



Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 30 June 2021

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 June 2021	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTJX	7.34	5.81	41.19	16.93	15.19	9.78	12.54
Advisor Class: APDJX	7.39	5.91	41.34	17.06	15.27	9.82	12.56
Institutional Class: APHJX	7.40	5.94	41.50	17.19	15.44	9.91	12.61
MSCI All Country World ex USA SMID Index	6.05	10.52	41.80	8.97	11.21	6.38	9.50
MSCI All Country World ex USA Small Cap Index	6.35	12.24	47.04	9.78	11.97	7.02	10.38

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 2021 ¹	1.31	1.14	1.05
Prospectus 30 Sep 2020 ²	1.34	1.19	1.10

¹Unaudited, annualized for the six-month period. 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.



Investing Environment

Global equities continued their YTD rise in Q2, with all sectors participating in the market's upward trajectory. The second quarter was also punctuated by brief periods of volatility, as a staggered economic reopening and concerns about rising inflation in parts of Europe and the US impacted investor sentiment. Strength was broad based among small- and mid-cap stocks with health care, energy and industrials leading the way.

Over the first half of the year, investors largely debated style leadership and the sustainability of rallies in asset classes such as commodities and cryptocurrencies. We, however, remained focused on long-term ownership in high-quality businesses exposed to structural tailwinds. Well-run, innovative companies with meaningful competitive advantages, structurally high returns on capital, and strong balance sheets provide resilience amid market gyrations, and, in our view, present the best chance to compound long-term returns. We also continued to look for opportunities to take advantage of market volatility and make investments where we believe we can double our shareholders' money over five years.

One macroeconomic topic of intense interest this year has been inflation. While in the short-term investors may attempt to hedge inflation with speculation on commodities, we believe the best way to combat inflation over the long term is to invest in businesses that command sustainable pricing power and have sustainable volume growth. The ingredients of pricing power include customer intimacy, high value-added bottleneck positioning in an industry value chain, and the ability to continuously create value for one's customers via innovation or benefits of scale. We have highlighted these characteristics in prior letters as hallmarks of companies we look to invest in across industries, ranging from technology to health care to industrials to consumer. We'll discuss how advances in artificial intelligence (AI) create meaningful pricing power for these businesses, and why we believe they are vastly superior to undifferentiated commodities, where long-term values are difficult to pinpoint.

Another macroeconomic topic of investor interest has been the potential rise in long-term interest rates in response to rising inflation. We believe there are two key points to consider in this scenario. The first point is the importance of investing in structurally high return on capital businesses since the value of a business is driven by the spread between the cost of capital and return on capital. For example, if the cost of capital rises from 2% to 3%, a low return on capital business is massively disadvantaged and would have most of its economic value add eliminated. In comparison, a high return on capital business would be much less impacted. The second point is the importance of low debt levels. Our companies typically carry little to no debt, and hence, increases in the cost of capital would have negligible effects on their interest costs or their bottom lines.

While the market may continue to debate benefits of growth vs. value investing, we continue to focus on the fundamental progress of our portfolio companies and the true drivers of value creation over the

long term. We think the technology sector provides a good illustration of the market's short-termism. Thus far in 2021, share prices of certain technology companies have been highly volatile over shorter timeframes, with a selloff in Q1 and a rally in Q2. Fundamentally, little to nothing changed. The momentum trade is often widespread in tech; however, our approach continues to be nuanced, highly focused on sustainability and price disciplined. Regardless of the prevailing risk on/risk off environment, there is tremendous progress in technology with digitization permeating every industry, cloud computing proliferating and AI coming of age. Technology continuously creates value for its customers, and we believe that if one creates disproportional value, then one will be able to exercise pricing power.

It is becoming evident that AI and big data are being rapidly adopted across various industries. For example, just a few years ago, virtually no health care companies incorporated AI. Now, ViewRay and Elekta, two portfolio companies discussed further in the next section, are using AI in their MRI cancer radiation machines to optimize radiation, avoid hitting healthy tissue and shorten therapy cycles. That's a huge value for customers and patients for which they can price. Alcon and Carl Zeiss, portfolio companies discussed in prior letters, are implementing AI analysis of retinal images to enable remote diagnosis of ophthalmological diseases. Another example is Ambu, also discussed in the next section, which is looking to incorporate AI-enabled digital pathology tools into its disposable endoscopes.

In enterprise software, we can also highlight several examples where AI is creating significant value for its customers. For example, NICE Systems, which we have discussed in prior letters, is leading the commercialization of AI in its customer interaction software and financial fraud and compliance platform, Actimize. AI allows the company to meaningfully broaden the number of seats within the enterprise and to cross-sell high value analytics and management tools. We've added meaningfully to our position on recent share price weakness. The next two examples are benefiting from AI's growing importance in industry-specific software, which is creating opportunities for small companies that specialize to succeed and command pricing power. Model N is using AI to optimize customer contracting software in high value-added industries, such as technology and pharmaceuticals, where complexity is extremely high. Creating optimal discount structures results in very high savings for Model N's customers and the end consumers. Altus, which caters to the global commercial real estate market, is using AI to aggregate and analyze vast amounts of real estate transaction data for its customers, which provides high value market intelligence for its customers.

To summarize, we believe that our investors will be in a far better position over the long term by investing in companies that respect long-term customer relationships and exercise pricing power in a disciplined fashion. Compounding high returns on capital in such businesses, in our view, is vastly superior to trying to forecast copper

prices. Hence, we remain highly priced disciplined and continue to focus on structural trends and company fundamentals.

Performance Discussion

Our portfolio outperformed the MSCI ACWI ex USA SMID Index in Q2. Our health care, industrials and materials holdings were the largest contributors to relative returns, and technology positions added strongly to absolute returns.

The top individual contributors in Q2 were Kornit Digital, Carenet and ViewRay. Kornit's revolutionary technology allows for direct printing on garments and is enabling the apparel industry's structural shift to automation, instant fashion and increased mass customization. The COVID-19 pandemic served to reinforce the need for better inventory management and desire to bring production closer to the customer. Moreover, it's important to note that the textile industry is second only to the petroleum industry in terms of its environmental footprint, and Kornit has a leading role in helping to reduce it. Kornit's premier customer relationships, which it continues to expand, and the long tail of high-margin proprietary ink consumables and services, support sustainable cash flows.

Carenet offers a digital platform for pharmaceutical sales and highly curated educational content for physicians in Japan. Founded in 1996, the company is likely most comparable to WebMD in the US. We recently added Carenet to the portfolio after conducting a thorough global industry review of health care and digitization trends and concluding that health care will digitize meaningfully, and the COVID-19 pandemic served to accelerate this trend. We believe that Carenet will leverage its high-quality industry position to build out several additional high value-added services for pharmaceutical clients and for other areas of health care that are rapidly digitizing.

ViewRay's MRIdian MR-LINAC system is a leading cancer radiation therapy platform, combining AI-enabled MRI visualization with cancer radiation therapy. As mentioned in the prior section, this approach spares healthy tissue and shortens therapy cycles by exclusively targeting cancer, and we believe it is the next-generation modality for cancer radiation therapy. We hold two leading companies with this technology, ViewRay in the US and its Swedish competitor Elekta. Despite COVID-19 headwinds, this technology is rapidly gaining traction worldwide.

The largest detractors this quarter were Trainline, Ambu and HENNGE. Trainline is a UK-based online booking provider for rail travel. Reduced travel during the pandemic hampered revenues over the past year. Additionally, the UK government's proposed plan to consolidate the country's rail industry has placed pressure on the stock. Despite these recent headwinds, company management is preparing for the gradual return to travel by concentrating on customer-focused innovation and global expansion. This includes a shift to digital sales and offering flexi-tickets for hybrid commuters. The rail industry is growing, and we believe Trainline is primed to capture market share and should emerge from this period stronger.

Ambu is a medical device company that pioneered single-use, disposable endoscopes, replacing equipment that requires sterilization after each use. The company's initial markets in which the products are used include bronchoscopy and cystoscopy (bladder and kidney). We believe that utilization of single-use endoscopes will spread to much larger markets, such as gastroscopy, colonoscopy and duodenoscopy, and that Ambu has meaningful opportunity to implement AI-enabled digital pathology into its tools. In the shorter term, the stock has been weak due to delays in duodenoscope development. However, our conviction in the company over the long term remains in place.

HENNGE has a single sign-on technology that allows companies to manage decentralized workforces. The stock performed extraordinarily well during the pandemic and, in our view, became excessively valued. Remaining committed to our contrarian approach to valuation, we trimmed the position. More recently, we added to it as the stock price appears reasonably valued once again.

Positioning

Given the richness of our investment universe and the amount of change taking place in world, there are always promising investment opportunities. As a portfolio that targets a five-year holding period for its securities—and invests in high-quality companies backed by structural tailwinds—we remain focused on the forces shaping the next decade. The portfolio activity discussed in this letter is not an exhaustive report but a representative sampling of the exciting businesses we continue to find.

During Q2, we took advantage of market volatility and made a number of new investments, including an intellectual processing company that licenses high value-added technologies, a Japan-based cloud native software company and a UK-based edge computing company.

We also exited several positions, including STAAR Surgical, Hypoport, Atos and Morinaga & Co. Our sensitivity to price led us to exit the first two companies. We sold Atos in favor of other opportunities in which we have higher conviction. Lastly, we exited Morinaga & Co on capital allocation concerns.

We thank you for your trust and confidence and look forward to updating you on these and other opportunities in future letters.

ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

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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 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 Jun 2021. 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 Jun 2021: ViewRay Inc 1.2%; Eleka AB 0.5%; Alcon Inc 1.7%; Carl Zeiss Meditec AG 0.3%; Ambu A/S 0.9%; NICE Ltd 3.3%; Model N Inc 1.2%; Altus Group Ltd 1.0%; Kornit Digital Ltd 2.6%; Carenet Inc 1.0%; Trainline PLC 0.6%; HENNGE KK 0.2%. 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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