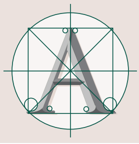

Artisan International Value Fund

QUARTERLY
Commentary

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

As of 31 March 2023

Investment Results (%)

As of 31 March 2023	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTKX	**10.11**	**10.11**	**5.65**	**21.37**	**6.97**	**7.70**	**11.43**
Advisor Class: APDKX	**10.15**	**10.15**	**5.82**	**21.56**	**7.12**	**7.83**	**11.50**
Institutional Class: APHKX	**10.18**	**10.18**	**5.89**	**21.66**	**7.22**	**7.94**	**11.63**
MSCI EAFE Index	8.47	8.47	-1.38	12.99	3.52	5.00	7.02
MSCI All Country World ex USA Index	6.87	6.87	-5.07	11.80	2.47	4.17	7.25

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 2022[2]	1.26	1.12	1.03

[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.

Dear Shareholder:

The Artisan International Value Fund (Investor Class) increased by 10.11% during the quarter as compared to the increase in the MSCI EAFE Index by 8.47%. Over the last 1, 3 and 5 years, the Artisan International Value Fund increased by 5.65%, 21.37% and 6.97%, respectively.

Investing Environment

This quarter was marked by bank runs, war, stubborn inflation and the impact of rising interest rates. Yet, global equity markets put in a good quarter as investors began betting interest rate hikes are coming to an end. Developed markets returns were broadly positive, with MSCI EAFE Index up 8%. Emerging markets as measured by MSCI Emerging Markets Index rose 6%, but returns were mixed across regions. China and Korea were positive, while Brazil and India were negative (all returns in USD unless otherwise indicated).

Most currencies strengthened against the US dollar, with the Mexican peso (8%) and the Brazilian real (4%) leading the way. Gold, if one characterizes it as a currency, also appreciated relative to the dollar by a very healthy 9%. Commodities so far this year are mixed with big declines in natural gas, coal, eggs, pork bellies and dairy products. Importantly, shipping rates are down this year. These declines should help temper goods inflation.

Portfolio Discussion

It was a good quarter for the companies in our portfolio. Share prices of half of our companies appreciated 10% or more, two thirds of which increased more than 15%. As you would expect from price-sensitive value investors, we took advantage of rising prices to sell securities trading at or close to our estimates of intrinsic value.

The largest contributors to return this quarter were Danone, Holcim and Safran.

Danone is a France-based manufacturer of food products. In early 2022, we participated in a successful effort to replace the leadership. The company has since overhauled divisional management, completed a portfolio review of its businesses, focused on key products and placed non-core businesses up for sale.

The market has been slow to recognize these important changes. Since the appointment of the new CEO in the spring of 2021 through end of 2022, the share price has largely depreciated due to concerns that food companies would take a profitability hit in an inflationary environment. Although some products saw sales volume decline, Danone has successfully passed through significant price increases. On a net basis, revenue is growing, and operating margins after an initial reset are improving. Good operating results, along with moderating goods inflation, helped drive the stock up 18% during the quarter. Despite the recent rally, the shares remain significantly undervalued as the overall positive changes in the fundamentals of the business have yet to be fully recognized.

Holcim, a Swiss materials company (cement, concrete, aggregates, mortars and roofing systems), is another business where investors have placed macroeconomic concerns above the company's strengthened operations and improved prospects since the appointment of Jan Jenisch as CEO and Geraldine Picaud as CFO in 2021.

Prior to the appointment of this dynamic duo, Holcim was a company characterized by inconsistent operational results, a lack of growth and poor cash flow generation. Now, it is growing and generates significant free cash flow. Risky emerging market cement businesses were sold for top dollar, and some of the proceeds were

invested in growing developed world businesses at attractive valuations. The remainder of the proceeds and excess cash flow has been used to pay down debt. Holcim has transformed from a company constantly in need of capital to one notable for its financial strength, all while being an innovator and leader in carbon reduction.

The stock market, especially with the increased participation of passive financial vehicles, often ignores fundamental changes and values equities based on simple economic inputs. That is the case here, where Holcim has grown earnings, improved the quality of those earnings, and enhanced the competitiveness and financial strength of the business. Despite a 25% increase in the share price during the quarter, the shares trade at only 11.4X earnings with a 4.4% dividend yield.

Safran is a French manufacturer that generates most of its revenue and profit from the sale and service of commercial aircraft engines. Few companies, including Safran, GE Aviation, Pratt & Whitney and Rolls Royce, have the capability to manufacture commercial aircraft engines. This small group of suppliers supports the airframe manufacturing duopoly of Airbus and Boeing. Competition in the business is limited, considering Safran specializes in narrow-body aircraft engines in a joint venture with GE and the only other competitor is a consortium led by Pratt & Whitney (Rolls Royce specializes in engines for wide body aircraft).

Almost all of the economics in this business come not from the sale of the engine but from maintenance and parts. Pre-pandemic profits peaked in 2019 when the world was freely traveling, and Safran delivered 2,127 narrow-body engines. By 2021, travel on narrow-body aircraft was 63% of 2019 levels and Safran had 952 deliveries. EBIT declined from €4.1 billion to €1.6 billion.

The pandemic provided us with a rare opportunity to buy an irreplaceable asset at a very attractive price. We purchased most of the shares between €90 and €100, valuing the business at just over €40 billion.

Now that the world is traveling again, this year should see narrow-body air traffic surpassing 2019 levels, with service visits following utilization. Airlines will inevitably begin thinking more about fleet replacement and expansion, but new aircraft deliveries will take longer to recover. We expect Safran to exceed prior peak profits by 2025 and continue to grow from that level. During the quarter, the share price increased by 19%, bringing it much closer to fair value.

Indus Towers was the worst performer during the quarter. Its share price declined by 24%. Based in India, Indus Towers is the largest provider of telecommunication tower services. The tower business everywhere in the world is a good business characterized by long-term recurring revenue contracts, inflation protection and high margins. Think of it as real estate rented to hold radio boxes and antennas. The business grows as consumers and businesses need more bandwidth. More bandwidth equals more towers, more radio boxes and more antennas.

The customer base is concentrated and generally has nowhere else to go for these services. Permitting and space to build towers are bureaucratic and costly. If several companies use the same tower, it is less costly for the service providers and more profitable for the tower owner.

In India, there are three main service providers, all customers of Indus Towers. However, the vast majority of revenue comes from two: Bharti Airtel and Vodafone Idea. We purchased shares in Indus Towers expecting each of these customers to grow. Unfortunately, the third service provider, Reliance Telecom, has been a devastatingly effective competitor. Vodafone had the weak hand given a bad balance sheet and an uncooperative ownership structure. The situation was made worse by a negative and, in our view, unjustified tax ruling against Vodafone Idea creating a significant obligation to the Indian government.

As a result, Vodafone Idea has suffered subscriber losses and is in severe financial distress. Since Vodafone Idea has limited resources to invest (i.e., add boxes and antennas), the growth rate at Indus is below our expectations. Worse, due to Vodafone Idea's weak financial position, Indus is unable to adequately collect its receivables.

The share price of Indus has declined about 45% over the last couple of years as the situation at Vodafone Idea deteriorated. While there is no financial risk at Indus given the company's strong balance sheet, the growth and profitability expected at the inception of this investment has not materialized. Our estimate of the value of the business has decreased significantly.

The path forward for Vodafone Idea is not clear. Though the government has repeatedly indicated it wants three healthy service providers in the market, little has been done to affect that outcome. On the positive side, the valuation of Indus today reflects the economics of the business as if there is only one customer rather than two. In other words, downside is limited if Vodafone Idea completely exits the market. On the other hand, if a solution to recapitalize Vodafone Idea is found, we would expect a significant increase in value for Indus.

Willis Towers Watson was the second bottom contributor to return. Willis provides large corporations with services including the following:

- Retirement plan consulting and administration
- Health care and benefits consulting, administration and brokerage
- Compensation consulting, planning and technology
- Insurance brokerage

This is the second time we have owned shares in this company. We first purchased the shares upon the merger of Willis and Towers Watson in 2016. In March 2020, we sold the shares after Aon, a large insurance brokerage company, bid for the company. In June 2021, the deal was terminated for antitrust reasons. The subsequent decline in the share price gave us an opportunity to purchase shares for a second time.

The termination of the acquisition was highly disruptive to an organization reliant on consultants and brokers. Many employees left or were poached by competitors while the company was waiting for antitrust approval. As a result, the company has been on a costly multiyear rebuilding process. Though that process is largely complete, the path has not been without issues, and the company has yet to show clear signs of market share stabilization and consistent cash flow generation. Disappointing Q4 results caused the share price to decline by 5%.

Though we researched the track record of the new management team and have a positive view on the strategy and capability, results have been disappointing. However, if the group can hit its targets based on modest growth, cost reductions, higher income on float and share repurchases, we believe the shares could trade at a 20X or higher earnings multiple, a strong expected return from today's share price.

Hengan International declined 13% during the quarter. Hengan is a Hong Kong listed company selling feminine products, diapers and tissue products in China. The company was founded by two families in 1985 and today holds leading market share in the sale of feminine care products, a growing and high-margin category well reflected in Hengan's financial statements. The company's founders are financially conservative, running the business as we like it—with net cash. The company also pays generous dividends. However, the share price has been declining since 2018.

Historically, Hengan had strong market share in second- and third-tier cities in China, shielding it from competition via a vast network of distributors selling primarily to small retailers. The Internet and improved logistics in China changed that competitive dynamic. We purchased the shares in late 2020 and through 2021 on the expectation that these categories would grow over time and that the e-commerce transition was well reflected in the P&L. We were wrong. The company continues to lose share, and this has been made worse by increases in raw material prices that could not be passed on to customers. Our estimate of intrinsic value has declined meaningfully. Today, the shares look inexpensive at 11.5X earnings with a 4.5% dividend yield. We expect profits to grow in the coming year on the back of falling raw material prices.

Portfolio Changes

There were modest changes to the stocks owned in the portfolio during the quarter. Shares of both Caixa Bank and Accelleron Industries were sold as they reached our estimate of intrinsic value.

Lemonade out of Lemons

Somebody's pain
Is somebody's pleasure
Somebody's trash
Is somebody's treasure
Somebody's ugly
Is somebody's lovely

And lemons give you lemonade

—"The Lemonade Song" by Pink Martini

We say it time and time again. Good assets and strong balance sheets matter—especially during a crisis. This quarter saw the demise of Silicon Valley Bank, Signature Bank and Credit Suisse. The valuation and solvency of many other institutions, not the least First Republic, remain in question. In each case, the banks fell victim to an old-fashioned bank run, just like the one that caused the collapse of FTX (we discussed the collapse of FTX in our last quarterly letter).

The key difference, though, is the FTX collapse revealed a lack of basic controls and irresponsible and allegedly fraudulent decision making. The recent stress on banks is rooted in a combination of poor matching of asset and liability duration, a historically unprecedented rapid increase in interest rates, poor banking oversight, digitally enabled withdrawals, some arcane financial institution accounting and management incompetence. A loss of confidence can be the death knell of an inherently leveraged financial institution.

Credit Suisse is relevant for two reasons. We know the company well due to our ownership last year, albeit for a short period of time. Second, Credit Suisse is being acquired by UBS, one of the portfolio's largest investments. Years of observation and conversations with executives informed us that this bailout was a distinct possibility. Our view was that the acquisition would be attractive given the undervaluation of Credit Suisse.

A few years after the 2008-2009 financial crisis, a leadership change at Credit Suisse resulted in a lack of control over its aggressive culture. Unfortunately, that uncontrolled culture led to securities losses, poorly constructed products sold to customers, internal politics and regulatory penalties. The company gained a reputation as a loss-making, poorly controlled institution. As interest rates increased over the last year, liquidity declined and became more costly. Providers of liquidity became discerning about counterparty risk and intolerant of exposure to risky institutions after the collapse of Silicon Valley Bank. In banking, reputation matters. Credit Suisse, like most banks, was dependent on wholesale funding from other banks. When the market got jittery, Credit Suisse lost access to that funding.

Over what must have been a very long weekend (March 18 and 19), the Swiss government orchestrated UBS' takeover of Credit Suisse. UBS is the logical acquiror due to its large presence in Switzerland, strong capital base, experienced management team and stellar reputation.

To us, it looks like a great deal. UBS issued less than SFr. 4 billion of new stock to acquire a bank with just under SFr. 35 billion of shareholder's equity. The risk of buying bad assets was significantly mitigated as 20 billion of assets were written down, and those write downs were paid for by the bond holders of Credit Suisse.

UBS gets a great retail bank, an asset management business, and a large group of wealth management clients across the globe who will fit nicely with UBS' wealth management business. The one lemon is Credit Suisse's investment bank. It will cost about SFr. 8 billion to wind down the investment bank and to fund other restructuring charges.

Even so, UBS will have spent that SFr. 8 billion plus the 4 billion of new stock issued for a profit stream of about SFr. 2 billion (according to our internal estimate of normalized increase in earnings power). At a reasonable multiple of 13X, that profit stream is worth about SFr. 26 billion. In addition, as the investment bank is wound down, capital will become available to UBS' shareholders as it is no longer needed to support that bank. We think UBS recoups most, if not all, of that 8 billion from the release of excess capital. Other items to consider include litigation, tax benefits and potential client losses, but the big picture is that the shareholders of UBS got a good deal and the country of Switzerland avoided a potentially devastating financial collapse.

UBS' business quality and financial strength allowed it to capitalize on the financial foibles of a competitor. As stated at the beginning of this section, financial strength is a competitive advantage. Further, a strong balance sheet in the hands of a talented management team can create value in a way that cannot be projected in a linear spreadsheet. In one fell swoop, UBS potentially created significant value for its shareholders that the market had not contemplated a few short weeks ago. A slide from our general presentation to investors illustrates how these and other advantages are embedded in our strategy.

	Defense	**Offense**
Undervalued Companies	Risk management	Excess return generation
Quality Businesses	Time value of money risk	Purchasing power
Financial Strength	Financial flexibility	Investment resources
Shareholder-Oriented Management	Operating capability	Value enhancing capital allocation

The four key characteristics we look for in a business have both defensive and offensive benefits. An undervalued security can both protect the investor from a permanent loss of capital and generate excess returns. A good business can both protect the investor from inflation's erosion of purchasing power and generate high returns and cash flow. A strong balance sheet that provides a management team the resources to invest in the face of challenges also allows for investment in new opportunities. Finally, an able management team that works to improve profits when there are challenges can also accelerate value creation when there are opportunities.

Our objective is to purchase businesses that exhibit these qualities. Here are a few examples, in addition to UBS, of companies owned in the portfolio creating value in a non-linear manner:

Ryanair, amid the COVID-19 downturn, used its strong balance sheet to invest in new aircraft, retain its staff and sign new airport deals that will increase post-pandemic passenger traffic by up to 50%. In contrast, most of its competitors cut back on routes and took state aid with strings attached, due to over-stretched balance sheets.

Arch Capital has used its strong capital position to significantly grow insurance premiums as pricing in the insurance market improved. Many market participants exited the insurance market due to losses on policies underwritten when prices were too low.

Samsung Electronics is investing in the next generation of semiconductor manufacturing technology amid one of the worst downturns in the history of the industry with its $100 billion of net cash and securities on the balance sheet. Its competitors cannot invest because they have less scale and weak balance sheets.

We seek to generate wealth by owning businesses, acquired at an attractive price, that are well placed to accelerate value creation. A key ingredient is a management team with the capability and capital to be patient and wait for opportunities—making lemonade out of lemons.

Thank you for your support.

N. David Samra

Portfolio Management

N. David Samra
Portfolio Manager (Lead)

Ian P. McGonigle, CFA
Co-Portfolio Manager

Benjamin L. Herrick, CFA
Associate Portfolio Manager

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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 and less developed markets, including frontier 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. Value securities may underperform other asset types during a given period.

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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. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Mar 2023: Danone SA 4.9%, Arch Capital Group Ltd 4.9%, Samsung Electronics Co Ltd 3.8%, Safran SA 3.4%, Holcim AG 3.1%, UBS Group AG 3.0%, Willis Towers Watson PLC 2.7%, Ryanair Holdings PLC 1.9%, Hengan International Group Co Ltd 0.7%, Indus Towers Ltd 0.5%. 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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Dividend Yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Earnings Before Interest & Tax (EBIT)** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. **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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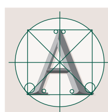
A R T I S A N  P A R T N E R S