



Artisan Sustainable Emerging Markets Fund

QUARTERLY
Commentary

Investor Class: ARTZX | Institutional Class: APHEX

As of 30 September 2020

Investment Process

We seek to invest in companies that are uniquely positioned to benefit from the growth potential in emerging markets and that possess a sustainable global competitive advantage.

Sustainable Earnings

We believe over the long term a stock's price is directly related to the company's ability to deliver sustainable earnings. We determine a company's sustainable earnings based upon financial and strategic analyses. Our financial analysis of a company's balance sheet, income statement and statement of cash flows focuses on identifying historical drivers of return on equity. Our strategic analysis examines a company's competitive advantages and financial strength to assess sustainability.

Risk Analysis

We believe a disciplined risk framework allows greater focus on fundamental stock selection. We incorporate our assessment of company-specific, sustainability and macroeconomic risks into our valuation analysis to develop a risk-adjusted target price. Our risk-rating assessment includes a review of quantitative and qualitative ESG factors and country-appropriate macroeconomic risk factors to which a company is exposed.

Valuation

We believe that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. We value a business and develop a price target for a company based on our assessment of the business's sustainable earnings and risk analysis.

Team Overview

Team experience, continuity and a rigorous investment process are the characteristics that we believe differentiate our team from other emerging markets investment managers. Research analysts have autonomy and ownership of their regions and accountability for the success of their ideas. Our team members bring deep experience and uncommon insight to their respective areas of responsibility.

Investment Team



Maria Negrete-Gruson, CFA
Portfolio Manager



Meagan Nace, CFA
Analyst



Chen Gu, CFA
Analyst



Nicolas Rodriguez-Brizuela
Analyst



Gurpreet Pal
Analyst



Jessica Lin, CFA
Analyst

Investment Results (%)

As of 30 September 2020	Average Annual Total Returns							Inception ¹	Inception ²
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr			
Investor Class: ARTZX	10.97	-0.85	9.58	2.80	11.56	1.57	0.36	—	
Institutional Class: APHEX	11.00	-0.72	9.73	2.94	11.63	1.73	—	4.76	
MSCI Emerging Markets Index	9.56	-1.16	10.54	2.42	8.97	2.50	1.54	5.58	

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Investor Class inception: 2 June 2008. ²Institutional Class inception: 26 June 2006.

Expense Ratios (% Gross/Net)	ARTZX	APHEX
Semi-Annual Report 31 Mar 2020 ^{1,2,3}	1.72/1.35	2.08/1.20
Prospectus 30 Sep 2019 ^{1,3}	1.93/1.35	2.47/1.20

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2021. 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.



Portfolio Discussion

Our portfolio outperformed the MSCI EM Index in Q3 as most global markets followed up a significant rally in Q2 with another quarter of solid gains. The reopening of economies around the world, government and central bank stimulus efforts and encouraging early stage trial results for multiple COVID-19 vaccines helped fuel equity market gains. Overall, EM equities generally fared better than developed markets equities, including the US. Taiwan and India were the benchmark's top contributors while Turkey and Thailand were the leading detractors.

Among our most notable relative contributors in Q3 were Taiwan Semiconductor Manufacturing Company (TSMC), Alibaba and Reliance Industries. Shares of TSMC, the world's largest dedicated chip foundry, benefited from US-based chip designer and manufacturer Intel's pushing back the release date of its seven nanometer semiconductors and its admission that it may look to partner with another foundry to produce its chips. If Intel decides to outsource any of its chip manufacturing, we believe TSMC would be the most logical partner given its existing ability to manufacture seven nanometer chips and dominance in the market.

Alibaba, the world's largest e-commerce company based on gross merchandise volume, rebounded strongly from a COVID-19-related decline in business in early 2020. The company gained market share in some core business segments while new business segments exhibited robust momentum. Alibaba's operational performance strengthened our confidence in its fundamentals and management's capability to deliver long-term sustainable growth down the road. We're attracted to Alibaba's scale and early leadership in online and mobile commerce, payments, digital media and cloud computing. We also see tremendous potential for Alibaba to leverage a growing amount of data to better target advertising and customer engagement.

India-based Reliance Industries has its origins in petrochemical production and oil refining, but it has developed new avenues for sustainable growth through its retail and digital businesses. During the quarter, Reliance secured additional investors in its newer ventures. In July, Google agreed to invest \$4.5 billion in Reliance's Jio Platforms, a telecommunications and digital services business. In September, US private equity firms KKR and Silver Lake agreed to invest \$775 million and \$1 billion, respectively, for small equity stakes in Reliance's retail business. Investors' strong interest in Reliance's retail and digital businesses helped offset the weaker demand for its petroleum products due to India's severe COVID-19 outbreak.

Among our Q3 relative detractors were Sino Biopharmaceutical, Samsung Biologics and Prosus. Sino Biopharm is a diversified pharmaceuticals company with a strong pipeline of oncology drugs. The stock price has declined as investors appeared to lock in some gains following a strong performance during the first half of the year. We believe Sino Biopharm's sustainable earnings growth profile will remain attractive over the long term due to its impressive drug pipeline; it is also well-positioned to win business development deals

to sell drugs in China produced by international pharmaceutical companies.

In July, Samsung Biologics reported strong quarterly results, raised its 2020 earnings guidance and stated it may build another manufacturing facility due to strong demand. However, the stock price declined in August and September as investors locked in some gains following strong performance until that point. We maintain our conviction in Samsung Biologics' best-in-class manufacturing capabilities—in September, the company reached a long-term manufacturing supply agreement with AstraZeneca.

Prosus owns best-in-class assets in social networking, gaming, e-commerce, online classifieds, food delivery and digital payments across emerging markets; it was spun off from South African media company Naspers in 2019. Prosus failed in its bid for eBay's classified business, which generated some concerns among investors about the company's capability to further grow its assets. However, Prosus has experienced ongoing growth and margin improvement in e-commerce, and the diversity of its assets across sub-segments and geographies has mitigated the disruption from COVID-19. Overall, we continue to believe the pandemic has led to an acceleration of the digital shift, which is a long-term benefit for Prosus.

Portfolio Activity

Even with another strong quarter for EM equities, we initiated a few new positions—the two most notable were Fomento Económico Mexicano (FEMSA) and Sea Ltd.

Fomento Económico Mexicano (FEMSA) is a Mexican multinational retail and beverage company. FEMSA's main assets include Oxxo convenience stores—the largest chain in Latin America—Oxxo gas stations, drugstore chains and a 47.9% stake in Coca-Cola FEMSA, the world's largest independent Coca-Cola bottler. Oxxo is a one-stop shop for customers, and demand for its products is relatively income inelastic. In recent years, FEMSA aggressively opened new Oxxo stores, capitalizing on improving consumer incomes across Latin America. While the pandemic will greatly reduce the number of new store openings this year, we believe openings will return to the earlier pace when COVID-19-related health risks recede. But Oxxo also does a good job segmenting its customers by needs and regions, which helps maximize sales at existing stores. Even before the pandemic, we felt the stock price didn't fully reflect the opportunity and growth prospects of FEMSA's core Oxxo business. With the share price falling in the first quarter and subsequently failing to rebound, we believed the stock's valuation gap and upside potential increased substantially.

Sea is a Singapore-based Internet company operating across Southeast Asia and Taiwan. Its integrated platforms include online games, e-commerce and digital payments services through three business units: Garena, Shopee and AirPay. GDP per capita and consumption demand for physical goods, entertainment and services have increased across Southeast Asia, while greater Internet and

smartphone penetration has enabled consumption to shift from offline to online. Amid the pandemic, Sea has shown robust growth and strong operational capability, which accelerated the timeline of our investment theme and gave us more confidence in its long-term prospects.

Conversely, we exited multiple positions in Q3, including Haier Smart Home and Linx. We typically exit a position for one of three reasons: the share price has reached or exceeded our target, our underlying assumptions have changed, or a more compelling opportunity arises. In Haier's case, the last reason drove our decision as we viewed Sea a more compelling opportunity. Haier manufactures and distributes appliances—it owns General Electric's appliances business in the US—such as air conditioners, refrigerators, freezers and small household electrical appliances. The company operates a more mature set of businesses, and a considerable part of the investment thesis had already played out.

Linx, Brazil's leading retail management software company, agreed to merge with Brazilian competitor Totvs. The merger announcement altered our investment thesis, and based on our fundamental analysis, the combined company was less compelling.

Perspective

Emerging markets are still very much in a state of crisis that is both humanitarian and economic in nature. The loss of life is a tragedy, and EM countries were still profoundly affected during Q3. We have seen substantial differences in resilience among EM countries based on their policy responses, the soundness of their institutions and their available resources.

Heading into 2020, we highlighted the emergence of social discontent and the likelihood it would be a source of additional volatility this year and beyond. We believe the COVID-19 pandemic has the potential to intensify this trend, particularly for countries whose governments' health and economic policy responses are insufficient or biased.

However, our two decades of experience through various market cycles and environments give us the confidence to stay true to our investment process. We believe a bottom-up emphasis on long-term fundamentals and valuation discipline is the best way to compound assets over the long term.

We look for companies that take advantage of a growth opportunity and develop a business model around it, allowing them to build sustainable growth and enduring earnings over time. In addition, we seek companies with a sustainable competitive advantage because the environments in which these companies operate change rapidly. A long-term, defensible competitive advantage is the key to surviving the inevitable crisis times in emerging markets such as we are currently experiencing.

We also perform a country risk analysis to enhance our assessment of the company's target P/E. We estimate which macroeconomic risk factors are the most relevant for each country and how those factors impact a company. Our country risk assessment is not a beauty contest—we are not comparing one country to another. Each emerging market is in a different place in its economic, social and political development. Therefore, it is important to compare a country's risks to its own history and to identify improvements or deterioration over time and how those factors may impact a prospective investment.

Travel has long been an important way for us to build strong relations with management teams, to see companies up close and to better understand local markets. Understanding helps us develop conviction around investment decisions. Fortunately, our strong relationships have allowed us to maintain productive interactions with company management teams and to identify new opportunities. Also, we have intensified our use of all forms of digital communication. We remain confident even a prolonged period of suspended travel will not negatively impact our investment process of extensive financial and strategic analysis, management research and ESG considerations.

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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. 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. 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: Taiwan Semiconductor Manufacturing Co Ltd 8.2%, Alibaba Group Holding Ltd 10.4%, Reliance Industries Ltd 3.9%, Sino Biopharmaceutical Ltd 2.6%, Samsung Biologics Co Ltd 1.9%, Prosus NV 3.3%, Formento Economico Mexicano SAB de CV 0.8%, Sea Ltd 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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Return on Equity (ROE) is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings.

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