Artisan International Small-Mid Fund

QUARTERLY
Commentary

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

As of 30 September 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 differentiated and defensible business models, high barriers to entry, dynamic management teams, favorable positions within their industry value chains and high or improving returns on capital. In short, we look to invest in small companies that have potential to become large.

A Contrarian Approach to Valuation

We seek to invest in high-quality businesses in a contrarian fashion. Mismatches between stock price and long-term business value are created by market dislocations, temporary slowdowns in individual businesses or misperceptions in the investment community. We also examine business transformation brought about by management change or restructuring.

Manage Unique Risks of International Small- and Mid-Cap Equities

International small- and mid-cap equities are exposed to unique investment risks that require managing. We define risk as permanent loss of capital, not share price volatility. We manage this risk by having a long-term ownership focus, understanding the direct and indirect security risks for each business, constructing the portfolio on a well-diversified basis and sizing positions according to individual risk characteristics.

Team Overview

Our team is intellectually curious about the world and how it is changing. Each team member is passionate about small company investing and discovering businesses with meaningful and open-ended growth opportunities.

Portfolio Management

Rezo Kanovich
Portfolio Manager

Investment Results (%)

As of 30 September 2022	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
				Average Annual Total Returns			
Investor Class: ARTJX	**-6.02**	**-32.10**	**-32.53**	**1.90**	**2.56**	**5.42**	**9.57**
Advisor Class: APDJX	**-6.06**	**-32.07**	**-32.47**	**2.04**	**2.65**	**5.47**	**9.60**
Institutional Class: APHJX	**-5.99**	**-32.02**	**-32.38**	**2.15**	**2.79**	**5.57**	**9.65**
MSCI All Country World ex USA SMID Index	-9.16	-29.29	-28.85	-1.28	-1.25	3.74	7.08
MSCI All Country World ex USA Small Cap Index	-8.37	-29.37	-28.93	0.38	-0.56	4.44	7.94

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (21 December 2001); Advisor (4 December 2018); Institutional (12 April 2016). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTJX	APDJX	APHJX
Semi-Annual Report 31 Mar 2022[1]	1.29	1.13	1.04
Prospectus 30 Sep 2021[2]	1.31	1.15	1.07

[1]Unaudited, annualized for the six-month period. [2]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 monetary tightening drove equities lower in Q3. All sectors and regions in the MSCI ACWI ex USA SMID Index had negative returns.

Normally, we refrain from generalizing about our asset class and broad asset allocations. Instead, we focus on our current portfolio companies and opportunity set. We seek to discover small companies on a journey to becoming large and to compound returns at a high rate over many years. We carefully construct a portfolio of high-quality, idiosyncratic companies positioned on the right side of history and use short-termism in the market to act in a contrarian and valuation-sensitive manner.

The international small- and mid-cap universe is tremendously large, poorly understood and not particularly well represented in most investors' portfolios. We see our universe as an abundant source of ideas from which we can identify companies that we believe will emerge as future, global industry leaders. The stocks of these companies can be uncorrelated and provide private equity-like returns while offering daily liquidity. When small companies become large, the ability to compound returns is tremendous.

Our approach is exclusionary. We pay little attention to style boxes, geographies or the make-up of the index (i.e., MSCI ACWI ex USA SMID Index), as our active share of 97% illustrates. We travel around the world and meet with hundreds of companies every year. We've found that an overwhelming majority of them are in difficult positions. If you invest in an index, you will have exposure to many lower quality companies as opposed to extraordinary ones. Our index has nearly 5,600 companies, many of which are in cyclical areas of the market and must compete in low-growth, capital-intensive industries. Over the last few years, we have warned of confusing value with cyclicality and growth with momentum. With over a decade of applying this investment process to our universe, we can state with conviction that a portfolio of highly diversified, idiosyncratic long-term winners has excelled over factor-based investing, style rotation or any other tactically oriented approach.

We look for smaller companies that operate at the intersection of growth and change, where companies can drive disruption within their industry value chains. This dynamic is meaningfully underrepresented in the index.

We also look for certain ingredients that winning companies may have, one of which is a set of sustainable competitive advantages. Most smaller companies are slaves in their value chains, are highly regulated or are over-leveraged.

Another ingredient of a winning company is its people. Astute management actions can drive wildly divergent outcomes for the business. In my two decades of investing, I've found that intelligent and opportunistic management teams usually find ways to create value, even in turbulent times. In fact, volatile markets like today's are when you can more clearly discern quality companies from weak ones. Investing in an index will not enable you to gain familiarity with those in charge of a company's future.

Other ingredients of winning companies include unique assets, strong balance sheets, healthy cash flow generation, the ability to self-fund growth and structurally high returns on invested capital. Generally, vulnerable players in an industry value chain are exploited when conditions tighten due to inflation pressures, supply chain disruptions, geopolitical risks, higher interest rates or a combination thereof. Conversely, those with leading technology, high value-added bottleneck positioning, a lack of indebtedness, strong net cash positions and structurally high returns on invested capital are advantaged and can play offense. As we've seen time and time again, the strong emerge stronger on the other side of a crisis.

We believe our businesses are on the right side of history and, despite the short-term environment, will continue to drive progress in the world. They are automating industrial equipment, driving the electric vehicle market forward and creating ever-needed enterprise software that enhances efficiency and ascends the value chain as a management decision-making tool. Regardless of the short-term dynamic, SOBI will launch next-generation treatments for haemophilia and RSV, Ambu will drive the use of disposal endoscopes as standard of care, and CyberArk will continue its journey serving a broader market in privileged access management. We believe there is a scarcity of quality structural growers, and the market will eventually re-rate resilient companies higher as the dichotomy becomes more evident in volatile markets.

This year's pronounced market dislocation has also spurred conversations about portfolio allocations in the international small-cap space, possibly a result of presumption around higher beta and general business fragility. People often think of our asset class as "risk on." Now is a good time to enforce the point that large does not necessarily mean safe or high quality, and international does not inherently mean risk. Since our arrival at Artisan in the fall of 2018, we have outperformed the large-cap MSCI EAFE and Emerging Markets Indices, both of which had negative returns. This investor experience is consistent with the results of our prior lives, before arriving at Artisan. On the topic of risk, while we focus on microeconomics, we are always mindful of short-term vulnerabilities and conscious of macro headwinds that can derail company fundamentals.

Today, our asset class looks more promising due to generally lower valuations, particularly through the lens of USD-based investors. In the current environment, where the market is down more than 30% and certain currencies are down even more, the market has tossed the baby out with the bath water. This inevitably creates opportunities to find world-class franchises on sale. Broadly speaking, our portfolio businesses have not experienced significant fundamental dislocation despite the extreme downdraft in share prices, and we are confident in their long-term earnings power.

We continue to apply our labor-intensive, fundamental company research to find the small minority of businesses in our universe with a very bright future that are capable of withstanding challenging markets. This is what our long-term investors have experienced with us over many years and have come to expect. We remain price disciplined, opportunistic and long-term oriented and lean into diversification across industries, geographies and structural growth themes in an effort to enhance the portfolio's resilience.

Performance Review

Our portfolio outperformed the MSCI ACWI ex US SMID Index in the third quarter primarily due to stock selection in the information technology sector. Our health care positions were also sources of positive relative return, though our overweighting to the sector modestly offset this positive effect. The portfolio's industrials holdings were the largest detractor from relative results.

Wolfspeed, Model N and CyberArk were the largest individual contributors, and we believe these companies are examples of where markets are beginning to separate the wheat from the chaff, as we predicted. Wolfspeed manufactures silicon carbide (SiC) wafers and devices for the next generation of power semiconductors, of which one of the applications is to improve the range and efficiency of electric vehicles (EVs). During the quarter, shares rose after the company announced a positive revision in future earnings growth projections. Demand for power devices—particularly for EV production—is accelerating and still in the early stages. Wolfspeed is working to bolster its leadership position with facility expansions—its SiC manufacturing facility in New York is the largest in the world, and it plans to build another facility in North Carolina. We have confidence in the Wolfspeed management team's ability to successfully navigate the evolving opportunity set.

Model N is becoming the standard for revenue management software for big pharma and high-tech industries, which have a broad base of sophisticated customers, complex pricing structures and government regulations that differ by geography. Its AI-enabled tools have proven more effective than humans at crafting optimal discount structures, which result in very high savings for customers. Model N's transition from on-premise to cloud has enhanced its future proposition, with accelerating recurring revenues, data and analytics, and higher margin products. Earnings continue to grow, and the stock remains modestly valued, in our view.

CyberArk is the global leader in privileged access management, which prevents unauthorized entities from accessing an organization's most sensitive, password-protected systems. The company is evolving in three ways that will dramatically enhance its value. First, it is expanding into DevOps, which is the area where programmers continuously work on software development and upgrades in the cloud in real time. As the largest perimeter for cyberattacks, DevOps is very vulnerable, and the need to secure it is extremely important. Second, it is expanding privileged access management to include verifying the identities for essentially every user on an entity's network, not just for the top 10 people in a firm. Given its large base of high-quality, blue-chip customers and strong product offerings, CyberArk has opportunities for cross-selling these products that address less-sensitive situations. CyberArk is now competing with Okta, which offers a single sign-on solution. Third, CyberArk's customer base is growing to include mid-sized companies, which represent a big opportunity. When it comes to cybersecurity, companies will pay a premium for the best solution, and CyberArk's is the most comprehensive. Its transition to the cloud is progressing and has resulted in accelerating recurring revenue. We met with company management in Israel and continue to be impressed with its ability to innovate.

Among the portfolio's largest third-quarter detractors were CAE and ConvaTec. CAE, a flight simulator equipment maker, global pilot trainer and services company, was the biggest detractor during the quarter. CAE lowered its annual growth outlook to account for two US program charges in the defense division, one of which is from the recent acquisition of L3Harris' military training business, and to reflect supply chain pressures, labor shortages and an inflationary environment. Operating income in its civil aviation division increased, benefiting from a recovery, albeit a slow one. We have discussed the challenges to the recently acquired defense business with management and are staying close to the situation.

UK medical device maker ConvaTec has capitalized on its leading positions in the stable markets of ostomy and incontinence and invested in its selling, general and administrative expenses structure and in R&D, which should drive several new product launches with higher margins and prices. In addition to ostomy and incontinence, these new products will be in the structurally growing markets of infusion devices for insulin pumps and wound care. The dramatic depreciation of the pound has led the company's share price lower. However, ConvaTec is global company, with a manufacturing base in the UK, operations overseas and the majority of earnings in the strong USD. The volatility in the foreign exchange market has meaningfully enhanced ConvaTec's competitiveness, benefiting its profit and loss statement and margins over the medium term. We remain confident in company management and believe the stock is very attractively valued.

Perspective

Dramatic movement in the currency market has been a significant headwind for USD-based investors YTD. The Japanese yen and pound sterling have depreciated meaningfully and created a situation in the near term that pressures the valuation of our assets in both countries. Investors have directly linked companies' long-term resilience with shorter term currency movements in their respective domiciles. However, the combination of multiple contraction and meaningful depreciation of most currencies versus the USD has created a situation where world-class franchises are on sale. While we don't opine on

short-term dynamics or try to forecast currency movements, given our framework for evaluating companies on five-year cash flow projections, this is precisely the time to look for opportunities to acquire high-quality businesses with global relevance at lower valuations.

The ability to generate revenues in multiple countries and currencies is not exclusive to large companies. Our portfolio's Europe-domiciled companies generate, in aggregate, half of their revenues outside of Europe. Our UK-based companies have an even higher split of revenue generated outside of their home country. With the USD's appreciation, many of our companies can produce in weaker currencies and earn in stronger ones, enhancing their competitiveness. As investors who emphasize through-cycle profitability, we focus on the transactional, rather than the translational, impact of currency. The former has an actual effect on cash flow and the value of a business; the latter is simply notional gains or losses for shareholder reporting purposes.

As examples of varying company dynamics, let's discuss UK-based Rotork and Jet2, France-based Lectra and Japan-based Rohm, as the pound and euro have depreciated approximately 30% and the yen 23% this year. Rotork is a leader in mission-critical flow control and instrumentation solutions for water and power, chemical, and oil and gas plants. Electric actuators are structurally gaining market share from pneumatic and hydraulic actuators, and Rotork is at the forefront of this shift. As a global company, Rotork generates less than 10% of its revenues in the UK; more than a third of revenues are from broader Europe, and nearly a fifth is from the US. We are pleased with the company's progress, which includes year-over-year increases in every division in group order intake. Customers continue to spend on maintenance and upgrade activities as well as automation and environmental projects. Rotork also has strong profit margins, high return on capital employed, and a net cash position of £114.1 million. The company's share price, however, was pressured upon converting sales back to the pound. The current valuation, in our view, does not reflect the quality of Rotork's earnings and future growth.

Jet2 is a vertically integrated online travel agency at the other end of the revenue diversification spectrum. All of Jet2's revenue originates from the UK, and its stock price has been weak due to the pound's depreciation, concern about the health of the UK economy and jet fuel prices. Jet2, however, is well-positioned over the medium term. Foreign vacations are now significantly more expensive for the British consumer, and many will downgrade or shorten vacations to the more affordable options Jet2 offers. In addition, the company has more than $1 billion in customer prepayments resulting in negative working capital on its balance sheet, standing in sharp contrast to weaker competitors. As during COVID, strong companies such as Jet2 and Rotork will have an advantage in emerging stronger, and we have taken the opportunity to marginally add to our share count in both.

Lectra is a best-in-class software company offering industrial automation solutions for the textile industry. The company has developed CAD/CAM technology and precision cutting solutions that are critical for enabling on-demand manufacturing of clothing, furniture upholstery and automotive leather, where standardized replication is essential. There was no fundamental reason for the decline in its share price over the course of this year. It traded off with Europe overall and cyclicals, given its exposure to the automotive and furniture industries. The market did not recognize the growth in its fashion business and leading position in the micro factory of the future. Lectra has no debt, mid-teens growth and meaningful margin expansion, yet it is now trading at a mid-teen earnings multiple.

Rohm, a vertically integrated manufacturer of SiC wafers and devices, generates about one third of its revenues in Japan. Year to date, its share price in USD terms is down 26%. Yet, the company announced upward revisions to earnings estimates for its first half of fiscal year 2022 and anticipates higher sales and operating profit margin at 20%, mostly due to the weakened yen. Like Wolfspeed, we believe Rohm has a strong competitive position in the structurally growing area of EVs, and its future earnings are not reflected in its stock price.

While no one likes to see red flashing across their screens, today's market environment presents tremendous opportunities for long-term investors. We will continue to focus on long-term outcomes while being mindful of short-term vulnerabilities. Our portfolio activity is always nuanced, risk-aware and rooted in our time-tested investment approach.

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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. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. Growth securities may underperform other asset types during a given period. 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.

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. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI Emerging Markets Index measures the performance of emerging markets. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This summary represents the views of the portfolio managers as of 30 Sep 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 30 Sep 2022: Swedish Orphan Biovitrum AB (SOBI) 1.7%, Ambu A/S, 1.0%, CyberArk Software Ltd 2.2%, Wolfspeed Inc 2.0%, Model N Inc 1.7%, CAE Inc 1.3%, ConvaTec Group PLC 2.1%, Rotork PLC 1.1%, JET2 PLC 1.1%, Lectra 1.1%, Rohm Co Ltd 1.0%. 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. **Return on capital employed (ROCE)** is a measure of financial performance calculated by dividing earnings before interest and taxes by capital employed. Capital employed is the total amount of capital used for the acquisition of profits by a firm or project.

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A R T I S A N  P A R T N E R S

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