



Artisan International Explorer Fund

QUARTERLY
Commentary

Advisor Class: ARDBX | Institutional Class: ARHBX

As of 30 September 2024

Investment Process

We seek to invest in high-quality, undervalued businesses that offer the potential for superior risk/reward outcomes. The investment universe is generally non-US equities with market caps below \$5 billion.

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



Beini Zhou, CFA
Co-Portfolio Manager



Anand Vasagiri
Co-Portfolio Manager

N. David Samra
Managing Director

Investment Results (%)

As of 30 September 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Advisor Class: ARDBX	2.61	9.67	22.75	—	—	—	11.19
Institutional Class: ARHBX	2.61	9.67	22.70	—	—	—	11.25
MSCI All Country World ex USA Small Cap Index	8.90	11.93	23.25	—	—	—	10.08

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Advisor (16 May 2022); Institutional (16 May 2022).

Expense Ratios (% Gross/Net)	ARDBX	ARHBX
Semi-Annual Report 31 Mar 2024 ^{1,3,4}	1.42/1.40 ²	1.34/—
Prospectus 30 Sep 2023 ^{2,3}	1.78/1.43	1.62/1.38

¹Unaudited, annualized for the six-month period. ²Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. ³See prospectus for further details. ⁴Excludes Acquired Fund Fees and Expenses as described in the prospectus.

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

It turned out that the last title we used for this section, Tortured Investors Department, is more apt for this quarter, as we underperformed our benchmark by over 600bps. Our benchmark was up 890bps while our portfolio was up 261bps.

We wish we could pinpoint one or a few broad themes that explained the underperformance this quarter. According to our analysis, country or sector allocation explained very little. The vast majority of our underperformance came from idiosyncratic factors or those at the individual stock level. We'll provide detailed commentary on our biggest detractors later.

We did not sell or trim our positions in any of the detractors. In fact, we added to some of them as their valuation became more compelling. This action is important because it is proof that, in our opinion, no permanent capital destruction occurred to any of the detractors in our portfolio. Price is what you pay, but value is what you get. It's the former that we seek to take advantage of. And it's the latter that we spend all our time analyzing.

The other point worth mentioning is that the combined drag from this quarter's detractors only explains a bit over half of our underperformance. We still would have materially underperformed the benchmark if all the detractors had simply returned zero for the quarter. In other words, a lack of big "winners" in the portfolio was another material contributor to our underperformance.

What We Bought and Sold in the Quarter

It's hard in our business to sit still and do nothing. It's even harder when your portfolio is significantly lagging the benchmark. One naturally has the urge to churn through the portfolio in a desperate effort to stay close to the benchmark. We did anything but that. We didn't buy any new names or sell out of any existing holdings this quarter. We did, however, a fair amount of adding and trimming.

There was a memorable day in the quarter when we felt, probably for the first time since March 2020, like kids in a candy store. That was August 5, when Japan suffered a double-digit percentage drop, its worst daily performance since 1987. Global investors ran for the hills as they feared repercussions of the unwinding of the decade-plus-long yen carry trade. We, on the other hand, did what we are expected to do during panicky moments—we bought more Japanese stocks.

Top Contributors and Detractors

Given our underperformance, we'll expand our commentary on detractors in subsequent paragraphs, covering our top five underperformers rather than the usual top two.

Our top two contributors in Q3 were Glenveagh Properties and Kingfisher.

Glenveagh is one of the largest homebuilders in Ireland. It reported first-half numbers during the quarter and provided a robust outlook. It continues to execute superbly, and we expect it to deliver substantial growth in the years to come given its solid pipeline and a severely undersupplied market. Recall that Glenveagh bought back close to one third of its shares outstanding in recent years. After a brief hiatus, it resumed its share buybacks, which we applaud, as we believe its share price at less than 10X P/E remains undervalued despite the recent run-up.

Unlike most other European countries, Ireland has an embarrassment of riches problem. According to the Irish Times, the €25 billion budget surplus the government forecast for this year is a record high for Ireland and one of the highest as a percentage of national income recorded by any country. It is boosted by about €13 billion of unpaid taxes and interest owed by Apple following the recent European Court of Justice ruling. This macro backdrop bodes well for the country's home building sector. We expect favorable housing policies and subsidies to continue and even expand in scope. Just to be clear, as bottom-up stock pickers, we did not buy Glenveagh because we favored Ireland as a country. Macro analysis matters in what we do but only in the context of individual stocks. If macro factors can serve as a material tailwind, as in the case of Glenveagh, they're icing on the cake.

Kingfisher is the UK's biggest home improvement retailer. You can think of it as the country's Home Depot. The retailer operates under multiple banners in various countries, including B&Q and Screwfix in the UK, Castorama and Brico Depot in France, and Castorama in Poland. It derives almost all its profit from these three countries, roughly two-thirds from the UK and one-third from France and Poland. Its position in Poland is so strong that we were told during our store visits in Warsaw this summer that American movies translated into Polish rename Home Depot to Castorama.

In the quarter, Kingfisher reported earnings for the half-year period ended in July. Profit was roughly flat while same-store sales declined by low-single-digit percentage points. As you can imagine, its business had a huge boom during the pandemic when everybody seemed to be renovating their home. It's been slowly working through a post-COVID hangover for the past two years. Even though its business is not showing growth yet, we believe there is light at the end of the tunnel, and the market seems to agree. The company remains highly cash flow generative, and we applaud management for returning all of its free cash flow (FCF) to shareholders via buybacks and dividends while maintaining a net cash balance sheet. We believe its share price remains undervalued with a multiple to FCF in the low teens.

Our bottom five detractors in Q3 were IQE, Despegar, Pluxee, Sesa and Zuken.

IQE is a UK-based upstream materials provider in the semiconductor industry. The company specializes in making compound semiconductor wafers and is one of the few players globally with the know-how. A compound semiconductor, in contrast to a conventional silicon-based one, is made up of chemicals belonging to two or more elements from the periodic table. Your mobile phone, for example, contains many compound semiconductor chips. Last year was tough as the slowdown in mobile phone sales severely impacted the company. Its first-half numbers, reported in September, rebounded strongly. Management's full-year guidance, however, came in at the lower end of the market's expectation due to customers delaying certain orders. We believe this led to the big share price decline in the quarter.

Some history behind this investment might be helpful. We initiated this position at mutual fund inception in May 2022. Its share price nearly doubled over the first six months. In hindsight, we should have at least trimmed our position, but we didn't because we were encouraged by new CEO Americo Lemos' initial actions upon arriving in early 2022. Under its ex-CEO and founder, the business historically operated at a low margin due to a fragmented global manufacturing footprint. Except for its Taiwan facility, which we estimate runs at a high operating margin and is arguably its hidden crown jewel, its multiple US and European facilities incur losses or operate at low margins due to low utilization rates. Facility consolidation was urgently needed. Americo wasted no time on that front after he joined. He is well down this path and aims to eventually have one facility in each region—Asia, North America and Europe.

If there's one thing we misjudged, we underestimated the amount of time needed to consolidate its manufacturing footprint. This has been compounded by a volatile semiconductor market in recent years. As a result, what we thought was a manageable balance sheet with very modest net debt when we became involved quickly turned into an equity-raising event in which we fully participated in May 2023.

In July of this year, IQE announced plans to IPO its wholly owned Taiwan business on the Taiwan Stock Exchange. It has engaged with the local regulator to prepare for necessary filings and aims to list in Q2 2025. It will continue to control the business via a majority stake post-IPO. We regard this as both a defensive and an offensive move. It is defensive because capital raised from this IPO can further shore up its balance sheet. It is offensive because it is a great way to unlock value and fuel strategic investments. Just as a reference point, if it pulls off this IPO and trades at an earnings multiple close to that of its listed Taiwanese peer, then the market cap of its Taiwan subsidiary will well exceed that of its UK parent. With a roughly 1.5% position, we believe the risk-reward for IQE is well in our favor.

Despegar is one of the largest online travel agencies in Latin America. Think of it as the Expedia of the region. The stock dropped a little over 6% in USD terms in Q3. It became our second-worst detractor given its greater than 5% position sizing. In our opinion, the Q2 2024 numbers Despegar reported in August were very solid. In US dollars (its

reporting currency), its top line grew 12% and EBITDA grew 22% year-over-year. In local currency, the results were much higher—its top line grew 46% and EBITDA grew 82% year-over-year. On the surface, it did cut its full-year revenue guidance by around 7%, which might have disappointed the market, but the cut is entirely due to local currency depreciation in recent months. It's worth mentioning here that we consider local currency depreciation in our valuation models, especially for businesses that derive a material portion of their earnings from emerging markets. Despite this significant headwind that's completely out of the company's control, it increased its full-year earnings guidance in USD, as it continues to gain market share in a growing market where online penetration remains low.

Pluxee is a French business that operates a payment network that primarily provides employee benefits in multiple countries. We initiated a position in this name when parent company Sodexo spun it off and listed it this past February. Its share price has corrected by around 40% since it peaked in mid-May. We believe two factors are at play. First, 8% implied revenue growth guidance for Q4 this fiscal year is lower than the market expected. A big part of this is due to a tough year-over-year comparison; it enjoyed a boost in top-line growth from Brazil, its biggest market, in Q4 last year due to a positive regulatory change earlier in 2023.

The second, and what we believe is the bigger reason behind its recent share price decline, is the market's fear of a potential regulation change that might impact its business in France and Brazil. Pluxee charges merchants (e.g., restaurants) a fee of roughly 3% of the transaction value every time a Pluxee card is used. This merchant fee model is similar to that of credit card companies. A bill has been passed that did not stipulate any fee caps on the advice of France's competition authority. However, the market remains apprehensive because the bill has not yet been signed into law due to France's recent government transition. We do not expect the new French government will change its stance on this issue.

In Brazil, we believe the market is primarily concerned about the potential introduction of portability and interoperability. Portability would allow each employee to pick an employee benefits vendor, rather than having this decided by the corporate employer. This is akin to making US employees responsible for picking a mobile service provider for their corporate phones or a health care insurance provider. As you can probably imagine, it would be onerous to implement and add a prohibitive cost burden to every company's human resources department.

Interoperability would require every card network operator to provide competitor access (i.e., Pluxee's card transactions would be able to go through competitor networks and vice versa). This would be akin to forcing Visa or Mastercard networks to accept American Express and vice versa. We think it's impractical given the huge amount of technological integration it would take to make it happen.

Just to be clear, there are no pending bills in Brazil on either portability or interoperability at this point. Barring a complete revamp of the employee benefits law in place for half a century, even in the most bearish case where both come into realization down the road after the yet-to-be-drafted bills slowly wound their way through the bureaucracy, we would expect to see more of a sentiment hit on Pluxee rather than a material hit on its fundamentals. We believe regulatory risks have been more than discounted when its share price is trading at an earnings multiple in the low teens.

Sesa is the largest Italian information technology distributor with roughly half the domestic market share. In the faster growing cloud and enterprise software business, its share is close to two-thirds. We initiated a position in the name in Q3 2023. While the market seemed to be expecting a double-digit growth outlook, management guided for its top line to (only) grow in the mid- to high-single digits for the current fiscal year ending in April 2025. The biggest drag comes from what it calls its digital green business, which accounted for a high-single-digit percentage of total revenue in the latest fiscal year. Through this business, it offers advice and provides hardware and software solutions to help companies improve energy efficiency. Even though digital green is a relatively small part of the company, it has had a significant impact in recent periods as the Italian government pulled back on green subsidies doled out to companies, which caused this part of the business to weaken. In Q2, the company only grew at a low-single-digit rate. However, excluding digital green, Sesa's top line grew by 7%, and core operating income rose by 11%. Despite the headwind in one of its smaller business units, we believe the company's long-term fundamentals remain intact. Its share price is now trading at 12X P/E ex-cash, down about 10% in local currency from our initiation price.

Zuken is a Japanese electronic design automation (EDA) software player. Engineers in the electronics and semiconductor industries use EDA software to design chips and all kinds of electronic components. Zuken is a major global player in two specific product lines: printed circuit board design and cable wire harness design. It's a rare Japanese software pure play that's globally competitive. Its share price dropped less than 5% in the quarter in USD terms, but it became our fifth-biggest detractor given its large position size. In August, it reported unremarkable Q2 earnings.

As alluded to previously, we reacted to Japan's whopping double-digit percentage point drop on August 5 by adding to this position at around 10X P/E ex-cash, a valuation we regard as extraordinarily compelling for a globally competitive software business that is expected to grow at a double-digit pace in a market with secular tailwinds.

ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

Visit www.artisancanvas.com

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.

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. 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. Value securities may underperform other asset types during a given period.

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.

The Global Industry Classification Standard (GICS[®]) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

This summary represents the views of the portfolio managers as of 30 Sep 2024. 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 30 Sep 2024: Glenveagh Properties PLC 9.8%, Despegar.com Corp 7.2%, Zuken Inc 5.1%, Kingfisher PLC 2.9%, IQE PLC 1.4%, Pluxee NV 1.2%, Sesa SpA 1.2%. 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.

ESG assessments represent one of many pieces of research available and the degree to which it impacts holdings may vary based on manager discretion.

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.

This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Price-to-Earnings (P/E) ex-Cash** is a valuation ratio of a company's current share price excluding cash holdings compared to its per-share earnings. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization. **Operating Margin** is a measure of profitability equal to operating income divided by revenue.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2024 Artisan Partners. All rights reserved.

