Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 31 December 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 31 December 2021	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
				Average Annual Total Returns			
Investor Class: ARTJX	**-0.64**	**3.66**	**3.66**	**23.39**	**15.81**	**11.93**	**12.09**
Advisor Class: APDJX	**-0.59**	**3.86**	**3.86**	**23.60**	**15.91**	**11.97**	**12.12**
Institutional Class: APHJX	**-0.54**	**3.97**	**3.97**	**23.73**	**16.07**	**12.07**	**12.17**
MSCI All Country World ex USA SMID Index	0.62	10.16	10.16	14.72	10.30	8.63	9.23
MSCI All Country World ex USA Small Cap Index	0.62	12.93	12.93	16.45	11.21	9.46	10.14

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
Annual Report 30 Sep 2021	1.30	1.14	1.06
Prospectus 30 Sep 2020[1]	1.34	1.19	1.10

[1]See 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 ended Q4 in positive territory as concerns for the omicron variant's severity began to wane. Regionally, developed markets outperformed emerging markets, with the latter modestly negative for Q4. The 10-year Treasury yield held steady above 1.5%, despite a rapidly evolving policy environment. The information technology and utilities sectors led positive returns among small- and mid-cap stocks, and the consumer staples and consumer discretionary sectors were the weakest performers in the quarter.

Over the course of 2021, investors largely debated style leadership and the sustainability of rallies in commodities and cryptocurrencies, and focused on supply chain bottlenecks, rising inflation and the prospect of higher interest rates. These factors contributed to a repositioning of equity exposure toward cyclicals. Globally in 2021, traditional value sectors outperformed growth companies, and large-capitalization businesses outpaced small ones. Among international small- and mid-cap stocks, energy and financials led returns for the year, while health care and consumer segments were the largest laggards.

We feel there are a few important messages to reiterate to our investors:

- Our investment approach is time-tested and has demonstrated success over a multi-year time frame. We have great conviction in the long-term future of our portfolio of high-quality businesses, which we have carefully assembled over time via extensive diligence.
- Our thematic approach and research efforts are aimed at identifying best-in-class, resilient businesses that are capable of surviving capital market shocks, including near-term pressures from inflation and (potentially) rising rates. We believe our businesses are positioned to thrive in a competitive, post-COVID world.
- Unlike the market's current fixation with a single narrative, our orientation has always focused on idiosyncratic investment opportunities identifying future industry leaders whose success is not reliant on cyclical factors. We also are advantaged with the magnitude of our opportunity set, given our view that small companies around the world are best positioned to capitalize on changing industry landscapes from innovation and technological change in various market environments.
- It is always worth reinforcing that long-term investing requires patience, prudence and perspective. We have no shortage of ideas and are hard at work, but all portfolio activity will continue to align with our 5-year time horizon.

Before we delve into individual themes and companies, we wanted to highlight why some of the market's preoccupations are misplaced, or at least less relevant for our portfolio. We've discussed inflation at length in prior letters, so we'd like to start with concerns about potentially rising rates. As mentioned above, our businesses should not be particularly interest-rate sensitive. There are a few reasons for this:

- Our companies are largely debt free and hence will not face higher interest expenses.
- With few exceptions, our companies are self-funding and do not overly rely on capital markets for financing.
- Unlike long-duration bonds, our investments should prove less rate sensitive due to their high structural growth and free cash flow generation. High returns on invested capital (ROIC) cushion a company's economic value against a rise in interest rates to a far greater extent than what low ROIC businesses will experience. The latter group would see its economic value-add largely eliminated. Instead of trying to pinpoint an exact discount rate in the next year or two, we evaluate an investment's ability to double over five years, which implies a 15% discount rate.

Another recent trend in the market has been an indiscriminate selloff in technology-related names due to concerns about rising rates as well as negative price momentum. We did not invest in the portfolio's technology companies because of low interest rates or positive price momentum. Active investing requires nuance and attention to idiosyncratic factors. Painting entire industries with broad brushstrokes and casting aside company fundamentals has never made sense to us. The market seems to be drawing very little distinction between various tech stocks. During times of unbridled optimism and pessimism, the latter of which we are experiencing now, we advocate for valuing each business in a judicious manner. For example, let's consider NICE, a leading customer interaction software company we've discussed numerous times. NICE grows revenues at a double-digit rate, enjoys margins over 20%, generates steady net cash flow and faces a meaningfully expanding, long-term opportunity as it implements artificial intelligence (AI) across its product lines. Now compare NICE to a company that decided to forego profitability in the pursuit of top-line growth, squandering its balance sheet strength and working capital position—a dynamic that would be antithetical to our investment approach. Historically, the market has rewarded such behavior with a mega growth multiple. Today, both NICE and this low-quality business are caught in the tech downdraft. However, NICE is not interest rate-sensitive; it has pricing power, meaningful visibility into growth and an (increasingly) attractive valuation.

Additionally, the market has fixated on "value vs. growth" and prioritized the "value" factor in recent quarters. We'd like to make a few points here:

- Our strategy's mandate is to find high-quality, durable businesses backed by structural tailwinds.
- As investors always willing to challenge our own thinking, we've examined some of these cyclical areas of late, such as real estate

companies and banks, and do not think their risk/reward profiles are particularly attractive. For example, buying commercial real estate at current, low cap rates doesn't make much sense to us. However, in evaluating the sector, we have noticed a bifurcation in pricing between those buildings with and those without modern HVAC systems. While this research effort did not yield new immediate investments, it did further our conviction in our existing "smart buildings" theme, validating our belief that we'll see a prolonged investment cycle for HVAC systems. Companies like Azbil are particularly attractive given the recent valuation correction. Similarly, we conducted due diligence on the banking sector and, in general, we are not convinced banks will prove to be wonderful investments in an environment of significantly tighter financial conditions. With select exceptions, banks face challenges in modernizing their technology and have large workforces that are vulnerable to inflationary pressures. In addition, their loan books that have grown during the last decade of loose monetary policy may prove to be vulnerable as standards become more rigid in an environment of tightening monetary conditions.

- We have nothing against value. However, we think it's important not to confuse something of value with low-quality cyclicals. When we value a business, we think about its through-cycle profitability. Good businesses are available at attractive prices, in our view. For example, Fujitec, a leading Japanese elevator company with a large after-market opportunity, is trading at 12X earnings. CKD, a precision automation company, is trading at approximately 12X through-cycle price-to-earnings and 13X through-cycle enterprise value/free cash flow, based on our estimates. CKD has significant opportunities to increase its value-add per semiconductor tools and improve margins via its new product innovation.

Lastly, despite the macro noise, our interactions with businesses around the world suggest that forces of innovation, technological change and automation, as well as the revolution in health care and the energy transition are only accelerating and having greater relevance to the economy. We patiently wait for attractive entry prices and collect, one by one, leading, smaller companies that we believe are beneficiaries of these trends. Today, as in the past, we are aware of macroeconomic dynamics, but they do not drive our investment process. Throughout various market dislocations, such as the global financial crisis, Brexit, the decline in December 2018 (the worst December since 1931) and the COVID-19 pandemic, our approach has never wavered—we keep our heads down and parse out nuance while keeping a long-term perspective and adhering to valuation discipline. We continue to believe that this approach will yield significant opportunities for our investors.

Our 3-Year Milestone

Over the past three years, while the world has changed dramatically, our focus on business model durability and management team flexibility has benefited our investors. Nearly a dozen portfolio companies have returned over 300% during that period, with another 11 doubling in value. While we would prefer to compound returns in our companies indefinitely in a linear fashion, we are keenly aware of changing valuations, competitive landscapes and business fundamentals. In addition to reaching the 3-year mark at Artisan, we also have surpassed a decade consistently applying our investment approach to the international small- and mid-cap space. We believe the depth of our experience, a passion for resilient business models and our long-term orientation should continue to aid us in the current environment.

Our investment approach marries long-term thematic investing with bottom-up security selection. There are more than a dozen prevalent themes in our portfolio, all of which represent a decade's-long tailwind to the changing dynamics within industries. Many of our themes have been represented in the portfolio since the beginning of our Artisan tenure, have proven to be relevant and continue to be so. Highlighted below is a sample of some of our themes and the best-in-class businesses contained within.

Life Sciences, or the "picks and shovels" of the biotech revolution

An unprecedented level of innovation is occurring in the life-sciences tools industry, including advancements in gene sequencing and high-precision visualization technologies. Portfolio investments have focused on companies offering high-value tools and consumables empowering research, diagnostics and bio-production. Company examples include Tecan, JEOL and Siegfried.

Next-Gen Auto

The automobile is fundamentally changing, becoming electrified, connected and, in the long run, autonomous. We are focused on the increased semiconductor and software content in the car that are critical in enabling appropriate standards of safety, durability power and range of the car. Company examples include Wolfspeed, Aixtron and Rohm.

Logistics

Logistics is becoming increasingly strategic in a world where the movement of goods and services is trending toward more regulations and complexity. Companies with warehousing, technological advancements in robotics and software that enable automation and fulfillment capabilities are in an advantageous competitive position with sustainable pricing power. Company examples include SG Holdings, Descartes and DSV.

High Value-Added Bottlenecks

Companies in this theme, diverse by sector, have products or services

that occupy a particularly important position in an industry's value chain but represent only a small portion of the end product's total production cost. Having an outsized value relative to cost is particularly important for many smaller companies that can rarely compete on scale with larger competitors. Common characteristics include strong market position, brand recognition, product differentiation, high customer intimacy and resiliency. Company examples include IMCD, Symrise and Rotork.

Cybersecurity
As the trend toward digitization accelerates across industries, and the breadth and sophistication of bad actors expands, the volume and impact of cyberattacks is increasingly elevated. These forces are driving greater structural demand for cybersecurity protection, requiring greater specialization and allowing best-of-breed players to emerge. Additionally, the world is migrating to the cloud and in the process is changing its network architecture, which in turn requires ever more advanced cybersecurity solutions. Company examples include Radware, CyberArk and HENNGE.

Short-term stock price volatility has not changed our conviction in these structurally advantaged companies. Risk, in our view, is the probability of permanent loss of capital. The risk-mitigating tools we rely on are individual company analysis, sensitivity to valuation and a disciplined and humble approach to positioning sizing. We are proud of the returns we have delivered since arriving at Artisan in October 2018 and are enthusiastic about what the future holds.

Positioning

As we have consistently applied our investment approach, we have maintained a long-term oriented portfolio with low turnover. We are strategic and carefully select themes and individual companies with thorough due diligence. We are constantly meeting with company management teams and industry experts to glean non-obvious insights. Ideas are never short, but we patiently wait for attractive entry prices.

Periods of market volatility are more interesting to us than periods of unbridled enthusiasm. For example, what has occurred in health care is illogical, in our view. Over the past year, market participants moved from unchecked enthusiasm to wholesale apathy. The biggest innovations of the 21st century are happening in the world of health care, including gene sequencing and proteomics. The opportunity set is vast and includes recent advances that open up very large markets. We warned investors about the dangers of investing blindly in SPACs and in the unprecedented wave of IPOs, and we did not participate in these frenzies. We are sifting through this noise and identifying durable opportunities, such as AI-enabled drug discovery and emerging treatment modalities like RNAi (RNA interference) and protein degradation. Many ideas are available at interesting prices in the aftermath of indiscriminate capital market activity. Health care is an area where one must be particularly thoughtful, and our track record demonstrates our success in the sector. Over the years, it has been a significant source of returns, and we believe that opportunities are plentiful, assuming one is nuanced and careful in evaluating this complex landscape.

Another area of focus for us is energy transition, which used to be fairly abstract but is now increasingly tangible. Green taxonomy efforts and carbon taxation have made it clear this trend is enduring and that businesses that don't embrace this future will face real-world consequences. For example, airlines now have a carbon tax, and along with deciding whether to pass on these cost hikes, they must debate capital expenditure decisions surrounding fleets upgrades for better fuel efficiency. Energy infrastructure companies must decide whether to invest in offshore wind, gas or electric tech. We have devoted significant time sifting through the rubble of previously overhyped situations to find durable circumstances at attractive prices. A recent purchase is Gaztransport Et Technigaz (GTT), an IP-intensive developer of cryogenic membranes for the transportation and storage of LNG. GTT has a highly profitable business through the licensing of its technology, which creates a circumstance where the company can grow revenue with virtually no additional cost. Other portfolio companies in this theme include Vestas Wind Systems and Ingersoll Rand.

We are also highly interested in the big drivers of economic change in the software industry—the ubiquity of digitalization globally, software's transition to the cloud and the adoption of AI. AI is evolving the value proposition of software from a productivity tool to a higher value decision-support tool, which in turn creates further customer stickiness and enhances pricing power. Our soon-to-be published paper, *Software Enterprise: The Changing Ecosystem,* will discuss this dynamic theme in further detail. We have invested in software companies that serve a broad array of industries, such as NICE, Fortnox and IndiaMART, and those that specialize in a niche industry or in a subset of industries, such as Model N and Altus.

Performance Discussion

Our portfolio trailed the MSCI ACWI ex USA SMID Index in Q4. Security selection in health care and consumer discretionary were drags on relative returns. IT, energy and communication services outperformed the corresponding sectors in the index and offset a large portion of underperformance.

Boohoo Group and SG Holdings were the largest individual detractors in Q4. UK-based online fashion retailer boohoo has benefited from increased online spending during the pandemic, but its shares, along with the apparel industry in general, have recently retreated due to two key factors: 1) a challenging set of comparables relative to pandemic-driven demand in 2020; and 2) supply chain disruptions primarily due to a spike in transportation costs. Historically, international commercial flights transported cargo; however, fewer flights have drastically reduced cargo capacity and increased costs fourfold. This lowered boohoo's competitiveness outside of the UK, where boohoo lacks warehousing and local transportation. We believe this construct is temporary, but we are closely monitoring the

situation. Boohoo is building local fulfillment centers that will structurally lower distribution costs over time, and the resumption of travel should alleviate cargo price pressures. Additionally, difficulty securing supplies from Asia and other parts of the world has adversely affected supply chains. Lastly, investor concern of growing competition from China has surfaced as an industry overhang. In our view, boohoo's fundamental, long-term health is not impaired. We like its differentiated fashion proposition, efficiency of its platforms and management's use of capital during the pandemic to strengthen its customer base via acquisitions of high street brands.

SG Holdings is a Japan-based logistics services provider. SG has seen investor sentiment wane in recent months on reduced margins from higher freight costs, despite ongoing profit growth. Our interest is focused on SG's long-term opportunities to further increase profitability with technological advancements in robotics and software that enable warehouse automation. Additionally, the company's strong market position and critical services should allow it to exercise pricing power in a rising demand environment. Over the long term, we believe SG will fall on the right side of history but recognize it may take time for profit to return given the effects of the pandemic on the near- and medium-term environments.

Wolfspeed and Radware were the top individual contributors in Q4. Wolfspeed manufactures silicon carbide wafers for the next generation of power semiconductors. In preparation for increasing demand for electric vehicles and as a part of its plan to secure its position as an industry leader, the company is building a new device manufacturing facility, set to become operational in 2022, as well as converting its former LED floor space to enhance silicon carbide manufacturing capacity. In our view, we are in the early innings of this implementation, and we have confidence in Wolfspeed's management team to navigate the evolving opportunity set.

Radware is a global cybersecurity leader, specializing in Distributed Denial of Service (DDoS) attack protection. The company operates under its own name as well as in a white-labeled fashion on a variety of security platforms. Historically, Radware has offered very compelling technology but has been plagued by poor sales and marketing execution. Additionally, the company is in the early stages of transitioning to the cloud, which obfuscates a normalized, higher growth rate but should result in benefits of scale, higher customer lifetime value and recurring revenues from subscription-based models. We think the stock is reasonably priced and have confidence in the newer company management, which has implemented strategic changes and is focused on building a track record of better execution. Longer term, we think Radware will continue to benefit from 1) a continued de-emphasis of hardware and conversion to cloud; and 2) expansion of its suite for cross-sell/upsell opportunities—namely web application firewall (WAF) technology and bot management.

We take our responsibility as stewards of your capital seriously and continue to adhere to our long-term investment approach. We look forward to updating you on portfolio performance and positioning for many years to come.

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 31 Dec 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 31 Dec 2021: Nice Ltd 3.9%; Azbil Corp 1.9%; Fujitec Co Ltd 1.1%; CKD Corp 1.4%; Tecan Group AG 0.7%; Jeol Ltd 1.0%; Siegfried Holding AG 0.7%; Wolfspeed Inc 1.8%; AIXTRON SE 0.9%; Rohm Co Ltd 0.8%; SG Holdings Co Ltd 1.7%; The Descartes Systems Group Inc 0.9%; DSV A/S 1.0%; IMCD NV 1.3%; Symrise AG 0.9%; Rotork PLC 1.5%; Radware Ltd 1.8%; CyberArk Software Ltd 1.5%; Hennge KK 0.3%; Gaztransport Et Technigaz SA 1.3%; Vesta Wind Systems A/S 0.7%; Ingersoll Rand INC 1.2%; Fortnox AB 1.3%; IndiaMart InterMesh Ltd 0.7%; Model N Inc 1.0%; Altus Group Ltd 1.4%; boohoo Group PLC 0.6%. 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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This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Enterprise Value (EV)** is a measure of a company's value. **Discount Rate** is the rate used to determine the present value of future cash flows. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Net cash** is a figure that is reported on a company's financial statements. It is calculated by subtracting a company's total liabilities from its total cash.

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