Artisan Developing World Fund

QUARTERLY
Commentary

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

As of 31 December 2020

Portfolio Management
Lewis S. Kaufman, CFA

Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned 20.05% for the quarter ended December 31, 2020, versus 19.70% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 185.71% cumulatively, versus 50.99% for the MSCI Emerging Markets Index. The weak dollar was a prevailing theme this quarter as vaccine efficacy and approvals exceeded expectations, which led investors to seek alternatives to perceived safe-haven assets despite record COVID-19 infections. Major international currencies such as the euro (4.20%) and Chinese renminbi (4.14%) rose markedly against the dollar, while emerging markets currencies such as the Korean won (7.66%), Brazilian real (8.12%) and South African rand (13.98%) rose quite a bit more. Reflecting this dynamic, international (MSCI AC World ex USA: 17.01%) and emerging markets equities both turned in their best quarterly performance since Q3 2010. The S&P 500® Index rose a more muted 12.01%, while the yield on 10-year US Treasurys rose from 0.68% to 0.92%. Chinese equities lagged during the quarter (MSCI China: 11.20%) as China's economic normalization occurred earlier in the year. The failed Ant IPO, China's draft Internet anti-monopoly law, and perceptions about lingering China-US tensions under a Biden administration may have also dampened investor sentiment. Korea (38.27%) and Brazil (37.00%) were the best performing major emerging markets this quarter, as investors seek exposure to normalized trade activity in 2021. Indian (21.04%), Taiwanese (23.15%), Mexican (31.04%) and Russian (21.60%) equities also performed reasonably well.

Contributors and Detractors

Top contributors to performance for the quarter included South American e-commerce and payments platform MercadoLibre, Chinese health care services company Wuxi Biologics, US-based transportation technology platform Uber, Indian financial services company HDFC Bank and Southeast Asian gaming and e-commerce leader Sea. MercadoLibre saw its e-commerce business reaccelerate during the quarter after years of investment in fulfillment and assortment, and continues to see strength in its payments assets including outside the MercadoLibre platform. Wuxi Biologics is capitalizing on the secular trend in China toward R&D spending on innovative drug development and biologics to take share quickly not only in China, but globally. Uber benefited from the passage of California's state proposition on driver compensation, strength in its food delivery business, and perceptions that its ride share business may soon normalize. HDFC continues to see strong deposit growth and benign asset quality despite the pandemic, which has enabled it to take market share in a period of weak system loan growth. Sea received just the second approval for a digital banking license in Singapore to complement momentum in its nascent but fast-growing payments business, while its core gaming and e-commerce operations continue to do well in Southeast Asia and beyond.

Bottom contributors to performance for the quarter included Chinese Internet platform Alibaba, Chinese afterschool tutoring company TAL Education Group, US graphics chip designer NVIDIA, US cloud-based health care software provider Veeva Systems and Chinese integrated housing transactions platform KE Holdings. Alibaba suffered from the Chinese government's cancellation of the Ant Financial IPO and increasing uncertainty around broader antitrust measures. TAL was pressured by an intense competitive environment in online education, and by slower-than-expected recovery in its offline operations. NVIDIA continues to experience broad fundamental strength, but investors may be contemplating the likelihood that its Arm acquisition is approved by regulators. Veeva shares consolidated as investors digested muted 2021 guidance which could indicate some demand was pulled forward to 2020. KE Holdings corrected following strong quarterly results as it announced a follow-on stock offering just months after its successful IPO, leading investors to question the need for additional capital and potential use of proceeds.

Market Outlook

Investors have come to regard emerging markets assets as leveraged plays on economic normalization post pandemic. In recent months, they have been. In fact, investors may be unaware that the Indian, Brazilian and Korean stock markets are at all-time highs in local currency. It is therefore worth considering what economic normalization might look like for most emerging countries. Even before the pandemic, countries such as Russia, South Africa, Brazil and Mexico faced declining potential output in large part due to limited investment growth. Emerging markets investment growth has always faced one key constraint: a limited capacity for domestic capital formation. This constraint in turn left emerging countries subject to the whims of foreign investment decisions such as whether to build a plant to service the local market, deepen an international supply chain, or develop a copper mine. Foreign capital has over time become increasingly scarce in emerging countries due to challenges with the rule of law, shifting demographics and skilled labor deficits. Post pandemic, foreign businesses may prove even more risk averse about investment decisions. While liquid capital markets and supply chain offshoring may mitigate this dynamic, investment growth remains a challenge for most emerging countries.

Dollar weakness is another presumed driver of emerging markets strength in 2021, yet investors may not perceive the magnitude of the currency contribution to dollar-based returns this past quarter.

Currency movements do not occur in a vacuum; they reflect differentials in economic growth, monetary policy, fiscal policy and politics. Economically, while large-scale vaccinations should eventually drive recovery in emerging markets, they should do the same in the developed markets. Monetarily, while the Fed is likely to be on hold for several years in conjunction with balance sheet expansion, emerging markets central banks have lowered policy rates significantly resulting in near-zero real rates. Fiscally, while a desire for inclusive growth may drive unprecedented fiscal impetus in the US and Europe, emerging countries are not immune to these same social pressures and may resist pressure from ratings agencies if capital markets remain open. Politics remains a divisive topic in the US, though political differentials versus the emerging world may narrow under a new presidential administration. Any of these factors could at least challenge the premise for recent dollar weakness. It is worth noting that our currency framework has dampened the benefit to our portfolio from recent dollar weakness. We continue to mitigate currency volatility through our Passport holdings in the US and Europe, and through our emphasis on less externally vulnerable countries.

Portfolio Positioning

We aspire to be in constant evolution around a core set of investment principles. A key such principle is domestic demand, for a simple and intuitive reason: low-penetration domestic demand in developing countries should engender better compounding outcomes. However, this promise is increasingly only being realized in China. Thus, we have sought to align ourselves with profit pools that are still aligned to low-penetration domestic demand, where disproportionate equity outcomes are still possible. In recent letters we have highlighted China's combination of skilled labor availability, high savings rates, domestic capital formation capability, and uniquely large and scalable economic opportunity that complements low-penetration domestic demand so well. We have also discussed our progression from multinational companies to Passport companies, and how a true borderless capability can allow us to capture disproportionate emerging markets outcomes from a developed markets opportunity set. At this time, we wish to introduce our alignment to a third profit pool and type of company called Transcenders. Transcenders are based in traditional emerging countries but are extracting value quickly in their home markets despite economic constraints because of their scalable business models and alignment to today's service-oriented economy. In this way, we believe we have crafted a portfolio with three distinct profit pools, each rooted in low-penetration domestic demand, and each uniquely situated to capture disproportionate equity outcomes despite a diminished emerging markets opportunity set.

We also want to highlight that our alignment to profit pools and disproportionate equity outcomes is inextricably linked to compounding. Our notions of compounding reflect the simple fact that it is difficult to compound out of a deeply punitive result. However, compounding also must embed the capability to grow your pool of capital over time. It is often assumed and represented that such a capability is linear. However, business-value creation is optimally both disproportionate and sustainable. In other words, we want to own companies that can create large amounts of business value, and then sustain and compound that value creation. That's what profit pools (in conjunction with our business model emphasis) are all about. We also have a process that seeks to preserve value creation at the portfolio level through our risk-management framework and capitalize on our unique correlation profile in moments of chaos. In this way, we seek to deliver an emerging markets outcome that is organic in thought, disproportionate, and rooted in our original notions of compounding.

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 (%)

			Average Annual Total Returns				
As of 31 December 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**20.05**	**81.22**	**81.22**	**29.37**	**26.72**	—	**21.09**
Advisor Class: APDYX	**20.10**	**81.52**	**81.52**	**29.58**	**26.94**	—	**21.31**
Institutional Class: APHYX	**20.11**	**81.64**	**81.64**	**29.68**	**27.07**	—	**21.42**
MSCI Emerging Markets Index	19.70	18.31	18.31	6.17	12.81	—	8.04

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 2020	1.28	1.13	1.04
Prospectus 30 Sep 2019[1]	1.36	1.18	1.09

[1]See prospectus for further details.

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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. 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. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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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