Artisan International Small-Mid Fund

QUARTERLY Commentary

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

As of 31 March 2023

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 31 March 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTJX	**7.63**	**7.63**	**-5.99**	**12.90**	**4.73**	**5.85**	**10.31**
Advisor Class: APDJX	**7.66**	**7.66**	**-5.84**	**13.07**	**4.86**	**5.92**	**10.35**
Institutional Class: APHJX	**7.70**	**7.70**	**-5.79**	**13.15**	**4.97**	**6.01**	**10.39**
MSCI All Country World ex USA SMID Index	5.62	5.62	-8.93	13.35	1.41	4.60	7.84
MSCI All Country World ex USA Small Cap Index	4.70	4.70	-10.37	15.04	1.67	5.06	8.62

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 2022	1.28	1.14	1.06
Prospectus 30 Sep 2022[1]	1.29	1.14	1.06

[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 rebounded from significant declines last year and advanced in Q1, despite continued macroeconomic challenges, rising geopolitical tensions and concerns of contagion in the banking sector and related financing issues across the economic landscape. The stock market rally early in 2023 faded with the realization that central banks will not pivot and will continue to hike interest rates, so long as inflation persists at higher-than-desired levels and labor markets remain robust. Geopolitical tensions exacerbated the global inflationary dynamic and fueled market volatility. In particular, US-China relations have deteriorated on China's increasingly bellicose stance with Taiwan and disputes over spying allegations, and tensions have increased between Russia and the West over Russia's invasion of Ukraine.

Russia's announcement to halt all natural gas exports to Europe and OPEC+'s surprise oil production cuts have also complicated the dynamic. Large, unpredictable swings in the energy complex can significantly affect companies' profitability, particularly energy-intensive businesses. However, successful companies, like Gerresheimer (discussed in the following section), have overcome energy concerns by planning for such uncertainty. While companies in the energy sector have not been highly represented in our portfolio historically, the shifting landscape around alternative sources of energy and electrification of industry represents an exciting opportunity. In recent quarters, we have made investments in companies with intellectual property in carbon sequestration, LNG, hydrogen, and wind energy. Along with a structural tailwind to their markets, the profitability of our portfolio businesses should not be whipsawed by the daily fluctuations in commodity spot prices.

The turmoil in the financial sector, in our opinion, deserves a more detailed discussion. The failures of Silicon Valley Bank and Signature Bank and UBS's emergency takeover of Credit Suisse roiled equity and fixed income markets worldwide. Investors worried about the possibilities of contagion to other regional banks and large financial institutions in the US and to other megabanks in Europe, as well as of ensuing financing issues across all sectors of the economy.

As long-term investors who look for high-quality, small companies that are backed by structural tailwinds and that operate at the intersection of growth and change, we have been consistent over the past 11 years with our lack of direct exposure to banks. Banks are largely commoditized providers of liquidity and are cyclical, leveraged and non-transparent—a single derivative trade on a bank's balance sheet, which is virtually impossible to predict and discern, can completely transform its risk profile. In addition to these reasons, the discussion below describes why we do not believe in the simplistic notion that higher interest rates automatically benefit banks and make them attractive long-term investments.

Smaller banks not only lack the scale necessary to compete with large banks on the cost of capital, but the industry's overall commoditized business model leaves banks vulnerable to growing threats from emerging financial technology companies, particularly in historically lucrative fee-based businesses like payments and foreign exchange. Portfolio holdings Fortnox, Money Forward and Lightspeed (which we will discuss later in this section) are disrupting the landscape meaningfully through value-added software, financial services and productivity tools.

In addition, higher interest rates may lower absolute lending levels and amplify default rates as companies and individuals struggle to meet the rising cost of servicing their debts, and inflation may increase banks' costs. While inflation increases the notional amounts of future loans, it pressures costs due to banks' fairly labor-intensive nature with unionized workforces. These significant wage pressures depress margins, and unless banks aggressively implement technology, they will continue to be saddled with significant cost pressures. We choose to focus on technological innovation in the financial space, including ways to decrease cost structures of a bank and to create meaningful value for customers, as well as on companies that have a large and growing market share in smaller geographies and that have sustainable, profitable growth. Examples of the latter include Switzerland-based Baloise and UK-based St. James's Place. Baloise is analogous to Progressive Insurance in the US. We like its strong balance sheet, the stable and profitable nature of its core property and casualty business, and the opportunity from its mobile insurance division in Germany, FRIDAY™. St. James's Place provides wealth management and financial planning advice to individuals, trustees and businesses. With its strong brand and specialist network of advisors, which is the largest in the UK, we believe St. James's Place will continue to gain clients across mass affluent and high-net-worth markets, both of which private banks have historically underserved.

Finally, we think it is important to examine the balance sheets of these institutions. When monetary policy was lax, banks made loans at extremely low interest rates. Banks also bought big bond portfolios, many of which are at interest rates fixed well below current levels, leaving them with considerable spread and duration risks. This last point became evident when Silicon Valley Bank and Signature Bank were forced to sell these loans at losses to meet the demands of depositors, many of whom sought better returns elsewhere.

As highlighted earlier, while we do not own banks, we have found other attractive opportunities in the financials sector. Portfolio companies Fortnox, Money Forward and Lightspeed are innovative and have idiosyncratic drivers of value, transparent business models and through-cycle profitability. In our view, they have the potential to drive disruption and become large, global industry leaders.

Fortnox, based in Sweden, is a provider of accounting software for small businesses. The company has created an ecosystem of products for invoicing, inventory, payroll and expense management as well as higher margin financial services, such as real-time factoring and corporate loans. Fortnox's strategy, which focused first on acquiring critical mass of accounting firms and then on gaining their clients as customers as well as winning small businesses directly, has proven to be an effective approach. The successful integration of artificial intelligence (AI) has also enabled Fortnox to meaningfully grow its core customer base of small enterprises, deliver robust double-digit revenue growth for the past five years and generate healthy cash flows from operations. As the company progresses on its journey to move up market and acquire medium-sized enterprise customers—a task only possible with superior software—the value-add increases meaningfully as does profitability.

Money Forward offers a cloud-based SaaS platform that automates and streamlines accounting, finance and human resources operations for businesses as well as provides services for personal finance, consulting and asset management. With a similar strategy to Fortnox, Money Forward originally served mostly small- and medium-sized companies in its corporate segment and is steadily moving up market to capture larger, more established businesses with its superior software solutions. The company's strong market share and deep relationship with Japanese accounting firms have created a flywheel, as these accounting firms often advocate on Money Forward's behalf. With double-digit sales growth, Money Forward is well-positioned to capture further gains as the Japanese digital economy gains traction.

Lightspeed provides point-of-sale (POS) and enterprise resource planning software functionality for retailers and restaurants. It offers a suite of differentiated and value-added solutions—such as payment, inventory management, advanced analytics, e-commerce enablement and workflow integration—to meet the complex needs of its customers. For restaurants, Lightspeed uses AI and blockchain technology to track food preferences, forecast sales, reduce food waste, optimize menus and manage promotions and loyalty programs. Similarly, retailers enjoy access to analytics, sales and payment tools thanks to the AI capabilities in Lightspeed's retail POS system, which directly helps their bottom line. Digitalization of these industries has greatly accelerated in recent years, and we believe Lightspeed is positioned for further growth at the center of these networks.

In addition to concerns about the health of banks, investor concerns emerged about general credit contraction and the difficulty for companies across a broad swath of the investment landscape to secure financing. We are happy to report that our focus on structural growth and quality characteristics—including pricing power, balance sheet strength and the ability to self-fund growth and generate a high return on capital—has provided the portfolio with resilience. Many of our portfolio companies continue to experience fundamental business progression, take market share from competitors and transform industries. In our view, most will emerge stronger at the other side of this tumultuous period, despite the shorter term stock price dislocations.

As always, we remain judicious about evaluating business model strength, embedded optionality and through-cycle normalized earnings. In this market dislocation, as in all prior ones, we are highly focused on finding opportunities where people are tossing out the baby with the bathwater. Our contrarian approach to valuation enables us to take advantage of the market's short-termism and opportunistically purchase shares of world-class franchises at attractive valuations underpinned by five-year cash flow projections.

Health care is one area where the appetite to invest large amounts of capital has broadly waned. However, well-managed businesses that offer tangible solutions to pressing health issues have historically been able to secure funding—cash crunch or not. All of our health care investments are supported by idiosyncratic factors, strong valuation support and long-term trends. Our biotechnology holdings, for instance, are leaders in tackling orphan diseases, and many have clinical trials financed to completion. For example, Pfizer recently announced its plan to acquire portfolio company Seagen for over $40 billion. Seagen is a leader in antibody-drug conjugate (ADC) research and the use of this technology in the treatment of cancer (e.g., breast, cervical, gastric and bladder). ADCs are designed to harness the targeting power of antibodies to deliver small molecule drugs to tumors. We initially purchased shares of Seagen in June 2022 believing the company's technology would become increasingly relevant and its solid balance sheet and healthy cash flows from its commercialized portfolio could support further pipeline opportunities. As with Seagen, we believe our quality orientation, price discipline and positioning on the right side of history should continue to benefit our investors over the long term.

Performance Discussion

Our portfolio outperformed the MSCI ACWI ex USA SMID Index in Q1. The portfolio's structural underweights in real estate and financials, as well as stock selection in financials and health care and an overweight in industrials, were sources of positive relative returns. Holdings in materials were the largest detractor from relative returns.

On an individual company basis, NICE, Jet2 and Gerresheimer were the largest contributors. NICE is a long-term holding and currently the portfolio's biggest position. The company has evolved from a hardware-based conglomerate focused on contact centers to a SaaS provider to a leading enterprise software company with AI-enabled upstream management decision tools across multiple sprouting business lines. Despite the recent slowdown in IT spending, NICE continues to grow robustly. Management runs the business profitably at greater than 20% margins, now boasts more than $1 billion of cash on the balance sheet and reinvests large amounts of free cash flow in R&D. As a result, NICE is leading the industry in terms of implementation of AI capabilities, helping to meaningfully increase customer lifetime value. NICE has also increased its market share at the expense of competitors, which forfeited profitability and R&D in favor of acquiring high-churn customers. Key competitors are in net debt positions and must refinance expensive bonds. Another area of product innovation is robotic process automation, which is a "workforce multiplier." In particular, airlines are beginning to use it to rebook tickets and check luggage. We have confidence in the company's emerging and cutting-edge applications of AI.

A vertically integrated online travel agency and airplane fleet owner, Jet2 is benefiting from pent-up travel demand in the UK and is now the country's largest tour operator. Jet2 has used balance sheet strength to renew its fleet, strengthen relationships with its hotel partners and meaningfully add to its portfolio of landing slots at key airports, significantly enhancing its value proposition. Many have tied Jet2's pricing to its airplane fleet with little credit given to the highest value portion of its operations—the integrated travel agency that makes most of its earnings from relationships with hotels. During challenging economic times like now, stronger and more fiscally conservative companies have a chance to play offense and take market share from weaker competition. Jet2's strong balance sheet, which is flush with cash, positions it to do so, and we believe its management team will continue to expand the business intelligently.

Gerresheimer makes glass and plastic containers for the pharmaceutical and cosmetics industries. Historically an asset- and energy-intensive business, Gerresheimer has moved up the value ladder to sell its customers more differentiated systems that offer sustainable and highly profitable growth. For example, the company's portfolio includes autoinjector systems for anti-obesity drugs and sterile pre-fillable vials for next-generation biologics. Gerresheimer is also developing wirelessly connectable patch pumps and inhalers with high value potential from improving patients' medication compliance. This is an enviable market position in a high barrier-to-entry industry with high switching costs. Shares of the company appreciated as investors recognized energy concerns were overdone. Not only did Gerresheimer hedge its energy prices five years out and minimize disruption risk by making its plants interchangeable between gas and oil, but the German government also deemed the company systemically important as a health care industry provider. Our investment thesis continues to unfold, and we believe the stock remains attractively valued.

Model N, Kornit Digital and Avidity Biosciences were among the largest detractors. Model N's shares fell on profit taking after its strong performance last year and on news of the refinancing of its convertible notes, both of which are immaterial to its business fundamentals. As Model N moved from on-premise to cloud and AI, it has become entrenched as the standard SaaS provider for revenue accounting 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 effective at crafting optimal discount structures, resulting in high customer savings. In our view, Model N's stock is modestly valued due to an underappreciation of the company's accelerating recurring revenues, data analytics and higher margin products resulting from its SaaS transition.

Kornit Digital is an IP-protected leader in the digital transformation of the apparel industry that enables automation, near-shoring of garment manufacturing and less production waste. Since the start of 2019, Kornit's business has transformed meaningfully with the development of new products and MAX ink chemistry. Not only has the market completely forgotten about the promise of on-demand manufacturing, but the stock now trades as if Kornit will never sell additional systems and is in a runoff scenario. Year to date, the stock sold off after Kornit reported its Q4 results, with revenues down ~15% year over year and a lackluster 2023 outlook for new system sales given the weak macro backdrop. The next major product cycle, Apollo—a new product that will increase automation in printer operation and significantly increase throughput—will launch in June but will not drive revenues until 2024. In our view, the market continues to focus on the bad news around the company that was already well digested. We are long-term oriented and believe Kornit—with its best-in-class technology, strong customer relationships and $650 million net cash position with no debt—can fund further R&D and lead the apparel industry's structural shift to automation.

Avidity Biosciences is a biotechnology company that has developed an antibody oligonucleotide conjugates (AOC) platform that combines monoclonal antibodies with siRNAs (small interfering RNAs), which reduce expression of an RNA-related disease. This breakthrough opens new potential treatments for previously untreatable, serious diseases. Avidity's first AOC program focuses on muscle diseases (e.g., myotonic dystrophy type 1 and facioscapulohumeral muscular dystrophy) that result from mis-specified genes or misfolded proteins. Its drug, which is in phase 2 clinical trials, has the potential to correct the underlying genetic abnormality and stop the secretion of toxic proteins. If validated, this platform represents a huge opportunity, as muscle diseases are a significant part of the therapeutic landscape. Shares of Avidity have been under pressure due to the development of a rare, idiopathic condition in one patient closely following an infusion. It is not certain that Avidity's drug directly caused this condition; however, the FDA placed it on a partial clinical hold, which restricts Avidity from increasing dosages in subsequent clinical trials and requires the company to carefully monitor existing patients. The market was expecting resolution to this issue, but the FDA requested additional written information from Avidity. Our diligence suggests that the event was isolated to that patient, and we believe the risk/reward profile is very attractive.

Perspective

Central bankers in most developed economies have raised interest rates to subdue inflation to more acceptable levels. While we've had a reprieve from peak levels, inflation has persisted and continues to be a key concern. Moreover, each rate hike exacerbates economic uncertainty, with a higher likelihood for workforce reductions and global growth contraction.

Amid the heightened market volatility over the past year, investors have dramatically rotated positioning, creating swings in sector leadership away from certain areas, such as technology and health care, toward cyclical areas, such as energy and financials. These moves have caused wide swings in stock prices that are often unrelated to company fundamentals.

As we've mentioned in previous letters, we seek to compound returns over the long term in relatively unknown but high-quality, smaller cap companies on a journey to becoming large, globally relevant industry leaders. Their success is less dependent on a cyclical backdrop, as the areas in which they operate should continue to gain relevance over the next decade.

Adversity, however, creates opportunities. Separating signal from noise has been crucial to our long-term success. We have prioritized focusing on enduring structural changes, such as the securing of supply chains. In a post-pandemic world full of geopolitical tensions and accelerating digitalization trends, the need for efficient and resilient global supply chains has become a board-level conversation that is central to companies' strategic and operational decisions. A number of our portfolio companies are driving change in this space, including Canada-based Kinaxis, which makes software for modeling complex supply chains for enterprises worldwide. The company has meaningfully invested in its sales force over the past three years, has had double-digit growth in new customers wins in 2021 and 2022 (many of which were competitor replacements) and exceeded its financial targets. 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 should only grow.

Our labor- and travel-intensive research process, which includes meeting with companies around the world, unlocks key insights and allows us to build impactful relationships with corporate management teams. We have started this year on an active note with company visits in Asia, multiple parts of Europe, and conferences and management meetings across the United States. Our portfolio activity is picking up as opportunities arise, and we will continue to be nuanced, risk-aware and long-term oriented in our investment approach.

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

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 2023. 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 2023: Jet2 PLC 2.0%, Nice Ltd 4.5%, Model N Inc 1.2%, Gerresheimer AG 1.6%, Fortnox AB 1.4%, Money Forward Inc 0.6%, Lightspeed Commerce Inc 0.9%, Baloise Holding AG 0.9%, St James's Place PLC 1.0%, Seagen Inc 0.2%, Kornit Digital Ltd 1.0%, Avidity Biosciences Inc 0.4%, Kinaxis Inc 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.

Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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