



Artisan Global Discovery Fund

QUARTERLY
Commentary

Investor Class: APFDX | Advisor Class: APDDX | Institutional Class: APHDX

As of 30 September 2021

Investment Process

We seek to invest in companies that possess franchise characteristics, are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. Our investment process focuses on two distinct elements—security selection and capital allocation. We overlay our investment process with broad knowledge of the global economy.

Security Selection

We seek to identify companies that have franchise characteristics (e.g., low-cost production capability, possession of a proprietary asset, dominant market share or a defensible brand name), are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. We also assess key environmental, social and governance (ESG) issues that could impact future stock returns. We look for companies that are well positioned for long-term growth, which is driven by demand for their products and services, at an early enough stage in their profit cycle to benefit from the increased cash flows produced by the emerging profit cycle.

Capital Allocation

Based on our fundamental analysis of a company's profit cycle, we divide the portfolio into three parts. GardenSM investments are small positions in the early part of their profit cycle that may warrant more sizeable allocations as their profit cycle accelerates. CropSM investments are positions that are being increased to a full weight because they are moving through the strongest part of their profit cycles. HarvestSM investments are positions that are being reduced as they near our estimates of full valuation or their profit cycles begin to decelerate.

Broad Knowledge

We overlay the security selection and capital allocation elements of our investment process with a desire to invest opportunistically across the entire global economy. We seek broad knowledge of the global economy in order to find growth wherever it occurs.

Team Overview

We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is solely dedicated to our process and approach.

Portfolio Management



Jason L. White, CFA
Portfolio Manager (Lead)



James D. Hamel, CFA
Portfolio Manager



Matthew H. Kamm, CFA
Portfolio Manager



Craigh A. Cepukenas, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2021	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: APFDX	2.85	9.39	27.93	23.82	—	—	23.35
Advisor Class: APDDX	2.85	9.38	27.97	23.86	—	—	23.37
Institutional Class: APHDX	2.93	9.61	28.30	23.96	—	—	23.45
MSCI All Country World Index	-1.05	11.12	27.44	12.58	—	—	12.49

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (21 August 2017); Advisor (3 February 2020); Institutional (3 February 2020). 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 (% Gross/Net)	APFDX	APDDX	APHDX
Semi-Annual Report 31 Mar 2021 ^{1,2}	1.37/—	1.48/1.30 ^{3,4}	1.10/—
Prospectus 30 Sep 2020 ³	1.36/—	1.75/1.31 ⁴	1.21/—

¹Unaudited, annualized for the six-month period. ²Excludes Acquired Fund Fees and Expenses as described in the prospectus. ³See prospectus for further details. ⁴Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2022.

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.



Investing Environment

Global equity markets moved higher throughout most of Q3, though these gains were erased in the final month amid a growing wall of worry around several negative developments in China, global supply chain disruptions and higher and longer than expected inflation. The MSCI AC World Index ended the quarter down -1.1%. Overall corporate earnings estimates for the next two years moved slightly higher (vs. Q2). At the sector level, energy and financials led, while consumer discretionary and materials lagged. Developed markets outperformed emerging markets (EM), with the MSCI China Index's -18% return being a large source of weakness.

Chinese equity markets were volatile amid the Chinese Communist Party (CCP) intervening in several of the country's sectors. One of the world's largest ride-hailing apps, Didi, was removed from app stores for misusing customer data. Furthermore, for-profit after-school tutoring (~\$120 billion industry) was banned, and children are now only allowed to play video games for three hours on the weekend. The CCP has acted against companies more than 50 times since preventing the Ant IPO in November 2020—actions it deems are in the interest of “common prosperity.” Late in the quarter, investors contemplated the downstream effects of a default by Evergrande—China's second-largest and most indebted property developer with over \$300 billion in liabilities—on the global economy. Evergrande's troubles picked up in 2020 after the CCP instituted the “three red lines” framework, which is meant to discourage aggressive use of leverage among property developers by instituting debt limits when at least one of three leverage ratios are not within guidelines. Shortly after the quarter ended, Fantasia, a luxury property developer with \$13 billion in liabilities, also defaulted, prompting further selling among China's high yield property bonds and sparking additional worry about the health of the Chinese real estate market.

Supply chain disruptions reverberated throughout the global economy. High shipping costs (container prices are up 5X over the past year), labor shortages (truck drivers, longshoreman) and factory shutdowns across Asia (coal shortages, an effort to comply with Chinese emission reduction targets, COVID-19 restrictions) appear to be key drivers. Companies most affected have experienced downward estimate revisions by sell-side analysts. Notably, 2022 estimates for Nike were cut nearly 20% after the company reported rising shipping costs and manufacturing delays would be a headwind through 2022—80% of Vietnamese shoe factories are shut down due to COVID-19 (~40% of its supply), and the company's inventory lead times have doubled to 80 days. In addition, Apple, Tesla and Microsoft have warned decreased output by Chinese suppliers may lead to difficulties in meeting holiday customer demand.

The Federal Reserve's future monetary plans and outlook sparked stagflation worries. The Federal Open Market Committee (FOMC) signaled it would begin tapering asset purchases in November (ending in mid-2022), and 50% of governors indicated rate increases could begin next year (vs. 20% in March). 4.3% inflation is forecasted for this year (vs. 3.4% in June, 2.4% in March)—higher and longer than

expected upward pressure on prices attributed to supply-chain bottlenecks and pandemic-related shortage—and estimated GDP growth came down to 5.9% (vs. 7% in June, 6.5% in March) as the delta variant has forced new restrictions on businesses.

Performance Discussion

Our portfolio delivered a 2.9% return in Q3, outperforming the MSCI AC World Index (-1.1%). Our relative outperformance was driven by stock selection among our information technology and industrials holdings. Among our top contributors were Atlassian, Techtronic and Ascendis Pharma. Atlassian has been a meaningful positive contributor to our performance since we began our investment campaign in 2018. The company is playing offense on many fronts, and this has resulted in strong financial results this year. It added new customers at 3X its pre-pandemic pace in Q2, not only due to demand for digital collaboration tools, but also because its free product tier (added ~18 months ago) has started to bear fruit. This decision has enabled Atlassian to rapidly add new customers and realize better than expected conversions to paid subscriptions.

Meanwhile, cloud subscription revenue grew 50% in Q2, and the company's migration of existing customers to this platform—which began in mid-2020—is pacing ahead of expectations. This transition is a win-win for Atlassian and its customers. Migrating from on-premise servers to the cloud not only reduces customers' total cost of ownership longer term—physical hardware, maintenance, installation, support, administrative costs, etc.—and provides real-time product enhancements, but it also enables Atlassian to convert these customers to a more predictable recurring revenue stream, enhances revenue per user, and enables broader customer adoption and faster innovation cycles. The market has rewarded the company for these recent successes, and with shares approaching our estimate of private market value (PMV), we trimmed our position size (though it remains a core CropSM holding).

Techtronic is the global leader in power tools with well-established and fast-growing brands, including Milwaukee, Ryobi and Hart. The company is benefiting from strong demand from both professional contractors and do-it-yourself (DIY) customers. DIY customers have been particularly drawn to the company's outdoor, battery-powered Ryobi products—a category we believe still has significant runway as ~90% of this market is gas powered today. With a capable management team and a robust pipeline of new product introductions, we believe the company is well positioned for the periods ahead.

We discussed Ascendis Pharma in our July commentary as a bottom contributor amid a delayed FDA approval for its TransCon hGH growth hormone, Skytrofa—a more convenient treatment for pediatric growth hormone disorder (weekly vs. daily). Since this was an administrative delay rather than a concern regarding its efficacy, we used the share weakness to add to our position. Shortly thereafter, the stock rallied around an approval in August, making Skytrofa Ascendis' first FDA-approved product. This is a major milestone, and it

confirms our belief in the strength of the company's proprietary TransCon drug delivery technology—safely allowing biological drugs to be delivered via a slow-release mechanism. Its second product, TransCon PTH for hyperparathyroidism, is scheduled to report Phase 3 trial results in early 2022. Based on Phase 2 data, we are confident in the drug's profile, and we believe its sales potential is substantial. Meanwhile, the company is establishing a promising early-stage cancer pipeline, with proof-of-concept data expected to emerge soon. Based on our confidence in the company's long-term potential, we view the current stock price as quite attractive and further increased our position size after the Skytrofa announcement.

Among our bottom contributors were Global Payments, Zynga and Magazine Luiza. Global Payments has delivered solid results so far this year and recently revised its 2021 outlook upward. However, shares have been pressured as investors weigh the competitive threat from faster growing emerging payments companies. We have spent significant time contemplating this risk, and given our belief the company will not completely thwart the competition, we trimmed our position size. That said, we still believe Global Payments belongs in the CropSM of our portfolio. The company has long been shifting its business away from legacy payments technology toward durable growth areas such as software and omnichannel commerce. Furthermore, it is making substantial cloud investments in partnership with Google and Amazon Web Services to future-proof its underlying technology stack. These decisions lead us to believe management's targets (~10% revenue growth, ~20% EPS growth) remain achievable and should lead to solid stock returns over the longer term.

Zynga's recent quarterly results were disappointing as existing user engagement slowed alongside easing pandemic restrictions, and acquisition of new users via targeted advertising has become more difficult in the immediate aftermath of Apple's new privacy restrictions. For background, iOS 14.5, which was released in April, requires apps to ask users for permission to collect and share data. Opting out prevents developers from attaching an identifier for advertisers (IDFA), which is used to target and measure the effectiveness of advertising on users across mobile devices. We believe the company can overcome this headwind as interest in mobile gaming remains robust and its arsenal of "Bold Beats"—new content, features and gameplay modes—attracts new audiences, further engages current players and brings back lapsed players. Zynga also has several initiatives we believe will deliver growth longer term: developing and rolling out new games (Star Wars: Hunters, FarmVille 3), investing in further advertising technology/data capabilities and expanding its global reach. It may take several quarters to rebuild growth momentum after Q3's setback, but we are remaining patient.

Magazine Luiza is a Brazilian retailer transforming itself from brick-and-mortar to a leader in e-commerce. Shares have been pressured as investors weigh competitive threats, namely from Shopee, a low-cost online marketplace. We are monitoring the situation closely, and we believe Magazine Luiza's highest quality, lowest cost logistics service in Brazilian e-commerce will allow it to stave off any competitive

threat. The company's opportunity to capture share in this large, lowly penetrated market remains meaningful.

Portfolio Activity

We started new investment campaigns in Harmonic Drive Systems and Metso Outotec during Q3. Harmonic Drive Systems manufactures and sells precision control equipment and components worldwide. The company has an 80% market share in small strain wave reduction gears, which are used within robots for precision motion and control of items weighing less than 5 pounds. We believe Harmonic is well positioned to capitalize on manufacturers increasingly automating their production lines. In our view, this trend could be longer and stronger amid labor shortages, inflationary pressures and onshoring across several global economies.

Metso Outotec is the leading provider of downstream mining equipment. The company has internal, cyclical and secular growth drivers in motion which we believe could lead to a compelling profit cycle. A new CEO has accelerated R&D investments in recent years, resulting in a new sustainable product lineup. In addition, he has been transitioning the business away from large fixed cost projects to more modular selling. We believe these initiatives should drive meaningfully higher returns. We also believe the company is well positioned to benefit from a mining capital expenditure upcycle over the intermediate term. Longer term, as a provider of copper mining solutions and equipment, the company could also benefit from the global transition to a sustainable energy economy, which is expected to increase copper demand—a key material used in battery electric vehicles and solar panels.

In addition to adding to our position in Ascendis Pharma, we also added to Ingersoll Rand. Ingersoll Rand is a global market leader with a broad range of mission-critical flow creation technologies (pumps, compressors, etc.) for industrial and medical applications. Over the past several years, a new management team has repositioned the company toward less cyclical, more profitable businesses, which are supported by a stronger culture of employee engagement and continuous improvement. More recently, the company's top-line growth has accelerated as the pandemic fades, and margins are benefiting from cost synergies achieved in its merger integration with Gardner Denver (with further runway ahead). This has boosted cash flows and enabled management to resume its successful bolt-on acquisition strategy, acquiring Seepex GmbH, a global leader in positive displacement pumps for end markets such as water, wastewater, food and beverage and chemicals, in Q2. With an increasingly visible organic and acquisition-driven growth capability, characteristics the market appears to be undervaluing, we added to our position at an attractive discount to our PMV estimate.

We ended our investment campaigns in IPG Photonics and Meggitt during Q3. IPG Photonics is the leading provider of fiber laser technology for industrial automation markets. Fiber lasers are faster, more powerful and efficient, yet require less maintenance and labor to operate than traditional lasers used in industrial applications—

cutting and welding, marking and engraving, and micro-processing. When we initiated our campaign, we believed the company was poised to benefit from additional use cases for fiber lasers, including in the manufacturing processes of electric vehicle batteries and solar panels and in medical applications such as kidney stone removal. However, the company recently indicated supply chain delays and slowing growth in China—nearly 40% of the company’s revenue—were weighing on growth, and the exposure to emerging applications is not yet meaningful enough to offset these headwinds. With limited visibility into when these challenges may abate, we exited our GardenSM position in favor of other industrial technology holdings with stronger fundamental trends.

Meggitt is an international engineering company specializing in components and sub-systems primarily for the aerospace and defense markets. We decided to end our successful investment campaign after the company announced it would be selling itself to Parker-Hannifin during Q3 (~70% takeout premium).

In addition to trimming our position in Atlassian, we also pared our exposure to Datadog and Lonza. Datadog is a leading provider of monitoring and analytics for cloud-based applications. Software has become central to how organizations deliver differentiated products and user experiences and optimize business processes—fueling the disruption taking place across nearly every industry. The success of this digital transformation trend is increasingly tied to quality and performance—in turn, driving strong secular demand for IT infrastructure and application monitoring. Datadog’s platform—which integrates and automates infrastructure monitoring, application performance monitoring and log management—provides real-time observability of its customers’ entire technology stacks and is built to address the scale, complexity and dynamic nature of the modern cloud era. Datadog’s solutions fill a void left by legacy tools built for on-premise IT infrastructures, and the company is well positioned to exploit an underpenetrated, large addressable market. The company has been firing on all cylinders recently, adding 1,000 or more new customers each quarter (~600 pre-pandemic) and growing its free cash flow margin by 800 basis points year-over-year in Q2. Additionally, the integration of nine different products into a single platform has enabled the company to successfully cross-sell products to existing customers. While we believe Datadog’s low-touch, land-and-expand distribution model positions the company well to capitalize on the continued shift to the cloud, we trimmed our position as shares approached our estimate of private market value.

Lonza is one of the largest manufacturers and producers of active pharmaceutical ingredients for biologic and small molecule drugs as well as cell and gene therapies for the pharmaceutical and biotech industries. Drug development is complex, and contract development organizations (CDMOs) such as Lonza allow pharmaceutical and biotech companies to outsource their drug development and manufacturing needs. This provides several benefits, including reducing or eliminating infrastructure costs, providing access to additional expertise and enabling pharma and biotech companies to

rapidly scale. Lonza is benefiting from the impressive growth of new drugs coming to market and an expanding industry pipeline. This has prompted the company to make further investments to expand its manufacturing capacity, which we expect to deliver attractive returns (>30% ROIC) and bear fruit in 2023 and beyond. While we are confident in the longer term growth runway ahead, we exercised our valuation discipline during Q3 with shares approaching our estimate of private market value.

Our ESG Journey

As we set our priorities for 2022, diversity is an area of focus. We think a reasonable place for us to start is at the boardroom level. Studies have shown board diversity can meaningfully impact how companies make decisions, deploy capital and ensure management’s actions align with the interests of all stakeholders. Additional benefits include increased creativity and innovation, a reduced potential for groupthink and entrenchment and more openness to a wider variety of value creation strategies such as R&D and/or risk management. Research has also shown diversity correlates with better financial performance.

Today’s corporate boardrooms and leadership teams do not always align with the gender and ethnic makeup of the broader workforce, which has evolved significantly over the past several decades, and we believe this is an opportunity for US-domiciled companies. Today’s US civilian labor force consists of approximately 50% women (vs. 29% in 1950) and 20% ethnic minorities (vs. 12% in 1980). Meanwhile, according to 2021 data provided by an ISS ESG review of 45,643 director roles, 21% of board members were female and 14% were non-white. While progress has been made in recent decades, it has been slow, and we believe it is important for companies to remain focused on closing this gap.

Two holdings we believe are particularly forward leaning in this area and have already or are starting to disclose gender and ethnicity metrics are HubSpot and Chegg. Both companies’ boards are at least 40% female, and their public disclosures include varying degrees of gender, ethnicity and age metrics across different levels of the organization and how they have trended historically. We believe this level of transparency is important. It not only provides relevant stakeholders with a baseline to measure against over time, but it also provides more transparency into who the company is hiring, who is present and who is getting promoted.

We are raising the bar with our board voting criteria ahead of the 1H22 proxy voting season to reflect our increased focus on this important topic. During the 2021 proxy season, we voted against members of the nominating and governance committee in cases where the board did not include at least one female director. Starting in 2022, the team will increase the standard to cases where the board of directors does not have at least two female directors or is less than 20% female. If a company does not have a nominating and governance committee, we plan to vote against the most appropriate

senior member(s) up for re-election. In addition, starting in 2023, the team plans to vote against all directors up for re-election in cases where there is not at least one female director. We expect to update our proxy policy over time to reflect additional expectations for overall board diversity beyond gender. We are in the process of communicating this to our holdings ahead of the 1H22 proxy voting season. We look forward to sharing updates on this initiative in future letters.

Perspective

After being pressured in Q4 2020 and Q1 2021 by the market rotation into cyclical “reopening” stocks, our secular growth holdings experienced a nice run in the second and third quarters. As we approached quarter end, valuations for some of these winners were approaching full levels relative to our estimates of companies’ private market values, prompting us to make several trims, including those mentioned in this letter (Atlassian, Datadog, Lonza). While recent market volatility has provided a modest reset, expectations remain elevated for some of our holdings.

Having said that, the portfolio overall looks reasonably valued (barring a dramatic rise in interest rates), and many of our holdings look quite attractive to us. With key profit cycle metrics looking solid for most holdings, we are generally optimistic about the portfolio’s long-term potential. Clearly, there are plenty of macroeconomic concerns to consider—CCP regulatory actions, inflation concerns, supply chain bottlenecks, Fed rates/ uncertainty, a stall in vaccination rates and COVID-19 cases spiking to levels not seen since late 2020. While macro-related developments may impact our portfolio performance short-term, we expect our companies will be able to manage through these issues over the long term. We are confident in the team’s efforts to identify—and most importantly, build conviction in—our holdings. Through market rotations, macro headlines and pandemic shutdowns, we have done the research (internal team discussions, customer checks, industry expert conversations, user conference visits, management meetings, financial statement analysis) needed to validate our investment theses and stick with (or often, add to) our positions during times of volatility.

We would like to take a moment to discuss the investing environment in China. The actions taken by the CCP over the past year have been frequent, swift and in many instances, unexpected. If it weren’t already obvious, the CCP’s actions have made it abundantly clear alignment with its near- and long-term goals is paramount, and any actions that go against the grain could decimate future profit growth potential. Meanwhile, our portfolio has benefited from our small exposure to companies domiciled in China (<50bps at the end of Q3). Poor corporate governance, a general lack of transparency, potential human rights issues within its supply chain and a difficult regulatory backdrop have outweighed any secular, cyclical or internal growth catalysts we have identified. We have also found the risk/reward to be more attractive in other areas of the global economy. That said, we have not excluded China from our portfolio, and we are being vigilant as we look for franchises that meet our investment criteria.

While we maintain a watchful eye on macro dynamics, and fully expect markets to remain volatile over the coming quarters, most of the team’s energy remains devoted to finding and evaluating franchises with compelling early-stage profit cycle opportunities, with the expectation that today’s work will position the portfolio to benefit as some of these profit cycles blossom in future years.

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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. 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 Index measures the performance of developed and emerging markets. The MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). 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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Portfolio statistics are obtained from various data sources and intended to provide a general view of the portfolio, or Index, at a point in time. Artisan Partners excludes outliers when calculating portfolio characteristics and may use data from a related security to calculate statistics if information is unavailable for a particular security. **Private Market Value** is an estimate of the value of a company if divisions were each independent and established their own market stock prices. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: GardenSM, CropSM and HarvestSM. GardenSM investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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