Artisan Developing World Fund

QUARTERLY
Commentary

Investor Class: ARTYX | Advisor Class: APDYX | Institutional Class: APHYX

As of 31 March 2023

Portfolio Management
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Dear Fellow Shareholder:

Market Backdrop

The Artisan Developing World Fund (Investor Class) returned 22.64% for the quarter ended March 31, 2023, versus 3.96% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, the Artisan Developing World Fund has returned 85.15% cumulatively, versus 22.24% for the MSCI Emerging Markets Index. Emerging markets equities surged early in the quarter as dual narratives around China opening and peak inflation (punctuated by a smaller 25bps Fed rate hike in early February) gathered steam, thereby building on momentum from late 2022. Through January 26, 2023, the MSCI Emerging Markets Index had risen 10.09% YTD and 24.73% from October 31, 2022. For these same time periods, the MSCI China Index rose 16.50% and 59.01%, while the MSCI EM Currency Index rose 2.45% and 7.86%. Emerging markets asset prices then came under pressure due to diplomatic fallout from the China balloon incident and renewed inflationary concerns from January US economic data. The renewed inflationary concerns were then met with March data showing labor market slack (i.e., rising participation rate), and a regional banking crisis in the US. Thus long-term Treasury yields declined from a high of 4.06% to 3.47% in March, the Fed implemented a second 25bps rate increase on March 22 (rather than 50bps), and asset prices stabilized. Tensions between the US and China continued to fester, with Chinese equities finishing March 10.16% off their January peak and up just 4.71% for the quarter. Other notable country performances for the quarter included Mexico which rose (+20.33%) despite attacks on Mexico's judiciary and electoral system, due to a sharp currency rebound (MXN +7.88%) and perhaps economic proximity to the US; the Mexican peso is relatively liquid in an EM currency context and can be used for hedges which may have been unwound on expectations of peak Fed policy. Taiwan (+14.75%) and Korea (+9.58%) benefited from both a rebound in global equities and technology shares. India was a notable laggard (-6.35%), as investors rotated into China and contemplated the implications of the Adani short seller accusations. Brazil declined (-3.17%) as current President Lula questioned central bank independence and floated expansionary fiscal policy, and supporters of former President Bolsonaro stormed government buildings. Oil-rich countries lagged during the quarter despite optimism about China's economic opening, with Saudi Arabia (0.08%), Qatar (-0.68%) and the UAE (-7.54%) all registering pedestrian or negative returns.

Contributors and Detractors

Top contributors to performance for the quarter included graphics semiconductor company Nvidia, Southeast Asian e-commerce platform Sea, Latin American marketplace MercadoLibre, online travel marketplace Airbnb, and endpoint security company Crowdstrike. Nvidia benefited from rising excitement in artificial intelligence (AI) as ChatGPT captured the attention of people around the world; Nvidia also experienced signs of a cyclical upturn in gaming, stability in its data center business despite economic headwinds, and continued growth in its burgeoning auto business. Sea rose after achieving profitability in e-commerce a year ahead of guidance, and delivering significant growth in monetization and revenue despite moderating gross merchandise value (GMV) trends. MercadoLibre delivered strong e-commerce results with the potential for even greater share gains in the coming quarters as a result of Americanas' pending restructuring, while its fintech and advertising businesses continue to present additional dimensions of revenue growth and scale. Airbnb outperformed on the resilience of the travel category including for long-term stays, and on operating leverage as cost optimization is met with revenue increases. CrowdStrike rebounded as its financial results eased demand-related concerns in its core endpoint business, while adoption in platform adjacencies continued to rise. Notably, our top four holdings entering the quarter (Sea, Meli, Nvidia, Airbnb) which represented 24.37% of capital on December 31, 2022, increased an average of 64.42% during the quarter.

Bottom contributors to performance for the quarter included Chinese Internet company Meituan, Chinese online pharmacy leader JD Health, Chinese healthcare services company Wuxi Biologics, Indian banking and financial services company HDFC, and Southeast Asian technology platform Grab. Meituan declined amid rising competitive concerns as Douyin deepened its commitment to the local services category, and the overhang from the Tencent distribution of Meituan shares. JD Health corrected following a late-2022 opening-related surge, due to concerns around normalization of COVID-related demand. Wuxi was impacted by lingering geopolitical concerns, despite continued contract signings with American and European customers and encouraging progress on facilities inspections in China. HDFC Bank suffered from the Adani overhang which impacted the Indian equity market, and experienced net interest margin (NIM) pressure despite strong deposit growth as the company's retail loan mix remained depressed. Grab fell due to concerns about a slowdown in its food delivery business despite continued growth and recovery in ride hailing, and perhaps due to the technical selling pressure from prominent pre-IPO shareholders. It is notable that despite market enthusiasm for Chinese equities entering the quarter, our three worst performers were in China.

Market Outlook

The environment for investing in China remains uncertain as reflected in recent market swings. However, China's continued international agenda, including in the aftermath of the balloon incident, is becoming clearer. For example, China recently brokered an agreement between Saudi Arabia and Iran. It scheduled separate April meetings in Beijing with French President Macron and Xi, and Brazilian President Lula and Xi. It has tried to position itself as a potential mediator in the Russian invasion of Ukraine. In the financial sphere, the renminbi has played an increasing role in international trade. For example, despite capital controls in China, the renminbi has emerged as a reserve currency in Russia, and there are many countries globally that aspire to reduce their reliance on the dollar. Argentina and Brazil recently discussed a common currency called the Sur; perhaps the renminbi will ultimately serve as a more robust medium for trade and store of value. In the technology arena, Beijing has responded to US semiconductor restrictions by accelerating domestic chip development efforts, while introducing restrictions on Micron in China. What begins to emerge is a picture of China that is preparing to be less reliant on the US for key technologies and exports, even if the transition will take time or require some regression first. In the interim, China may hope that its domestic demand backdrop can provide a ballast to economic growth, particularly if the country succeeds in mobilizing savings for investment and consumption. China may also seek to create a better environment for private capital. We believe Flexion remains a useful tool for managing disparate risks in China in a consistent way. Indeed, we have less capital at risk in China than at any point since 2017, but have preserved potential upside participation by aligning our capital to premier scalable businesses in China with the potential to reflate.

Elsewhere, we may be approaching peak Fed policy in the United States, and market participants have started to assume a decline in interest rates as soon as this year. Fed rate cuts in 2023 would probably require a sharp deflationary trend, an extension of the current banking crisis, or some unforeseen scenario. Alternatively, we can assume a period of higher but stable rates. In either case, we can probably anticipate a more constrained economic environment. For us, interest rates are not a key input in stock selection. In periods where stocks undergo a rate-induced valuation adjustment (such as 2022), this approach can be problematic. However, in most rate environments and over time, business value creation from scalable businesses can overwhelm other valuation inputs. Moreover, a consequence of this period of rising rates has been a collapse in new capital formation in certain sectors (notably technology). Affected companies have had to accelerate profitability plans and reduce fixed expenses. We have observed a "first in first out" phenomenon: armed with lower costs and increasingly benign competition, and aligned to favorable if moderating revenue development, these companies are again exhibiting scale and creating business value. For example, in the most recent quarter MercadoLibre grew revenues 57%, but operating margins increased 1050bps to 11.6%. Crowdstrike guided to revenue growth of 32%-35% (a slowdown from Q4 exit rates of 48%), but operating income growth of 33%-46%. Beke is projected to achieve $1.1bn in operating income on $12.3bn revenues in FY24, versus $0.28bn and $12.4bn achieved in FY21. We have cultivated a portfolio of companies with at least some potential to transcend economic constraints, and many of these companies now have lower fixed costs and more benign competitive backdrops.

Portfolio Positioning

Our approach to the emerging markets is grounded in an economic construct, namely that human capital formation and foreign capital formation are slowing and potential output is declining. The consequence of this deterioration is relatively latent domestic demand pools. Rather than accepting this deterioration, we have sought to extract value from these latent domestic demand pools from scalable businesses and Passport Companies. Scalable businesses can generate revenue from multiple dimensions (platform, geographic, foundational), thereby creating the potential to transcend slowing economic growth. Similarly, Passport companies can bring aspirational products and foundational technologies to the emerging markets, thereby realizing domestic demand potential that would otherwise go unmet. In pursuing scalable businesses and Passport Companies, we have arrived at an unconventional country exposure (i.e., 55% Passport Companies). However, our revenue exposure is actually quite a bit closer to that of the MSCI Emerging Markets Index. Notably, the portfolio's exposure to Asia by revenue is 45.8%, while the index's exposure is 57.3%—a much smaller differential than suggested by domicile (portfolio 34.8%, index 78.3%). The reality is that prominent index holdings like Taiwan Semiconductor, Samsung and Infosys have significant developed market exposure. Indeed, the portfolio's revenue exposure to the US and Developed Europe is 31.5%, versus 13.0% for the index—again, a much smaller differential than suggested by domicile (portfolio 54.7% Passporters, index 0.0%). Alternatively, emerging markets represent nearly 70% of the portfolio by revenue. Moreover, we have recently added non-Passport investments to the portfolio, including Nubank in Brazil in late 2022, and Apollo Hospitals in India this past quarter. We believe this framework underscores our domestic demand orientation, and commitment to extracting value from the emerging markets in a thoughtful and additive way. We reference our performance since June 30, 2015 in every investor communication (+85.15%), which we believe speaks to our capacity to grow your pool of capital over time and play a role in servicing the unique liability profile you and your clients might have. A more traditional approach (i.e., the index) has returned 22.24%, inclusive of 11.39% in combined contribution from Taiwan Semiconductor and Samsung.

When we are successful in creating disproportionate equity outcomes, it is imperative to achieve a level of permanence from them. We characterize this process as Value Capture. Essentially, we harvest appreciated holdings gradually while retaining residual positions. While this may sound less powerful or risk averse than liquidating appreciated holdings, it can be very effective over time. For example, one of our largest positions over the last several years has been Sea, which declined -76.74% in 2022 (2021: +12.39%, 2020: +394.90%). Value Capture had allowed us to cement enough cumulative value creation that even marked at December 31, 2022, Sea had contributed 523bps to performance since inception. Marked for the more recent recovery (which still leaves Sea down 61.31% from December 31, 2021), Sea's contribution increases to 997bps. In this way, Value Capture is a key building block of what we term Foundational Risk Management: we harvest successful investments, channel them into three distinct value pathways (Diversification, Correlations, Residuals), and manage each pathway for impairment risk (Currency, Capital, Business, Behavioral). Foundational risk management is not passive; it is built. As we reflect on 2022, we acknowledge that Value Capture could have been more optimally distributed. For example, we might have allocated more of our appreciated holdings in 2020 and 2021 to correlations, rather than to new holdings such as Farfetch. However, we believe that the ultimate purpose of a risk management framework is to enhance value creation. Our ability to execute our investment program in the depths of 2022 (due to the investment in correlations) is key to understanding the performance characteristics of the strategy so far this year, and over time.

We thank you for your trust and confidence.

Investment Process

We seek to build, preserve and enhance a stream of compounded business value. We define this emphasis as follows:

Build: Pair low penetration domestic demand with scalable and enduring businesses that are able to drive value creation and disproportionate outcomes.

Preserve: Preserve value creation and establish a forward-looking construct for managing risk.

Enhance: Leverage risk pathways to enhance long-term value creation.

Investment Results (%)

As of 31 March 2023	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**22.64**	**22.64**	**-10.78**	**8.56**	**6.92**	—	**8.32**
Advisor Class: APDYX	**22.68**	**22.68**	**-10.63**	**8.74**	**7.10**	—	**8.51**
Institutional Class: APHYX	**22.62**	**22.62**	**-10.57**	**8.84**	**7.19**	—	**8.62**
MSCI Emerging Markets Index	3.96	3.96	-10.70	7.83	-0.91	—	2.80

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Fund inception: 29 June 2015.

Expense Ratios	ARTYX	APDYX	APHYX
Annual Report 30 Sep 2022	1.28	1.11	1.03
Prospectus 30 Sep 2022[1]	1.28	1.11	1.03

[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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

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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. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. 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 Emerging Markets Index measures the performance of emerging markets. The MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All single country returns are net returns based on MSCI country indices. 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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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: Nvidia Corp 6.5%, Sea Ltd 6.6%, MercadoLibre Inc 6.4%, Airbnb Inc 6.0%, Crowdstrike Holdings Inc 4.7%, Meituan 3.7%, JD Health International Inc 2.1%, Wuxi Biologics Cayman Inc 2.1%, HDFC Bank Ltd 3.1%, GRAB Holdings 1.1%, NU Holdings Ltd 2.5%, Apollo Hospitals Enterprise Ltd 1.1%. As of 3 Mar 2022, Russian holdings are valued at zero. 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.

If applicable, revenue data is sourced from FactSet, is approximate and is subject to change based on the availability of company reported data.

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Net interest margin measures the difference between interest income earned and paid out by financial institutions. **Passport Companies** are based in developed markets economically tied to emerging markets. **Flexion** which we define as the ability to deemphasize investments while preserving value pathways, to enhance portfolio outcomes.

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