mania" sometimes alluded to in the media is perhaps overstated.

While we would argue the bull market is likely nearer its end than its beginning, we also don't think this period is completely analogous to the end of previous bull markets when stocks were universally quite expensive. On the contrary, we continue to find high-quality growth franchises whose shares have risen because of the relative certainty of their future profits growth (Varta, Notre Dame Intermedica, Pagseguro Digital and others). Further, it's worth noting our process is deliberately designed to avoid companies like the aforementioned failed IPOs, which generally aren't earning profits, don't have an identifiable plan for growing profits and are overvalued.

In sum, we find ourselves neither bullish nor bearish at this juncture—but nor does our process require us to make a laser-accurate macro forecast in order to deliver long-term results. Further, it is possible to see both eventualities simultaneously without reacting to one extreme or the other. Against this backdrop, we maintain our conviction that many of the profit cycles in our portfolio offer further opportunity for long-term compounding of value—following trends that are more secular (proliferating use of software, renewable energy, health care innovation) than cyclical in nature. Strong franchises with visible profit cycle drivers and healthy balance sheets should continue to be preferred in this economic environment (over any reasonable period of time), and therefore we saw this volatility as a chance to add to holdings as the risk-reward became more attractive.

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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 Index measures the performance of developed and emerging markets. 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 30 Sep 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 comprise the following percentages of the Artisan Global Discovery Fund's total net assets as of 30 Sep 2019: Varta AG 3.4%, Techtronic Industries Co Ltd 3.4%, Notre Dame Intermedica Participacoes SA 2.3%, Gardner Denver Holdings Inc 1.7%, Burberry Group PLC 1.6%, Alexion Pharmaceuticals Inc 1.6%, The Progressive Corp 1.5%, IMCD NV 1.5%, Koninklijke DSM NV 1.0%, Pagueseguro Digital Ltd 0.9%. 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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Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Artisan Partners excludes outliers when calculating portfolio characteristics. If information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio statistics. **Weighted Average** is the average of values weighted to the data set's composition. **Weighted Harmonic Average** is a calculation of weighted average commonly used for rates or ratios. **Market Cap** is the aggregate value of all of a company's outstanding equity securities. **Earnings Growth Rate** is the annual rate at which a company's earnings are expected to grow. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Private Market Value** is an estimate of the value of a company if divisions were each independent and established their own market stock prices.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: GardenSM, CropSM and HarvestSM. GardenSM investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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