



Artisan Sustainable Emerging Markets Fund

QUARTERLY
Commentary

Investor Class: ARTZX | Institutional Class: APHEX

As of 31 December 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 31 December 2020	Average Annual Total Returns							Inception ¹	Inception ²
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr			
Investor Class: ARTZX	21.80	20.76	20.76	6.90	14.75	2.85	1.93	—	
Institutional Class: APHEX	21.83	20.95	20.95	7.05	14.84	3.01	—	6.11	
MSCI Emerging Markets Index	19.70	18.31	18.31	6.17	12.81	3.63	2.97	6.80	

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
Annual Report 30 Sep 2020 ^{1,2}	1.73/1.35	2.29/1.20
Prospectus 30 Sep 2019 ^{1,2}	1.93/1.35	2.47/1.20

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2022. ²See 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 Q4. The global market rally continued as more cyclical segments of the economy began to recover. Markets were boosted by three separate vaccines found to be effective against COVID-19, signs of a gradual return to normal across EM countries and optimism of a global economic recovery in 2021. EM equities fared better than developed markets equities in Q4. China and Korea were the benchmark's top contributors, while no country materially detracted.

Among our most notable relative contributors in Q4 were MercadoLibre, Aeris Energy and Estun Automation. MercadoLibre is Latin America's leading online commerce platform, including e-commerce and financial technology products. During the quarter, the company reported strong quarterly results as it has continued to experience strong traffic growth across its geographic locations even as countries have lifted many COVID-19-related restrictions. MercadoLibre has successfully adapted to the COVID-19 pandemic by expanding its logistics operations, including additional fulfillment capabilities. We believe MercadoLibre's recent successes can further strengthen growth opportunities in markets where it is already a leader.

Aeris is a Brazil-based producer of rotor blades for wind energy turbines. We participated in the November IPO as we believe Aeris has strong competitive advantages and renewable energy can offer attractive long-term growth opportunities. Aeris has already established itself globally due to a combination of strong technological capabilities—such as research and development into more eco-efficient component materials—and a competitive cost structure, driven by a combination of scale, efficiency and location (the company is in lower-cost northern Brazil). We believe Aeris can both gain market share from its main Brazilian competitor and grow internationally—aided by a weaker Brazilian currency and increased outsourcing of rotor blade production by wind turbine manufacturers. We believe Aeris still provides reasonable upside potential, even after the strong performance this quarter.

Estun Automation is a leading domestic Chinese robot producer. The company reported strong quarterly earnings as demand continued to grow for its industrial robots, while Cloos—a German producer of welding robots acquired by Estun in 2019—boosted earnings and contributed to improved margins. Investor confidence was also boosted when Estun's management held to its 2021 targets. We believe the acquisition of Cloos will enable Estun to expand into other markets, such as automobile manufacturing. Estun continues to differentiate itself from peers via its technological advantages, focus on R&D and acquisitions, such as Cloos. We maintain a positive growth outlook as Estun appears well-positioned to capitalize on the rise of industrial robotic automation across China.

Among our Q4 relative detractors were Alibaba, Reliance Industries and Sino Biopharmaceutical. Alibaba is China's largest e-commerce platform. The cancellation of highly anticipated Ant Group IPO (co-

founded by Alibaba billionaire Jack Ma) led to reduced confidence in Chinese markets and a drop in Alibaba's stock price. The short-term headwinds were further intensified by the Chinese government's actions, including a draft of anti-monopoly guidelines targeting domestic Internet companies and a probe into alleged anti-competitive practices by Alibaba. Nonetheless, we believe investors overreacted. The Chinese government supports marketplace innovation, but it prefers more balance within the tech industry and between online and traditional commerce. In addition, Alibaba's core e-commerce business remains highly attractive and the company's response to recent events has been encouraging, including significantly increasing its share buyback program to support minority shareholders.

Reliance has long operated in the petrochemical production and oil refining business but has developed new avenues for sustainable growth through its digital and retail businesses. Shares of Reliance declined as many of the company's near-term market catalysts have been realized, including significant deleveraging and large foreign investors' taking stakes in Jio Platforms—the telecommunications and digital services business—which established a valuation for the business. India's severe COVID-19 outbreak, challenging economic conditions and weak oil-refining environment also hurt the stock price. However, given Reliance's strong market position, India's low Internet penetration rate and the size of the country's market, we continue to see meaningful long-term upside potential.

Sino Biopharmaceutical is a Chinese diversified pharmaceuticals company with a strong pipeline of oncology drugs. A combination of quarterly results negatively impacted by COVID-19, downward pressure on the price of PD-1 immune checkpoint inhibitors (an anticancer drug) resulting from the National Healthcare Security Administration's December round of drug tendering, and further profit taking by investors—following a strong rally in Q2 2020—drove the stock price lower. However, we believe Sino Biopharm's upcoming PD-1 drug remains promising from both medical and financial perspectives. In addition, the company's sustainable earnings growth profile remains attractive over the long term due to its impressive drug pipeline and its position to win business development deals to sell drugs in China produced by international pharmaceuticals companies.

Portfolio Activity

While EM equities delivered another strong quarterly performance, we still found three sustainable growth opportunities at attractive entry points and compelling valuations. As previously mentioned, we participated in the November IPO of Aeris Energy. In addition, we initiated positions in Ozon and Vina Concha y Toro.

Ozon is a Russian e-commerce company that operates a marketplace platform enabling third-party sellers to offer their products to consumers. Similar to Aeris Energy, Ozon went public in November and we participated in the IPO. We believe Ozon has already built a

competitive advantage against its Russian competitors in terms of product offerings, logistics and a strong ecosystem of complementary services, including advertising, payments and fulfillment. Ozon has compelling sustainable growth potential given the combination of its current competitive advantages, Russia's large and highly fragmented retail market and the country's rapidly growing level of e-commerce activity.

Vina Concha y Toro is a Chilean winemaker with a worldwide distribution network. Its recent restructuring—including brand consolidation, an increase in direct distribution and a more significant Asian presence—positions the company well for sustained growth. Concha's efforts paid off in 2020 as it was able to meet increased pandemic demand, unlike many of its competitors. Market share gains, its refocused portfolio and its direct distribution model will continue driving growth, particularly in regions with underdeveloped wine consumption. Environmentally, Concha exclusively uses drip irrigation in its vineyards, reducing its water footprint to about half the industry average.

Conversely, we exited multiple smaller positions in Q4—among them Astra, BGF Retail, TSKB and Tencent Music. We redeployed this capital into the aforementioned new positions as well as higher-conviction existing positions.

Perspective

Emerging markets largely remain in a state of crisis that is both humanitarian and economic in nature. However, we see reasons for optimism in 2021. From a humanitarian perspective, the arrival of vaccines offers hope that life will return to some semblance of normal. From a financial perspective, many EM companies showed resilience in 2020 and are well-positioned to leverage their competitive advantages when the pandemic recedes. Pockets of value opportunities have emerged as those appear more attractive in terms of valuations and economic outlook. And EM company earnings on a year-over-year basis should be favorable following a difficult 2020.

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. A non-diversified portfolio may invest a larger portion of assets in securities of a smaller number of issuers and performance of a single issuer may affect overall portfolio performance greater than in a diversified portfolio. 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 31 Dec 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 Dec 2020: MercadoLibre Inc 3.6%, Aeris Industria E Comercio De Equipamentos Para Geracao De Energia SA 2.3%, Estun Automation Co Ltd 2.1%, Alibaba Group Holding Ltd 6.5%, Reliance Industries Ltd 2.4%, Sino Biopharmaceutical Ltd 1.9%, Vina Concha y Toro SA 0.5%, Ozon Holdings PLC 0.4%. 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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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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