Artisan International Value Fund

QUARTERLY
Commentary

Investor Class: ARTKX | Advisor Class: APDKX | Institutional Class: APHKX

As of 31 December 2022

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Portfolio Management

N. David Samra
Portfolio Manager (Lead)

Ian P. McGonigle, CFA
Co-Portfolio Manager

Benjamin L. Herrick, CFA
Associate Portfolio Manager

Investment Results (%)

As of 31 December 2022	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTKX	**18.96**	**-7.00**	**-7.00**	**5.61**	**4.25**	**7.44**	**11.05**
Advisor Class: APDKX	**19.00**	**-6.87**	**-6.87**	**5.76**	**4.40**	**7.57**	**11.12**
Institutional Class: APHKX	**19.01**	**-6.80**	**-6.80**	**5.86**	**4.50**	**7.69**	**11.24**
MSCI EAFE Index	17.34	-14.45	-14.45	0.87	1.54	4.67	6.68
MSCI All Country World ex USA Index	14.28	-16.00	-16.00	0.07	0.88	3.80	6.99

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (23 September 2002); Advisor (1 April 2015); Institutional (1 October 2006). 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	ARTKX	APDKX	APHKX
Annual Report 30 Sep 2022[1,2]	1.19	1.05	0.95
Prospectus 30 Sep 2021[2]	1.25	1.11	1.02

[1]Excludes Acquired Fund Fees and Expenses as described in the prospectus. [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

Equity markets staged a rally in Q4. The S&P 500® Index was up 8%, the MSCI EAFE Index climbed 17%, and the MSCI Emerging Markets Index gained 10% (all returns in USD unless otherwise noted). The strength of the US dollar earlier in the year partially reversed during the quarter with the Japanese yen, euro and British pound sterling up 10%, 9% and 8%, respectively.

A reduction in inflationary expectations likely drove the global rally as investors reacted positively to slightly better inflation data. Weaker inflation may reduce the pace of interest rate hikes by central banks, a major headwind to equity returns. During the quarter, prices of several commodities, including natural gas, refined gasoline, coal, steel and various food products, declined. Oil prices were flat, shipping costs plummeted, and used car prices declined. Gold rallied nearly 10%.

The year 2022 marks a reversal from a decade of underperformance of international equities relative to US equities. During the year, the S&P 500® Index returned -18%, while the MSCI EAFE Index returned -14% in USD and -7% in local currency. Rather than a reflection of better economic trends outside of the US, the outperformance of international markets likely resulted from a combination of discounted valuations on foreign stocks and excessively high valuations on US stocks, especially shares of technology companies that have outsized representation in the S&P 500® Index.

Portfolio Discussion

Arch Capital was the largest contributor to the portfolio's return for the year and Q4. Arch Capital is, we believe, one of the world's best managed property and casualty insurance companies. We have been shareholders for 19 years. Based on today's price, the shares have compounded at 16% per year since our initial purchase in 2003. The company is on its second generation of management, who has excelled at capital allocation, underwriting discipline and return generation just as well as, if not better than, the first generation of management.

The insurance industry is recovering from a multi-year slump. Insurance is a capital-intensive business, and cycles ultimately emanate from the amount of capital available to underwrite or back up the promises the industry makes. Insurance is also a fragmented global business, which exacerbates the profit cycle. Over the last decade, the industry has suffered from unique issues including ultra-low interest rates and the willingness of non-industry participants such as pension funds and hedge funds to back insurance policies in search of higher returns. That trend has changed. Interest rates have increased, and many of these non-industry participants can generate returns elsewhere. Capital has also exited the industry as bond and stock portfolios held by insurance companies declined in 2022. But the largest factor is an increase in industry-wide losses on insurance policies that were priced too low. Policy rates failed to embed the cost of increasing social inflation (corporate legal liabilities have increased dramatically) and natural catastrophe losses (over the last six years natural catastrophe losses have averaged over $100 billion per year). The dynamic in the industry has changed from too many participants with too much capital willing to back policies with weak terms and conditions, to a scarcity of capital and unwillingness to back policies without significantly increased rates and much better terms and conditions. Hurricane Ian, which caused $60 billion worth of insured losses in Q3 2022, was the final nail in the coffin.

Arch Capital is well-capitalized (consistent with our philosophy) and smartly managed through the downturn. The company is now in pole position to take advantage of today's higher return prospects, and the stock market is expecting higher growth and higher profitability. An icing on this cake came during the quarter when the company was added to the S&P 500® Index—creating a new cohort of devoted shareholders. The combination of these two factors pushed the share price up 41% for the year and 38% in Q4.

Trip.com, a Chinese online travel agency, was the second-largest contributor to return in 2022. Trip.com is the dominant supplier of online travel reservations and is expected to benefit from China's loosening COVID-19 restrictions on both domestic and international travel. Management of Trip.com has wisely spent the COVID-19 lockdown period reinforcing and improving the company's market position and reducing unnecessary costs. We expect earnings to boom over the next year as travel picks up. Other investors appeared to agree, pushing the share price up 42% in 2022.

Suncor Energy, a Canada-based operator of oil sands mines, refineries and retail gas stations, was the third-largest contributor to return for the year, mainly due to higher oil prices. The share price increased by one third. Notably, the portfolio generated significant returns from energy stocks, including Suncor, Tenaris, Imperial Oil and tangentially Alimentation Couche-Tarde and Seven & i Holdings, both of which are in the gas station business. Given the cyclicality and commodity nature of the oil business, we have sold shares of these investments, including the complete sale of both Tenaris and Imperial Oil.

Safran's share price increased by 39% in Q4. Safran is a France-based manufacturer of aircraft engines. It is one of the largest worldwide providers of civil aviation aircraft engines, parts and services. Like Trip.com, we believe it will benefit from a resurgence in Chinese travel.

Samsung Electronics, a South Korean manufacturer of semiconductors, cell phones and other consumer electronics, also contributed strongly to performance in Q4, though it was the top detractor for the year. The industry has entered into the downward part of its cycle due to oversupply of memory semiconductors, and Samsung's earnings have been impacted. However, we believe the company is well-prepared for this downcycle given its technology leadership, scale and net cash balance sheet. Similar to Arch Capital, Samsung retains the financial flexibility to invest, leaving the company

in a better market position once the cycle turns. The share price declined by 31% for the year and is significantly undervalued.

Philips, a Dutch health care company, was the bottom contributor to return during Q4, down 2% in USD terms. For the year, the share price was down 41%. We purchased Philips in early 2022 at a price we believe conservatively reflects the company's issues, including litigation, FDA oversight and supply chain disruption. Fundamentally, Philips is a good business with strong market positions in health care segments that can grow. But sloppy operating systems and poor management caused these self-inflicted issues. Things are now changing. The company has a new CEO who is appointing stronger executives, the chairman of the board is a superb industrialist, and we believe an upgrade is coming for the CFO position. The shares are significantly undervalued.

Naver, a South Korean provider of Internet services, declined by 55% in 2022. Naver is fundamentally a good business with very strong positions in search advertising, display advertising and e-commerce. Unfortunately, the company has made what we believe is a large, value destructive acquisition. Further, in a show of poor corporate governance, the board of directors not only approved the acquisition but failed to offer the shareholders an opportunity to vote on the deal. We have voiced our opposition and will hold the board and management responsible. We have meaningfully reduced our estimate of intrinsic value.

There were no significant purchases of new securities or complete sales during Q4.

Perspective

"Do you realize what this means? It means bankruptcy and scandal, and prison! That's what it means!"

A quick quiz. Which of the following men screamed the above lines?

- Sam Bankman-Fried
- Bernie Madoff
- George Bailey

If you love the classic movie *It's a Wonderful Life* as much as I do, you will recognize that George Bailey said those words. But you would be forgiven if you guessed one of the other men—one who died in 2021 while serving a 150-year prison sentence for running the largest Ponzi scheme in history, the other a 30-year-old who now stands accused of stealing billions from customers in an attempt to save his doomed crypto empire, which included trading firm FTX and sister firm Alameda Research.

Comparing *It's a Wonderful Life*, a much-celebrated 1946 movie of hope in humanity, to Madoff or Sam Bankman-Fried, known as SBF, sounds like a stretch. No one would argue that victims of SBF would ever come to his rescue to make him whole and protect him, as the residents of Bedford Falls do for George Bailey at the end of *It's a Wonderful Life*. But bear with me. Core parts of the plot line of *It's a Wonderful Life* contain some pointed reminders about the reality of markets and how people behave when they lose confidence in the system.

When I rewatched the movie over the holidays, I thought: This is spot on. I also thought the script writers had a solid understanding of business, markets and, most importantly, human behavior.

Consider the run on the Baileys' Building and Loan. Throughout the movie, George Bailey, who reluctantly took over the Building and Loan after his father died, tried to stave off Henry F. Potter, the powerful businessman of Bedford Falls who wanted to put the Bailey institution out of business. (He compared it to a "charity ward.")

Potter called the loan on that "Old Building and Loan," and word got out that the Bailey institution was out of money. Account holders panicked, swarming the front door, desperate to recover their savings. But George's Uncle Billy, who also worked there, had used all the cash in their accounts to pay the loan obligation to Potter. On a phone call during the commotion, Potter told George he was willing to provide funds from the bank and pay the panicked customers 50 cents on the dollar if they want to get any money at all. George turned to Uncle Billy and said dejectedly, "He just took over the bank."

In early November 2022, the head of FTX's rival, crypto exchange Binance, put a Potter-like squeeze on SBF. The two crypto titans got into a public fight on Twitter. Changpeng Zhao, Binance's founder who goes by CZ, said he was poised to sell a chunk of FTT, FTX's cryptocurrency, for "risk management" purposes. Investors became concerned that any large selling of FTT would drive down its price and damage the financial health of FTX.

CZ, whose Binance had been an equity investor in FTX, then offered to rescue FTX—furthering his Potter-like attack—but he reversed course, leaving SBF facing a shortfall of $8 billion, according to reporting in *The Wall Street Journal*, as customers urgently tried to withdraw money from their accounts. It was a run on the bank, 2022 style. And SBF did not have the money to return to customers, because he allegedly used it for himself and made several ill-fated investments with it. (He has pleaded not guilty.)

Focus on the early days, even hours, of the collapse of FTX. Even before details were known, investors lost confidence in the system—like residents of Bedford Falls or the panicked account holders who rushed the banks during the Great Depression, not long before *It's a Wonderful Life* was made.

In the case of FTX, that SBF did not have the money to pay customers back quickly became apparent. SBF admitted as much. Plus, SBF had set up a shop in the Bahamas, where oversight was looser than in the US. At this point, the parallels between SBF and *It's a Wonderful Life* are tenuous. George Bailey, after all, was falsely accused of criminal behavior after Uncle Billy lost the $8,000 meant for deposit in Potter's bank. It ended up, literally, in Potter's hands, and the town was unaware that Potter was holding the cash as a way to deal the final blow to George.

And yet, Potter had a point. The Building and Loan was clearly making loans it should not have. It was barely solvent, and the only way to protect itself from a run was to borrow money from the bank, which was now in the hands of Potter. But George, whose family was beloved in Bedford Falls, managed to fight off Potter. On the day of the run on the Building and Loan, he used his honeymoon money to pay customers, even partial payments, to buy time and keep them from going to Potter. The town was clearly on his side.

While George Bailey appealed to the hearts of those in tight-knit Bedford Falls, Potter was counting on psychological factors—herd behavior—that come into play when people are threatened with losing money amid periods of intense uncertainty. We have seen this before, and we will see this again. The Great Depression is an example. The self-fulfilling runs on the banks forced banks to liquidate loans and often led to their failure.

Both the financiers and the customers play a crucial role in these moments of financial chaos. The once-prestigious Lehman Brothers filed for bankruptcy in 2008 after most of its lenders, in a rerun of Potter calling in the loan to the Bailey Building and Loan, fled due to the bank's involvement in the subprime mortgage crisis and its exposure to assets it could not unwind. The "flee first, ask questions later" mentality led to the largest bankruptcy in US history, which spurred a brutal selloff in global markets, now known as the Great Recession.

Chaos happens. Our job as diligent value investors is to understand human behavior during moments of panic and periods of froth, such as the irrational tech boom during the pandemic, and take advantage of moments when stocks are out of whack with reality.

When the recent tech boom was going on—think Peloton and Zoom—we knew how it was going to end. We had been through periods of forced behavioral change. We had seen bubbles, such as the first dot-com boom. The parallels are not exact, but we knew the party would come to an end. It always does.

As value investors, we employ a rigid, disciplined methodology designed to assess companies based on their intrinsic value, not the market buzz of the moment. While we may miss out on frothy runups, we limit the probability of outsized losses in down markets. Over time, our approach has proven sound.

It might not earn us wings, but we enjoy investing and remain steadfastly committed to serving you.

Thank you for your support.

N. David Samra

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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.

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MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. MSCI Emerging Markets Index measures the performance of emerging markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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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