Artisan Developing World Fund

QUARTERLY
Commentary

Investor Class: ARTYX | Advisor Class: APDYX | Institutional Class: APHYX

As of 31 December 2019

Portfolio Management
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Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned 13.32% for the quarter ended December 31, 2019, versus 11.84% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 57.66% cumulatively, versus 27.63% for the MSCI Emerging Markets Index. Strong market returns reflect the preliminary Phase One trade agreement between the United States and China, signs of stabilization in global manufacturing activity and the third of three 25bps interest rate cuts from the US Federal Reserve. These factors, combined with better visibility into how China intends to manage the renminbi, contributed to a 3.56% increase in the MSCI Emerging Markets Currency Index during the fourth quarter, the fifth-largest such increase in the last decade. The Russian ruble appreciated 4.49% against the dollar this quarter, the Korean won 3.43%, and the Brazilian real 3.29%. Global equity indices rose during the quarter (S&P 500® Index 9.06%, MSCI EAFE Index 8.50%), though our US and European holdings fared better (approximately 17.05%). China was an outsized performer during the quarter (14.71%), with relatively even performance across Hong Kong, mainland Chinese and US equity markets. Korea (13.40%) and Taiwan (17.94%) also rose sharply due to currency appreciation and optimism that 2020 will be a better year for global manufacturing activity. Russia (16.75%) and Brazil (14.21%) also performed well, though local index increases were less pronounced. Relatively weaker major markets included Mexico (6.12%) despite the recently agreed USMCA trade deal with the US, as the country continues to struggle with Andres Manuel Lopez Obrador's (AMLO) economic policies. India rose just 5.32% as investors balanced their initial enthusiasm for September's corporate tax cut against the reality of tight bank liquidity and weak economic conditions.

Contributors and Detractors

Top contributors to performance for the quarter included Chinese education services provider TAL Education Group, US graphics semiconductor company NVIDIA, Southeast Asian gaming and e-commerce company Sea, Chinese e-commerce leader Alibaba and Dutch digital payments company Adyen. TAL rose on signs of reduced regulatory headwinds and accelerating growth in its offline learning center business, while investors gradually gain comfort with the competitive environment and strategic direction of its online initiatives. NVIDIA rose as its gaming and data center recoveries gained momentum, and investors digested the potential for reduced trade tensions between the US and China. Sea rose as investors reacted to the trajectory of its hit Battle Royale game, "Free Fire," which showed new signs of success in India in particular, while e-commerce profitability and competitive positioning are also improving faster than anticipated. Alibaba rose due to continued operating momentum in its core business, as investments in data capture and personalization continue to yield sustained e-commerce growth, while also benefiting from its proxy status as Chinese equities rose. Adyen recovered after being depressed by a multi-quarter period of private equity selling, as it continues to show promise in its digital payments gateway and acquiring businesses.

Detractors from performance for the quarter included Thai convenience store operator CP ALL, Indian luxury jewelry retailer Titan, Brazilian digital payments processing provider Pagseguro Digital, Chinese retail pharmacy chain operator Yifeng Pharmacy and luxury cognac producer Remy Cointreau. CP ALL was down against a challenging Thai macro backdrop, which investors incorrectly anticipated would prompt government stimulus, and due to speculation that its parent company could pursue an acquisition to the detriment of CP ALL shareholders. Titan was pressured by weak economic activity and rising gold prices, which led many Indian jewelry consumers to postpone purchases, though market-share gains continued. Pagseguro declined as investors digested a large equity placement and the subsequent announcement of mixed operating results and guidance. Yifeng declined as mainland health care companies faced another round of drug price cuts and regulatory pressure, though pharmacy chain economics should prove relatively resilient. Remy suffered from continued protests in Hong Kong and competitive pressure in the US, though mainland Chinese sales, which are crucial to the long-term equity story, continued to grow at attractive rates.

Market Outlook

While the Phase One agreement should put a floor on business confidence, it has not been finalized as of this letter's writing. We are encouraged that the agreement is said to include tariff rollbacks, moves beyond tariffs to cover intellectual property protection and market access, and provides an enforcement mechanism. At the same time, we can observe a discrepancy in the details discussed by the Chinese and US sides, which suggests lingering tensions. Moreover, the Phase One agreement does not seem to address the issue of state subsidies, which go to the root of China's economic model. State subsidies consequently remain a large obstacle for future trade discussions, which will now occur in a US presidential election year. We also cannot dismiss the possibility of renewed tariff increases, persistent national security clashes, human rights critiques over Hong Kong or Western China, or new friction points—particularly if the next round of negotiations progresses in an unsatisfactory manner. On balance, it seems fair to be constructive on the implications of the Phase One agreement but to acknowledge the uncertainties ahead.

More broadly, what continues to elude global investors and policymakers the most is growth. Cyclically speaking, there are reasons for optimism. Interest rates in the US have come down 75bps since the summer, which should be supportive of economic activity and has provided continued cover for emerging markets central banks to lower rates. Indeed, we are at all-time policy-rate lows in Brazil, while India, Indonesia and Russia have all recently lowered interest rates. Manufacturing indicators appeared to show signs of bottoming even before the Phase One announcement, and we are entering a US presidential election cycle which should tend to favor pro-growth fiscal and economic policy. At the same time, despite low or negative policy rates, global growth continues to be tepid in real (and even nominal) terms. Given high debt levels and the electoral implications of current uninclusive growth, there is increasing acknowledgement in global policy circles that new forms of quantitative easing and enhanced fiscal appetite will be required. Demographics and fiscal pressures remain long-term challenges for growth rates in most developed markets and increasingly for many emerging markets. Higher interest rates could render current debt burdens challenging at some point in the future.

Portfolio Positioning

We are fond of saying we are in constant evolution around a core set of investment principles. One such principle is a focus on low-penetration domestic demand, which should engender attractive compounding outcomes. However, fewer emerging markets are experiencing the "demographic dividend" that was pervasive earlier this century. Those that do often face skills shortages, rising labor costs and poor business climates, which make foreign direct investment difficult to justify. Many of these same countries lack an engine for domestic capital formation to offset the shortage of foreign capital. Thus, over a period of time, we have seen investment growth rates slow and job creation progress at a clip insufficient for improved living standards. A notable exception is China, which has more favorable dynamics across each of these dimensions. For example, while China remains constrained from a demographic perspective, it has an abundance of skilled labor due to its substantial investment in higher education. Similarly, while fixed asset investment in China has slowed, it has a vibrant ecosystem for domestic capital formation which increasingly includes better capital allocation. The combination of skilled labor availability and domestic capital formation creates a productivity story that is unmatched in any major emerging market today and which provides a baseline level for economic output, even as growth slows. Our portfolio is increasingly aligned with these developments. For example, Wuxi Biologics is a beneficiary of the abundance of skilled post-graduate researchers in China. Similarly, continued growth in output has created a large services economy in China, which should increase demand for out-of-pocket eye hospital services at Aier and local services at Internet company Meituan.

Outside of China, we increasingly operate in a world of constraints. For example, South Africa, Mexico, Turkey are not only growing below potential output, but also continue to see potential output fall. These countries once constituted significant weights in our portfolio but are weighted at zero today. Similarly, India, Russia, Brazil and Thailand were once great sources of domestic demand and compelling equity outcomes but are today less well-represented in our portfolio. When we do invest in these countries, we have increased our focus on what we characterize as scalable businesses. Scalable businesses are aligned with a world where capital is cheaper than labor and give us the chance for attractive equity outcomes, even in countries and regions unlikely to achieve their potential output. For example, while we are concerned about potential output in every investable country in Latin America and believe that income growth will suffer commensurately, we believe MercadoLibre is well-positioned to capture the limited income growth across its major markets in a disproportionate way. Similarly, Sea is well positioned to capture ASEAN and India millennial spending power and purchasing habits at rates well in excess of what job and income growth in these areas would otherwise suggest. It is also worth noting that as consumption patterns (and, in China's case, income levels) change, multinational companies are being touched by emerging markets in ways that extend beyond higher toothpaste or soap penetration. Even where potential output has stagnated, this dynamic has allowed us to capture latent emerging markets domestic demand in new ways. In China, that has meant an investment in NVIDIA in an effort to benefit from the country's data center buildout. In more constrained markets, it has taken the form of Adyen, as a means to capture increased digital payments, or Netflix, as a way to capitalize on latent entertainment demand.

We thank you for your trust and confidence.

Investment Process

We seek to build, preserve and reinforce a stream of compounded business value. We define this emphasis as follows:

Build: Pair low penetration domestic demand with scalable and enduring businesses.

Preserve: Create a differentiated correlation experience, manage currency volatility and limit risk of investment impairment.

Reinforce: Reinforce a compounding outcome through methodical portfolio improvement.

Investment Results (%)

As of 31 December 2019	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**13.32**	**41.67**	**41.67**	**17.29**	—	—	**10.73**
Advisor Class: APDYX	**13.32**	**41.89**	**41.89**	**17.47**	—	—	**10.93**
Institutional Class: APHYX	**13.36**	**41.97**	**41.97**	**17.57**	—	—	**11.04**
MSCI Emerging Markets Index	11.84	18.42	18.42	11.57	—	—	5.88

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Fund inception: 29 June 2015.

Expense Ratios	ARTYX	APDYX	APHYX
Annual Report 30 Sep 2019	1.35	1.18	1.08
Prospectus 30 Sep 2018[1]	1.37	1.18	1.09

[1]See prospectus for further details.

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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. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. 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.

MSCI Emerging Markets Index measures the performance of emerging markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All single country returns are net returns based on MSCI country indices. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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This summary represents the views of the portfolio managers as of 31 Dec 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 Dec 2019: Alibaba Group Holding Ltd 5.5%, Sea Ltd 5.2%, MercadoLibre Inc 5.0%, TAL Education Group 4.7%, Adyen NV 4.7%, NVIDIA Corp 4.6%, Titan Co Ltd 2.2%, Aier Eye Hospital Group Co Ltd 1.2%, Meituan Dianping 1.1%, CP ALL PCL 1.1%, Wuxi Biologics Cayman Inc 1.0%, Remy Cointreau SA 0.9%, Yifeng Pharmacy Chain Co Ltd 0.9%, Netflix Inc 2.0%. 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.

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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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