Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 31 March 2022

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 March 2022	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTJX	**-12.75**	**-12.75**	**-8.24**	**12.49**	**11.41**	**8.63**	**11.19**
Advisor Class: APDJX	**-12.72**	**-12.72**	**-8.08**	**12.67**	**11.51**	**8.68**	**11.21**
Institutional Class: APHJX	**-12.71**	**-12.71**	**-7.99**	**12.77**	**11.66**	**8.77**	**11.26**
MSCI All Country World ex USA SMID Index	-6.63	-6.63	-1.31	8.54	7.03	6.54	8.74
MSCI All Country World ex USA Small Cap Index	-6.52	-6.52	0.03	10.22	7.89	7.28	9.65

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 2021[1]	1.31	1.15	1.07

[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 experienced further volatility in Q1 amid Russia's invasion of Ukraine and anticipation of higher interest rates in key developed markets. The Bank of England continued its course of monetary tightening with another 0.25% rate hike in February. The Federal Reserve followed suit in March and increased the fed funds rate 0.25%, the first increase since 2018. The Bank of Japan took a parallel path, maintaining its accommodative monetary policy while modestly adjusting its inflationary forecast upward for the year. Non-US small- and mid-cap stocks delivered negative returns across all sectors, with the notable exception of energy and to a lesser extent utilities. The largest sector laggards within the index were health care, technology and consumer discretionary. Growth stocks dramatically underperformed their value counterparts, with the performance gap between "styles" ranging from 800 to 1,200 basis points depending on market capitalization and geography.

We continue to contemplate the first- and second-order effects of this crisis on global supply chains, individual company assets, cash flows and earnings. However, in all major market dislocations it's important to:

- Continue focusing on long-term outcomes while being mindful of short-term vulnerabilities
- Lean into our bottom-up process to carefully assess the fundamentals of each business rather than the daily risk-on/risk-off fluctuations of the market
- Remember that as contrarian investors, we can benefit from times of market dislocation by seeking situations where the market's short-termism creates opportunities

We've experienced turbulent markets over the past decade and take solace in the fact that we know what we own: high-quality businesses operating in structurally growing areas of the market with skilled management teams at the helm. Differentiating between signal and noise is particularly crucial now given the daily barrage of headlines that conflate real changes, such as inflation and geopolitical conflicts, with temporary market foci, such as meme stocks and SPACs. Periods like this are precisely the times when weak companies are exposed. Our focus on companies' quality, stewardship, pricing power and ability to self-fund growth separates the wheat from the chaff.

Our portfolio has no exposure to listed companies from Russia or Ukraine, and revenue derived from the region across the portfolio is minimal. Furthermore, as structural growth investors, we do not own any traditional banks that might have indirect exposure via collateral or counterparty risk, and we have never been meaningful investors in the energy or commodity complex. Corporate governance concerns have long precluded us from investing in Russia, a country where minority shareholders have no redress. Additionally, we acknowledge some important economic inputs, such as the price of oil, transcend the region and have been impacted by the conflict. We will continue to be nuanced in our thinking and keep the pricing power of our businesses in this inflationary environment at the fore. In light of the many divergent forecasts concerning macro topics—from the evolving course of inflation and interest rates to geopolitics and the strength of US and European economies—we feel it's important to remind investors of the all-weather aspects of our investment approach:

- We are long-term secular growth investors and seek to avoid cyclicality.
- Businesses we invest in possess idiosyncratic drivers and are aligned with structural tailwinds driving growth and innovation in their respective industries.
- We seek financially conservative businesses with management teams adept at navigating various market conditions. Balance sheet strength, self-funded growth and strong operating teams are important ingredients that lead to sustainable success.

In short, we look for smaller companies poised to become larger companies regardless of the macro backdrop.

To bring these points to life we can examine two UK-based businesses that seemingly would be subject to the macro trajectory of the moment, Jet2 and Howden Joinery. Jet2 is an online travel agency we began to accumulate during the depths of the COVID-led travel shutdowns. The company has used its balance sheet strength to play offense during the pandemic as more leveraged competition faltered. Jet2 has meaningfully renewed its fleet, strengthened relationships with its hotel partners and acquired 40 additional landing slots at key airports, significantly enhancing its value proposition and positioning it to see significant market share gains. Jet2 is not merely a reopening play, but a sustained strong business that will emerge from the pandemic stronger than it entered.

There is a parallel in Howden Joinery, a successful multi-year investment we first began to pursue as it navigated the disruptions of the global financial crisis and Brexit. Howden Joinery offers a network of depots for kitchen supplies, and this more nimble and less capital-intensive approach has allowed it to disrupt established high street-based competition. The company has made strategic investments over the past few years and now has a strong digital offering in its front-end interface, making the user experience better, and its back-end application, allowing the site to run more smoothly, as well as a substantial and growing business in France. Howden Joinery continues to exercise meaningful pricing power and take market share.

Our job is to separate signal from noise and remain thoughtful about the quality and valuations of our holdings, relevance of our themes and diversification and construction of the portfolio. Experience is on our side, and we are highly confident in the resilience of our portfolio.

Performance Discussion

Our portfolio trailed the MSCI ACWI ex USA SMID Index in Q1. Industrials, mainly due to the selloff in shares of Kornit Digital, was the largest source of underperformance. Energy, materials and financials in aggregate were also a source of underperformance due to our large underweights in these cyclical areas.

Despite its fundamental progress, Kornit is trading as a low-quality, high-beta tech stock. As we have noted in previous letters, its technology enables the apparel industry's structural shift to automation—redrawing global supply chains—and enables "instant fashion." The long list of premier customer relationships continues to expand, and its competitive position should strengthen with a new product introduction cycle. Over the long term, the need for better inventory management and a desire to bring production closer to the customer should boost demand for Kornit's technology. The business has no debt, is raising prices—demonstrating its pricing power in an inflationary environment—and has margin expansion opportunities. It is a highly idiosyncratic situation and is well-positioned to navigate the current environment. Consequently, we continue to grow our position in the business given its extremely attractive valuation.

Information technology, where the portfolio has more than twice the exposure as the index, underperformed. The fear of rising interest rates has led to an indiscriminate rotation out of tech, regardless of a company's ability to self-fund growth and its quality. NICE, which was a significant detractor, is an example. NICE has a market cap of $14B, no debt, net cash of $500M, top-line growth of +12% and meaningful margin expansion opportunities as it incorporates artificial intelligence across its product lines. NICE also has an entirely new line of technology growth and should generate $600M of free cash flow. Its stock price, in our view, massively undervalues the company's long-term growth. We used the opportunity to look past market short-termism and increased our position. NICE reflects the continuing evolution of software in the portfolio, with AI becoming more prominent and a real tool that increasingly creates value for enterprises.

Azbil, which is a manufacturer of automated control systems for HVAC equipment with dominant market share in Japan's industrial and commercial buildings, also detracted from relative returns. Markets have taken a limited view of the stock, treating it as a short-term beneficiary of the pandemic due to heightened sensitivity over air quality in buildings. Our multi-year ownership of and long-term thesis on Azbil remain intact. Its multi-year service contracts for HVAC systems should continue to support durable revenue growth, and its sensors play an important part in the evolution of "smart buildings" via remote monitoring and temperature controls that meaningfully improve efficiency and reduce carbon emissions.

On a positive note, the portfolio's health care positions outperformed those in the benchmark. The biggest innovations of the 21st century are happening in the world of health care, driven by gene sequencing, proteomics and the extraordinary level of innovation that is taking place. The opportunity set is vast and includes recent advances that open up very large markets. We continue to sift through the noise and identify 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 over the past few quarters.

Among the top contributors for the quarter were heath care positions Lantheus and Zogenix. Lantheus is a pioneer in medical imaging and has a pipeline of radiotherapeutics, PET imaging agents and small molecule therapeutics in oncology and cardiology. Shares outperformed on a successful launch of PYLARIFY®, a PET imaging agent that's becoming the standard of care for prostate cancer. Lantheus also had strong sales of DEFINITY®, an imaging agent for echocardiograms. The expected FDA approval for in-house manufacturing of DEFINITY® should meaningfully expand gross margins, and an improving product mix should boost profitability.

Zogenix was a leader in the treatment of epilepsy. In January 2022, global biopharmaceutical company UCB announced plans to acquire Zogenix for nearly $2B, representing a 70%+ premium. We initially purchased Zogenix in February 2021 with intentions for multi-year ownership but exited our position on the announcement in response to the significant share price appreciation.

Perspective

In the above section and in recent letters, we've discussed how market action has dislocated share prices from the fundamental progress many of our portfolio businesses are achieving, particularly in tech and health care. Without much regard for nuance, the market has continued to prioritize a particular narrative. Painting entire industries with broad brushstrokes and casting aside company fundamentals has never made sense to us. We have nothing against value, but we think it's important not to confuse value with cyclicality. When we evaluate a business, we care a great deal about value, with a focus on the long-term opportunity set and a business' through-cycle profitability.

Operational performance is significantly more indicative of a company's health than volatile, short-term stock price movements. The balance sheet flexibility of our portfolio companies has enabled management teams to play offense over the past several quarters, which in general displeased the market given its lack of appetite for capital expenditures in a rising rate environment. We, however, do not share this view, as investing for future growth and to sustain competitive advantages is necessary. The emphasis should be on how thoughtful the expenditures were and how the funding was sourced. What follows are a few examples where the market's short-termism has bordered on irrationality.

The pandemic and geopolitical uncertainties have heightened the need for supply chain resilience. Shares of Canada-based Kinaxis, which makes software for modeling complex supply chains for enterprises, have been volatile, although the company delivered a record high level of subscription bookings for full year 2021, more than doubled the number of new customer wins compared to 2020 (many of which were competitor replacements) and met all of its financial targets. Kinaxis has meaningfully invested in its sales force over the past two years, which the market did not appreciate until recently. We had, and continue to have, confidence in the company's management team to conservatively invest in people as well as platform and service offerings to distance itself from competitors. As the digitalization of supply chains continues to accelerate, Kinaxis' relevance will only grow.

Cybercrime is projected to cost the world trillions of dollars over the next five years from business disruption, information loss, revenue loss and equipment damage. Cybersecurity is no longer discretionary; governments and public and private companies of all sizes worldwide have no choice but to invest in securing their data and systems. Israel-based CyberArk is the global leader in privileged access management, which prevents unauthorized entities from accessing an organization's most sensitive, password-protected systems. Given its strong customer loyalty, CyberArk could cross-sell products in its expanding portfolio that address less sensitive situations and compete with Okta via single sign-on, as well as have an end-point specific product. Shares are modestly lower than where they started 2022, despite the company's double-digit growth and near completion of its transition from being an on-premise company with a perpetual license model to a SaaS company with a subscription model.

Some strong businesses outside of tech and health care have also been mispriced in the recent market dislocation—even those benefiting from the current inflationary environment, such as IMCD. IMCD is a particularly interesting case as a leading global specialty chemicals distributor that primarily services end markets in pharmaceuticals, personal care and coatings. Shares of the company sold off along with its peers, despite the inflationary environment being a net positive for IMCD's structurally superior business model. Due to the required specialization and typically small percentage of ingredients IMCD provides relative to a customer's total end product, there is no transparent pricing in the market. Hence, IMCD can fairly easily pass on price inflation to its customers and add a margin for itself. Alternatively, it does not have to reduce pricing to the same extent when there is price deflation. IMCD's 20% organic growth massively outperformed the market's usual 4%-5% expectation. Top-down driven capital flows can be a blunt object, and this exemplifies a situation where we have been contrarian for the benefit of our investors.

We are seeing attractive prices today for many high-quality businesses and have purchased more new positions during the quarter than in the past. Our portfolio activity will continue to be nuanced, risk-aware and rooted in our long-term investment approach. We look forward to updating you on portfolio performance and positioning 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. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. 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 Mar 2022. 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 Mar 2022: Jet2 PLC 1.8%, Howden Joinery Group PLC 1.2%, Kornit Digital Ltd 2.4%, Nice Ltd 3.7%, Azbil Corp 1.6%, Lantheus Holdings Inc 1.1%, Kinaxis Inc 0.9%, CyberArk Software Ltd 1.9%, IMCD NV 1.3%. 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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Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **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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