



Artisan Developing World Fund

QUARTERLY
Commentary

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

As of 30 June 2021



Portfolio Management
Lewis S. Kaufman, CFA

Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned 9.56% for the quarter ended June 30, 2021, versus 5.05% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 204.97% cumulatively, versus 62.23% for the MSCI Emerging Markets Index. Inflation was the dominant narrative during the quarter, as investors digested the longer-term implications of supply bottlenecks, fiscal stimulus, high savings rates, labor constraints, and higher input prices. Inflation pressures seemed to spike mid-quarter, leading to discord in the bond and equity markets and prompting the Fed to “talk about talking about the taper” and contemplate interest rate increases. Combined with the proliferation of the COVID-19 Delta variant and political opposition to fiscal stimulus in the US, there was subsequent recovery in long-duration assets. Despite the risk of tighter Fed policy and the slow pace of opening and vaccination, Brazil (22.91%), Russia (14.03%) and India (6.91%) all performed reasonably well this quarter. Similarly, the MSCI Emerging Markets Currency Index rose 2.21%. Chile (-14.19%), Peru (-8.78%) and Colombia (-2.90%) all declined as political instability challenged Latin American markets. A notable laggard in both an emerging market and global context was China (2.27%), as the dual forces of regulation and policy tightening dampened investor optimism.

Contributors and Detractors

Top contributors to performance for the quarter included US graphics semiconductor company NVIDIA Corp, Chinese health care services company Wuxi Biologics, Southeast Asian gaming and e-commerce company Sea, Chinese eye services provider Aier Eye Hospital and Chinese video streaming platform Bilibili. NVIDIA benefited from continued operating momentum and product launches, and growing optimism about regulatory approval for its proposed acquisition of UK-based semiconductor design company Arm. Wuxi rose as the company’s investor day highlighted positive business development including global biologics growth and market share gains within the CDMO industry. Sea continued to expand the geographic footprint of its blockbuster game *Free Fire*, while sustaining progress in its e-commerce business and deepening its push in payments. Aier rose on the back of strong 2020 and 1Q21 earnings, while concerns over lingering impacts of two alleged medical incidents earlier in the year dissipated. Bilibili benefited from user growth and monetization increases, while managing to steer clear of regulatory pressures.

Bottom contributors to performance for the quarter included Chinese afterschool tutoring company TAL Education Group, US-based online travel marketplace Airbnb, Chinese integrated housing transactions platform KE Holdings, US-based transportation technology platform Uber, and Chinese Internet platform Tencent. TAL declined significantly as regulatory tail risks in the after-school tutoring industry—including weekend bans—became more likely, which could limit core business activities. Airbnb declined as COVID-19 variants delayed a recovery in cross-border travel, while the company’s lockup expiration was an overhang. KE Holdings continued to experience good operating momentum, but was held back by both regulatory uncertainty and property policy tightening. Uber declined due to concerns about protections for gig workers, and limitations in driver supply which have tempered expectations for a rebound in the ride sharing business. Tencent declined with other Chinese Internet platforms as regulators pursued tighter regulation and restrictions on anti-competitive practices.

Market Outlook

Markets continue to react in unpredictable ways as the economy reopens. In the United States, rising inflation expectations were initially received quite negatively. Supply bottlenecks were visible in semiconductor availability, used car prices, and labor shortages. Since the Fed remains committed to its dual mandate, markets feared that inflation could run well in excess of 2% while the Fed pursued maximum employment. Thus, Treasuries sold off violently through March, inflation breakevens rose to as high as 2.76% in May, and real yields plunged. More recently, high inflation readings and improving jobs reports have had the opposite effect. Namely, they have served to temper inflation expectations by accelerating the timeline for tapering and rate increases. “Peak inflation” is a term that has entered the investment lexicon. US stimulus has also proven to be short of initial expectations as political realities mount, while high savings rates could persist to the extent that wealth is concentrated in the hands of a few. The long-term inflation trajectory remains subject to great debate. For emerging markets, early signs of taper talk in the US have already led to interest rate increases in some countries. Emerging countries as a whole have taken on more debt as a percentage of GDP, yet have struggled with mass vaccinations and reopening thereby leaving leverage ratios vulnerable.

China has increasingly sought to distance itself from the fiscal prolificacy of the West (and China’s own policies during the Global Financial Crisis) by limiting stimulus efforts during the pandemic. While aggregate credit (or Total Social Finance) increased from 11% to 13% in early 2020, it has since decelerated to pre-pandemic growth rates and is well below the ~20% levels of 10-15 years ago. Since 11% is roughly in line with nominal GDP growth for China, the country’s indebtedness as measured by debt/GDP has stabilized, albeit at a high level for a developing economy. In

essence, China realizes it has reached a stage of economic development where the costs of high debt levels or an unproductive capital stock can outweigh the benefits of fast growth. China's regulatory drive in the medical, internet, data, education, and property price arenas can be seen partially through this same lens (though its underlying motivation is subject to debate). Essentially, China may not wish to see companies that increase China's capital stock but do not contribute to the productive capacity of the economy.

Portfolio Positioning

A strong investment program can have any number of critical elements. In our case, we identify companies we believe have scalable businesses aligned to profit pools. We use the concept of *value capture* to achieve a level of permanence in the disproportionate equity outcomes we create. We leverage our correlations in an effort to reinforce critical elements of our investment program and enhance long-term value creation. When chaos comes, we know what we are trying to achieve. There is a reason we have described volatility and drawdowns as outcomes rather than goals: when they become goals, there is temptation to engage in short-duration thinking. The decision to abandon core investment principles in pursuit of transient outcomes can result in value surrender, or the permanent loss of value. Examples of value surrender include friction costs (the costs of entry and exit), the sale of long duration assets, and taxes. The best manifestations of an investment program are not immutable; they can and should evolve. However, there is power in the design, implementation and execution of core investment principles.

We also wish to touch on the concept of scalability. On some level, scalability is about the combination of attractive unit economics and low-penetration domestic demand. We have outlined the notion of platform scalability whereby a core ecosystem can create the opportunity for new businesses. We have described geographic scalability whereby a borderless capability allows companies to further leverage a core competency with little incremental investment. In all these different manifestations of scalability, the goal is the same: significant and sustained business value creation despite economic constraints. As we evolve around the concept of scalability, markets continue to grapple with different inflation scenarios. Businesses may find that it is difficult to exercise pricing power in the long run without suffering demand elasticity or market share losses. As we saw in China when producer prices recently spiked but consumer prices did not, pricing power is not always a given, particularly for industrial and commoditized businesses. Furthermore, input costs and price increases can be political targets. We prefer a more evergreen approach where cost pressures are inherently marginal in relation to revenue generation, as we see with scalable businesses.

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 (%)

As of 30 June 2021	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Investor Class: ARTYX	9.56	6.74	52.33	35.51	26.29	—	20.49
Advisor Class: APDYX	9.60	6.84	52.58	35.74	26.52	—	20.71
Institutional Class: APHYX	9.64	6.93	52.75	35.87	26.64	—	20.83
MSCI Emerging Markets Index	5.05	7.45	40.90	11.27	13.03	—	8.64

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Fund inception: 29 June 2015.

Expense Ratios	ARTYX	APDYX	APHYX
Semi-Annual Report 31 Mar 2021 ¹	1.26	1.09	1.00
Prospectus 30 Sep 2020 ²	1.28	1.13	1.04

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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

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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. MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. 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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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: Sea Ltd 5.7%, Bilibili Inc 5.0%, NVIDIA Corp 4.7%, Airbnb Inc 4.7%, Wuxi Biologics Cayman Inc 4.3%, Tencent Holdings Ltd 4.3%, Uber Technologies Inc 4.0%, Aier Eye Hospital Group Co Ltd 2.2%, KE Holdings Inc 1.9%. 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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