



Artisan International Fund

QUARTERLY
Commentary

Investor Class: ARTIX | Advisor Class: APDIX | Institutional Class: APHIX

As of 31 March 2020

Investment Process

We seek to invest in companies, within our preferred themes, with sustainable growth characteristics at attractive valuations that do not fully reflect their long-term potential.

Themes

We identify long-term secular growth trends with the objective of investing in companies that have meaningful exposure to these trends. Our fundamental analysis focuses on those industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of any structural change and/or trend.

Sustainable Growth

We apply a fundamental approach to identifying the long-term, sustainable growth characteristics of potential investments. We seek high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team.

Valuation

We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

Team Overview

Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

Portfolio Management



Mark L. Yockey, CFA
Portfolio Manager



Charles-Henri Hamker
Associate Portfolio Manager



Andrew J. Euretig
Associate Portfolio Manager

Investment Results (%)

As of 31 March 2020	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	-21.26	-21.26	-7.78	2.92	-0.20	4.92	7.89
Advisor Class: APDIX	-21.23	-21.23	-7.62	3.07	-0.04	5.00	7.93
Institutional Class: APHIX	-21.21	-21.21	-7.56	3.15	0.03	5.16	8.11
MSCI EAFE Index	-22.83	-22.83	-14.38	-1.82	-0.62	2.72	3.74
MSCI All Country World ex USA Index ¹	-23.36	-23.36	-15.57	-1.96	-0.64	2.05	4.12

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (28 December 1995); Advisor (1 April 2015); Institutional (1 July 1997). 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. ¹Performance represents the MSCI ACWI ex USA (Gross) Index from inception to 31 Dec 2000 and the MSCI ACWI ex USA (Net) Index from 1 Jan 2001 forward.

Expense Ratios	ARTIX	APDIX	APHIX
Annual Report 30 Sep 2019	1.19	1.04	0.96
Prospectus 30 Sep 2019 ¹	1.19	1.04	0.97

¹See 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.



Investing Environment

Global equities experienced a historic selloff in Q1 driven by the COVID-19 pandemic, with most broad-based indices declining 20% or more. Market turmoil began in February's final week following news the novel coronavirus had spread beyond mainland China to Italy, making containment much less likely. Shutdowns and social distancing measures imposed by governments worldwide to slow transmission and thereby "flatten the curve" to avoid overwhelming health care systems produced a sudden shock to global supply chains and domestic demand around the world. The headlines that had dominated in prior months—the US-China trade war, Brexit and the US impeachment—were immediately eclipsed by the emerging health crisis. Massive job losses and sharp reductions to GDP estimates ensued. In the US, for example, initial jobless claims over the three weeks ending April 9 totaled 16.8 million—approximately 10% of the US workforce. For perspective, the US unemployment rate peaked at 10% in October 2009 shortly after the global financial crisis.

Governments worldwide have responded to the health crisis's economic fallout with unprecedented levels of emergency fiscal and monetary stimulus—far exceeding and much faster than historical efforts, including responses to the 2008 financial crisis. The host of programs and facilities are designed to provide necessary market liquidity to restore proper functioning, credit lifelines to businesses to help keep them afloat until economies reopen, and cash payouts to households to stave off financial hardship. A global recession now seems inevitable, but as future economic outcomes hinge on an uncertain global health crisis, the duration and depth of the economic contraction and contour of the recovery are difficult at best to predict. Rather than try to make a macro call, which is not our edge, our focus remains on bottom-up fundamental analysis as we seek to identify companies with the characteristics necessary for long-term sustainable growth.

All sectors and regions finished lower. The energy sector was the worst performer as oil prices came under pressure from the dual shocks of COVID-19 and the Saudi Arabia-Russia price war. Other hard-hit areas of the market included travel-related businesses (e.g., airlines, hotels, restaurants), retail and banks. More defensive sectors, like health care, consumer staples and utilities, held up best. Growth stocks continued to outpace value during the quarter, maintaining a performance pattern prevalent for the majority of the 11-year bull market that began in 2009.

Performance Discussion

Our portfolio was negative on an absolute basis but held up slightly better than the MSCI EAFE Index in Q1 due to positive stock selection. In particular, relative results benefited from our industrial gases companies in the materials sector, exchanges and insurance holdings in the financials sector, and e-commerce-oriented businesses in the consumer discretionary sector. Currency impacts were also favorable on a relative basis due to our exposure to a strong US dollar. We hold a few non-US companies that trade on US exchanges, some of which are ADRs (e.g., Alibaba), in addition to a handful of US-headquartered

companies that generate a meaningful share of their revenue from outside the US (e.g., Amazon.com, Aon). Sector positioning was a headwind, however, due in part to our below-benchmark weightings in the utilities and consumer staples sectors.

Amazon.com, Lonza Group and Novo Nordisk were our top individual contributors. Amazon.com's e-commerce and web services businesses are favorably positioned in this environment as social distancing behaviors reinforce existing secular trends toward e-commerce and cloud software. Recent trends indicate strong growth in sales of grocery and other essential items. Amazon is one of the few companies with the deep product selection and shipping capabilities to benefit from the accelerated shifts in consumer behavior.

Switzerland-based Lonza Group is a global supplier of biotechnology and specialty ingredients for the life sciences, pharmaceuticals and food-processing industries. Top-line growth in the company's pharma/biotech division is being driven by strong demand for outsourced drug manufacturing. To date, drug demand from pharma and biotech customers has not been impacted by the pandemic. Lonza has noted disruptions in clinical trial programs but is not expecting these to significantly impact top- or bottom-line results as it has not seen any clinical supply production contracts postponed or cancelled.

Novo Nordisk, a pharmaceutical company specializing in diabetes and biopharmaceuticals, is a long-term beneficiary of increasing diabetes rates due to its strong insulin franchise, with high barriers to entry. Last year's US FDA approval of its first-of-a-kind oral diabetes drug Rybelsus®, an oral semaglutide for the treatment of type 2 diabetes, should be a growth catalyst as the company ramps its sales efforts later this year. Longer term, we believe there is a \$10bn+ sales opportunity for Rybelsus® in the US oral anti-diabetes market.

Our biggest detractors were Airbus, Petrobras and Amarin. Shares of Airbus, an aerospace manufacturer, experienced sharp declines along with other air travel-related companies. We expect significant production cuts, but given Airbus's higher-quality backlog, greater exposure to the narrow-body market and stronger balance sheet, we believe Airbus is better positioned than Boeing to take share in this duopolistic market. In all but the most draconian scenarios, we believe the company will eventually return to delivering these in-demand narrow-body planes. There does need to be some backstopping of airlines around the world to make sure Airbus has clients post the crisis, but the general direction for that occurring seems positive.

Petrobras is a Brazilian oil and gas company and our only energy sector holding. Amid a difficult oil price environment, the company has announced a series of moves to reduce costs and shore up liquidity. It drew \$8.7bn on its credit line and now has \$14bn in cash. Petrobras sees some projects in the pre-salt play with break-evens in the low \$20s/bbl but has stopped production on some shallow water fields. We believe the company's high level of liquidity, reductions to operating and capital expenditures, and shutdowns of uneconomic

fields should help it weather this challenging environment. Though we understand the inherent short-term commodities-price volatility in investing in the company, rising commodities prices are not the basis for our long-term sustainable growth thesis. We are attracted to Petrobras's above-average growth profile in the industry and multiple levers for business-value creation, including divesting non-core assets, cutting costs, deleveraging the balance sheet and reducing the company's cost of capital.

Amarin is a pharmaceuticals company focused on developing therapeutics to improve cardiovascular health. Shares fell sharply after the US District Court for Nevada issued a ruling in favor of generic manufacturers, invalidating the company's patents for its heart disease drug Vascepa®. Amarin will appeal the decision, though based on our discussions with patent experts, it's difficult to handicap the company's chance of success, and we generally avoid investing in binary outcomes. There is significant upside potential, but visibility into the appeal decision is limited. Besides the option value of the appeal, the company's value derives from its European patents that provide 10 years of exclusivity. Amarin was a small position in the portfolio as of the end of March.

Positioning

We believe we were well-positioned heading into this unforeseen crisis based on our higher-quality bias. We retain strong conviction in the exchanges, payment processors, insurance brokers and industrial-gases companies—representing a few of our larger industry exposures—that we believe should be able to maintain their long-term earnings growth trajectories beyond this crisis. Our e-commerce and cloud software holdings are also distinctly well-positioned in this environment, in our view, as social distancing behaviors reinforce existing secular trends toward e-commerce, cloud computing and remote work. With growing evidence that a deep global recession is unavoidable, we continue investing in well-managed companies that provide essential goods and services or possess a unique asset, with solid balance sheets and cash flow characteristics—attributes we believe should make them more resilient in an economic downturn.

We think it is illustrative of our investment approach to highlight our industrial-gases holdings Linde and Air Liquide as resilient business models in economic downturns. Both were top-five portfolio holdings as of quarter end. These companies supply customers across a diverse range of industries with gases such as oxygen, nitrogen and hydrogen. Though categorized in the commodities-oriented and highly cyclical materials sector, their business models are highly stable and defensible. These companies are leaders within a consolidated industry yielding strong pricing power and with high barriers to entry where the technical and capital requirements to compete in the industry deter new entrants. They also have strong bargaining power given they provide an essential product for end users' operations—so essential that major customers, ranging from steel makers to hospitals, require them to build and operate large-scale gas units either adjacent to their facilities or directly connected via pipeline. In exchange, customers enter into long-term (e.g., 15- to 20-year) take-

or-pay contracts. As a result, they enjoy the benefits of high switching costs for major customers, as well as cash flow predictability. Industrial gases also have environmental applications that are in focus as countries address the growing need to curb emissions and reduce natural resources' consumption. Among their uses are clean-coal technology, hydrogen fueling, improving energy efficiency and removing nitrogen oxide emissions. And in the current health care crisis, these businesses are seeing a pickup in demand for oxygen used in ventilators to treat patients with COVID-19.

In terms of new purchases during the quarter, we added Deutsche Telekom, Roche and Wuliangye Yibin.

- Deutsche Telekom is Europe's largest integrated telecom company and owns 45% of T-Mobile US (TMUS) following T-Mobile's merger with Sprint. The merger is highly positive and, we believe, should unlock value through cost synergies, scale and spectrum holdings. Access to Sprint's large band of 2.5 GHz spectrum is crucial for TMUS's 5G aspirations and provides a one-to two-year spectrum advantage over key US competitors Verizon and AT&T as C-Band is still being freed up for access. Additionally, Deutsche Telekom excluding TMUS is cheaper and has a higher free cash flow yield than European telco peers, despite having a better business and operating in Germany, one of Europe's more structurally stable markets.
- Roche is one of the largest pharmaceuticals companies globally. We are attracted to the growth potential of Roche's newer products (Hemlibra® for hemophilia, Ocrevus® for multiple sclerosis and Tecentriq® for cancer) and robust product pipeline. Roche faces headwinds from biosimilar erosion of its three biggest oncology drugs: Herceptin®, Rituxan® and Avastin®; however, we believe innovation within its older franchises and entirely new product categories emerging from the pipeline should drive growth.
- Wuliangye Yibin is China's second-largest spirits maker by market value and one of only two truly national baijiu brands. Despite the February lockdown, we believe the company can grow sales mid-to high-single digits in 2020 driven by a recent price hike and resilient consumer demand given its premium brand power. The company also has a robust balance sheet with no debt. Shares sold off in late January when news of COVID-19 broke, offering an attractive entry point, with the stock selling for a ~25% discount to key competitor Kweichow Moutai.

We exited our positions in payments company Adyen and enterprise software company SAP in favor of better opportunities. We also sold BNP Paribas, a France-headquartered bank, in early March due to concerns about the interest rate and credit environment.

Outlook

This has been one of the greatest selloffs in history, in terms of both speed and magnitude. It's also relatively unique in our careers as it has been caused by an exogenous factor (i.e., outside the financial system) that has led to a decline in the real economy. That said, from our experience, turbulent times such as these have offered the best opportunities to invest in companies that are mispriced relative to their underlying values. Amid the volatility, we are doing what we have always done: We are looking for companies with unique assets and value-added capabilities that make them higher-quality sustainable growth investments with less reliance on a favorable economic backdrop. As always, we will deploy capital to businesses in a conviction-based manner, taking advantage of recent sharp declines to invest in future growth potential at what we believe are attractive valuations.

Business Update

We are pleased to announce the promotion of team member Jeff Zhu to analyst. Mr. Zhu is based in our San Francisco office and covers the media, Internet and telecommunications sectors. Since joining Artisan Partners in 2014, he's contributed significantly to the team's research in these areas. Prior to joining Artisan Partners, Mr. Zhu was an analyst at JP Morgan Investment Management where he covered the financial services sector. Mr. Zhu holds bachelor's degrees in mathematics and economics from Yale University and a master's degree in business administration from the Wharton School, University of Pennsylvania.

Our investment philosophy and process takes us around the globe in search of investment opportunities which may be domiciled in or outside of the US. Using the same investment process as Artisan International Fund, our team also manages the Artisan Global Equity Fund. Since its inception in 2010, returns for the Global Equity Fund have been driven by stock selection based on our best ideas identified around the globe. For those interested in exploring our global fund, please visit www.artisanpartners.com.

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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.

Current and future portfolio holdings are subject to risk. 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 EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. 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 31 Mar 2020. 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 2020: Artisan International Fund—Alibaba Group Holding Ltd 1.9%; Amazon.com Inc 2.9%; Aon PLC 3.5%; Lonza Group AG 2.1%; Novo Nordisk A/S 0.9%; Airbus SE 2.2%; Petroleo Brasileiro SA 1.4%; Amarin Corp PLC 0.3%; Linde PLC 6.5%; Air Liquide SA 4.7%; Deutsche Telekom AG 1.3%; Roche Holding AG 2.0%; Wuliangye Yibin Co Ltd 1.3%. Artisan Global Equity Fund—Alibaba Group Holding Ltd 1.2%; Amazon.com Inc 3.8%; Aon PLC 0.1%; Lonza Group AG 2.9%; Airbus SE 1.0%; Petroleo Brasileiro SA 0.8%; Amarin Corp PLC 0.3%; Linde PLC 4.1%; Air Liquide SA 2.3%; Deutsche Telekom AG 1.2%; Wuliangye Yibin Co Ltd 1.3%. 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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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. An **American Depositary Receipt (ADR)** is a negotiable security that represents securities in a non-US company trading on a US exchange.

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