



Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 30 September 2020

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 30 September 2020	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	13.19	12.83	27.52	10.99	9.65	8.62	11.75
Advisor Class: APDJX	13.18	12.88	27.70	11.06	9.69	8.65	11.76
Institutional Class: APHJX	13.23	13.02	27.85	11.24	9.85	8.72	11.81
MSCI All Country World ex USA SMID Index	8.93	-4.89	4.88	0.79	6.40	4.85	8.36
MSCI All Country World ex USA Small Cap Index	10.50	-3.64	6.97	0.93	6.80	5.31	9.15

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
Semi-Annual Report 31 Mar 2020 ¹	1.34	1.20	1.09
Prospectus 30 Sep 2019 ^{2,3}	1.40	1.26	1.15

¹Unaudited, annualized for the six-month period. ²Reflects a reduction in management fees, effective 1 Dec 2018. 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.



Investing Environment

Following Q2's historic rebound, the recovery in non-US equities continued in Q3. Broad-based strength among more economically sensitive sectors reflected optimism regarding recovering economic indicators and progress on a COVID-19 vaccine. Asset prices broadly have also been supported by expectations of continued economic stimulus.

Our portfolio extended its year-to-date outperformance in Q3 versus both the MSCI ACWI ex USA SMID and MSCI ACWI ex USA Small Cap Indices. The portfolio's idiosyncratic nature resulted in differentiated returns across every sector, with broad-based outperformance led by security selection. Our holdings in the industrials, information technology, consumer discretionary and health care sectors meaningfully contributed to absolute returns. As we've stated in previous letters, rather than worry about short-term market gyrations in directional risk-on/risk-off environments, we adhere to our disciplined investment approach focused on structural tailwinds and bottom-up analysis of the companies poised to benefit. Accordingly, we invest over an investment horizon of five or more years and seek a shareholder base that aligns with our long-term orientation.

As we have done periodically, we will take this opportunity to discuss another element of our investment philosophy and process—this quarter, ESG alignment.

ESG "Alignment"

For nearly a decade, our investors have heard us discuss ESG (environmental, social and governance) principles as "naturally aligned" with our investing approach. In the spring of 2019, as we settled into our new home at Artisan, we published a piece highlighting various examples of how ESG topics have played into our past and present diligence. Through these windows into our approach and portfolio, we have attempted to clearly communicate the inherent relevance of this topic within our process.

One important aspect of our investment philosophy is our long-term orientation, which is key to our focus on sustainability. We look to invest in high-quality businesses with earnings sustainability over a minimum five-year time horizon and with the desire to own good businesses indefinitely. We seek and partner with dynamic management teams that over time can thoughtfully evolve with their opportunity set, increase the resilience of their business and adjust to a shifting global landscape. Our five year-plus investment horizon means we and our shareholders will directly bear the benefits and costs of management decisions regarding long-term sustainability in a more meaningful way than a portfolio with a high turnover rate. As history has shown repeatedly, tactics merely designed to boost short-term shareholder value often come with long-term consequences. As a result, we are engaged in ensuring management teams develop strategic plans, align those plans with consumer trends and invest for the future.

The integrity of governance practices of the business is also very important in the context of our long-term ownership. Strong governance is a prerequisite when one's investment horizon is five or more years. The costs of bad governance are not always borne in the immediate term, but good governance is crucial for long-term success. This takes on even greater significance in smaller companies, where founders and senior leaders tend to have an outsized impact on a company's future direction. Hence, we think carefully about issues such as the treatment of minority shareholders, voting control versus economic interest, cross-shareholding agreements, compensation policies, board independence, etc. To help inform our view, we routinely seek perspectives from various constituents inside the company and among suppliers, customers and competitors. If we find a clear misalignment or a revelation of meaningful governance issues during due diligence, we will not invest in the company; if the observation of ESG-related concerns emerge in the course of our ownership, we will engage with the company to understand the course of action to rectify. If we do not believe company management is appropriately addressing those risks, we will typically sell or reduce the position.

In terms of our daily investment process, ESG considerations are integrated into our analysis rather than considered via a distinct effort to develop some sort of score. While we respect the effort spent on quantitative scoring systems, we also feel a nuanced, long-term and qualitative approach is required to judge a business's true impact. We continually conduct direct discussions with corporate management teams, which provide us greater insight into companies' practices than rigid scoring systems, which often lack depth. Consider Kornit Digital, a top-10 position we first invested in last year, which is a leader in commercial printing solutions (i.e., equipment, software and ink) for the garment, apparel and textile industries. Kornit receives a poor ESG rating for its failure to provide stated HR policies and management disclosures. While we don't take this critique lightly, Kornit's disruptive technology allows for direct printing on garments and is enabling the apparel industry's structural shift to automation, fast fashion and increased customization in smaller runs for better inventory management. This revolution creates the potential for the apparel industry to dramatically shift its environmental footprint by reducing traditional large batch processes that produce significant amounts of toxic wastewater from dyes, and further focusing manufacturing quantities. We feel that a quantitative score sourced by availability of documentation may be missing the forest for the trees.

ESG considerations are also inherently integrated into our thematic orientation whereby we look for themes that will provide our companies durable tailwinds for the decade to come—a practice we refer to as investing on the right side of history. Our portfolio includes a plethora of businesses positively impacting the world as change agents in their respective industry niches. For example, we own companies involved in treating diseases through specialized biologics

or gene therapies, producing advanced diagnostics tools, and making the world cleaner, more efficient and more connected. Occasionally, we encounter a theme entirely aligned with ESG considerations—for example, our Smart Buildings theme, given commercial buildings are a large and underappreciated contributor to climate change. Buildings consume approximately 40% of the world's energy, presenting a large opportunity to renovate and thereby decarbonize the existing stock of energy-inefficient buildings. We are attracted to smart buildings innovators developing technologies like remote monitoring, temperature control, power efficiency and data monitoring to optimally control building systems. Notable weights in our portfolio today include Belimo, a Swiss maker of actuators, valves and sensors for HVAC and fire safety systems and an industry-leading innovator in building-efficiency optimization. Similarly, Azbil, a Japanese manufacturer of automated control systems for HVAC equipment used in industrial and commercial buildings, benefits from the trend toward green office-building modernization via improved energy efficiency and increased software intensity and connectivity. Additional ESG-friendly themes currently represented in our portfolio include:

- Next-Gen Auto focused on the electrification of the automobile
- Alternative Energy, represented by businesses like SolarEdge and Vestas Wind Systems
- Enablers of Automation in fulfillment and machinery operation
- "Instant Fashion," which leads to less product waste and improved apparel industry inventory management
- Healthy Food Ingredients

Extending the lens to a few of our large individual holdings, DSM and Metso Outotec are worth noting. DSM is a Dutch multinational with a leading global business for food additives/ingredients, vitamins and enzymes in the animal and human health markets. DSM's Clean Cow project has over the past decade resulted in the development of feed additives like Bovaer®, which has been shown to reduce cows' methane emissions by roughly 30%—a meaningful reduction given cows account for approximately 9% of global CO2 emissions. DSM's innovation engine and sustainability focus extend into aquaculture, where a joint venture with Evonik seeks to address overfishing from growing seafood consumption. This project has produced algae-based omega-3 fatty acids for use in fish oils and fishmeal for salmon farming.

Metso Outotec, a machinery business specializing in mining equipment, is perhaps an atypical investment for us, and one that on the surface might not seem to fit in a discussion of ESG-related investments. However, as a change agent, Metso has embraced innovations in electrification and IoT-driven sensors to automate mining operations. This shift toward mine automation stands to improve workers' well-being and reduce the use of raw materials, in addition to improving margins. Metso is committed to a 20% reduction in energy consumption and water usage and a 30% waste reduction by 2030. These are just two examples—we hold many

companies with both obvious and more subtle ESG-friendly characteristics—but perhaps their contrasting businesses illustrate our observation that the trend toward sustainability spans a variety of industries, and this is represented throughout our portfolio.

In summary, investing with a long-term thematic perspective has been a hallmark of our approach throughout our career. Over the last decade, we have seen more ESG-related items in questionnaires from current and prospective investors and have observed an explosion of third-party scoring frameworks and methodologies. Nevertheless, our approach has remained consistent. We believe our thematic orientation, deep fundamental research and long-term orientation align well with ESG considerations, but they are intrinsic to who we are. Our approach is nuanced; we pay close attention to how a company will evolve over time, and companies that clearly demonstrate poor ESG practices will not meet our high bar for quality. We recognize poor ESG practices represent a serious risk to the sustainability we seek and may result in adverse financial, legal and regulatory events. Conversely, strong ESG alignment enhances the attractiveness of a business's fundamentals. We look forward to continuing our discussion on our ESG alignment and other nuanced aspects of our differentiated investment approach in future communications.

Performance Discussion

Though we discuss only a few of our top performers in depth below, more than 40 holdings returned 20%+ during Q3, and no holding detracted more than 16 basis points from performance. Our top individual contributors were SG Holdings, Tecan Group and ASOS. SG Holdings is a Japanese provider of logistics and delivery services akin to UPS. Operating profit in the most recent fiscal quarter rose 47% on the back of robust growth in e-commerce and SG Holdings' improved delivery efficiency. Our long-term interest is focused on the opportunities to increase profitability as technological advancements in robotics and software enable the company to move higher up in the value chain and exercise pricing power. We are also looking at how this crisis may reinforce the secular trends in e-commerce and warehouse automation.

Tecan Group is a Swiss leader in the design and manufacturing of life-sciences tools and diagnostics instruments. Its core specialty is designing robotic liquid handling for lab and diagnostic equipment. Tecan's technologies require exquisite precision and have important applications in molecular diagnostics and gene sequencing. These secularly growing areas continue to drive increased investment rates in lab automation, and the COVID-19 pandemic has only accelerated this spending. We like Tecan's coveted, concentrated position in this niche industry.

ASOS is a UK-based online retailer of fashion and cosmetics that appeals to a younger demographic. As an example of our contrarian buyer approach, after ASOS's share price declined by roughly two-thirds in Q1 amid the broader market selloff, we were opportunistic buyers in Q2 and Q3, adding to our position at attractive prices. In Q3,

we were rewarded for our valuation discipline as ASOS shares returned 50%+. Our investment case is centered on e-commerce's secular growth and the company's overseas opportunity as ASOS seeks to increase its market penetration outside the UK. On the ESG front, ASOS has also made strides to improve its reputation for sustainable practices by, among other things, increasing its usage of renewable energy, working with suppliers to reduce delivery distances and helping customers identify eco-friendly products via new website search filters. ASOS also recently launched a "circular collection," which strives for zero-waste designs and recycled materials to produce a range of "trend-led" clothing and accessories. Clothes are cut from fabric in the most efficient way possible, and ASOS is reusing old products to create something new.

Our biggest detractors were ACADIA Pharmaceuticals, Almirall and Flexion Therapeutics. ACADIA is a biopharmaceuticals company and maker of Nuplazid® (pimavanserin), the only approved treatment for Parkinson's disease psychosis. The stock fell in July after Nuplazid® missed a primary endpoint in a trial for major depressive disorder. At this time, ACADIA does not plan to conduct another trial in this indication. Our investment thesis has centered on the potential for label expansion as ACADIA was engaged in multiple late-stage programs to broaden pimavanserin's clinical use beyond Parkinson's disease psychosis. Although the FDA accepted Nuplazid's® supplemental new drug application for dementia-related psychosis—a large market opportunity with no other approved drugs—and had previously committed to an accelerated priority review, it has since indicated a standard review timeline. With some of the upside optionality removed, we chose to exit this investment and put our capital toward more compelling opportunities.

Almirall is a Spanish pharmaceuticals company that is a leading player in the global dermatology and aesthetics markets. The COVID-19 pandemic has adversely affected the elective dermatology industry in the US and EU, with reduced patient visits during the lockdowns. We see this circumstance as most likely temporary. More recently, CEO Peter Guenter announced he will leave the company at year end. We are awaiting the announcement of his successor and plan to meet with management when appropriate. We believe our longer-term investment case remains intact and Almirall's robust pipeline of new drugs, which includes treatment for atopic dermatitis, is underappreciated.

Flexion Therapeutics is a biopharmaceuticals company focused on developing anti-inflammatory treatments for osteoarthritis and other musculoskeletal disorders. The company's main commercial product, Zilretta®, is the first extended-release injectable treatment for osteoarthritis-related knee pain. Zilretta® is highly effective and addresses the large market of osteoarthritis pain. Patients previously had few options because steroid injections were short-lived and had side effects. However, Zilretta® is long-lasting, not systemic and opioid-free. As with Almirall, the COVID-19 pandemic has led to significantly fewer physician office visits, slowing market traction for Zilretta®, and compounded existing insurance reimbursement issues.

While COVID-19 has weighed on near-term sales, our investment case remains focused on Zilretta®'s long growth runway given its low market penetration and large addressable market.

Positioning

Despite the lack of research travel, a highly valued aspect of the investment process we employ, our research engine continued running during Q3 and resulted in a variety of new positions. We credit this to our deep network of relationships from many years in our space, continuous dialogue with management teams that regularly generate new insights, and a very clear definition among all our team members of the type of investment opportunities we seek. As our readers and investors have also come to know, we initiate small positions and build gradually. Therefore, we must be selective about which new investments we choose to discuss during their embryonic stage in our portfolio.

During the quarter, we initiated positions in Fabrinet, Kion and AAK. Fabrinet is a Thailand-based provider of advanced optical components and services to OEMs (original equipment manufacturers). The world is moving away from copper wires in electronics to high-speed optics as accelerating data-transmission rates require greater speeds. This structural tailwind toward fiber optics is one we know well from our previous involvement with Mellanox, an Israeli chip designer acquired by NVIDIA. Fabrinet should benefit from the trend toward outsourcing and become a supplier to a broad swath of industries—including aerospace, automotive, industrial and life sciences—as the technology evolves.

Kion is the second-largest manufacturer of industrial forklifts globally and the world's largest warehouse-automation solution-provider following a merger with Dematic. The company is evolving away from traditional forklifts to lithium-ion electric forklifts and eventually to self-driving AGV (automatically guided vehicles) forklifts. Additionally, its expertise as a solutions-provider for warehouse automation and supply chain optimization opens meaningful opportunities ahead and is currently underappreciated by the market.

AAK is another example of a contrarian opportunity enabled by our long-term focus and the continued dislocation from COVID-19. AAK manufactures vegetable oils and fats used in meatless and alternative food products, baby formula, chocolate, etc. AAK's ingredients are engineered for longer shelf life and food cohesion, and the company is benefiting from the growing customer preference for vegetable-based fats and oils as a healthier alternative to animal products. There has also been a migration toward formulation co-development with customers to create unique, tailored ingredients. Though the pandemic has created temporary issues in some of its end markets, we believe AAK's business quality, position in a niche industry and recent innovation will prevail.

Sales included Cognex, a machine vision systems manufacturer, and Spirax-Sarco Engineering, a specialist in steam engineering and flow control technologies. We believe in both businesses long term but

sold on valuations in favor of more attractive opportunities following significant share price appreciation.

We also exited BlackBerry during the quarter. Our investment case was predicated on the potential of its promising QNX software as an operating system for the next-generation connected automobile; however, the field has become competitive. Additionally, contributing to our sell decision was BlackBerry's less-than-seamless integration of Cylance, an artificial intelligence and cybersecurity company acquired in 2019.

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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 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 30 Sep 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 30 Sep 2020: Komit Digital Ltd 1.8%; Belimo Holding AG 0.9%; Azbil Corp 1.9%; Koninklijke DSM NV 1.1%; Metso Outotec Oyj 2.2%; SG Holdings Co Ltd 2.1%; Tecan Group AG 1.7%; ASOS PLC 1.4%; Almirall SA 0.8%; Flexion Therapeutics Inc 0.5%; Fabrinet 0.7%; KION Group AG 0.6%; AAK AB 0.5%; SolarEdge Technologies Inc 0.6%; Vestas Wind Systems A/S 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.

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