

Artisan International Small-Mid Fund Is Actually Well Worth Checking Out

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Artisan International Small-Mid (ARTJX), which reopened to new investors in October 2018, does not look very attractive at first glance. This foreign small/mid-growth fund has landed in its Morningstar Category's bottom quartile three times in the past five calendar years, including the sideways market of 2016, when it lost 12.9% and finished behind every one of its rivals. Consequently, despite a solid showing in 2018's challenging conditions and a nice start to this year, its three-year and five-year returns through March 31, 2019, are inferior to those of 75% and 93% of foreign small/mid-growth offerings, respectively. This fund's marked underperformance in recent years has undermined the ample success it had earlier in the 2000s, and its 10-year record is now mediocre. (Its 15-year record is still good.)

But these issues are moot now, because Artisan restructured this fund in late 2018. For starters, Artisan brought on Rezo Kanovich from Oppenheimer in October to run this fund, replacing longtime lead manager Mark Yockey and comanager Charles-Henri Hamker. (Yockey and Hamker remain at Artisan and continue to manage Artisan International (ARTIX) together, and Artisan Global Equity (ARTHX) with a third manager.) Kanovich is seasoned and skilled. Indeed, he has 20 years of investment experience and served as the skipper of foreign small/mid-growth fund Oppenheimer International Small-Mid Company (OSMAX) from January 2012 to September 2018. That fund comfortably outgained the typical foreign small/mid-growth offering and its MSCI ACWI ex USA SMID Cap benchmark during his tenure. And the two analysts who worked with Kanovich on the Oppenheimer offering for several years--Andres Avalos Vitiello and Samir Mainthia--came with him to Artisan and have solid credentials themselves.

What's more, Kanovich is using the same thematically driven, long-term-focused, bottom-up approach at Artisan International Small-Mid as he employed successfully at Oppenheimer International Small-Mid. In particular, he is investing in firms positioned to benefit from structural growth

trends. These companies tend to have unique business models, high barriers to entry, the ability to self-finance growth, and strong management teams. He looks for names that he can hold for an average of five years and tries to make purchases when companies' shares look mispriced. He avoids buying names with "growth at any price" valuations and generally caps individual holdings around 2% to reduce single-stock risk. This approach is sound, distinctive, and attractive.

Meanwhile, Artisan reduced the management fee on this fund from 1.25% to 1.05% on Dec. 1, 2018, so the expense ratios for the no-load share class and institutional share classes declined from 1.55% to 1.36%, respectively, and from 1.35% to 1.15%, respectively, as of the Feb. 1, 2019, prospectus.

The restructured version of this fund is attractive and is well worth consideration from investors who are seeking a foreign small/mid-growth vehicle for the long haul. But interested investors should make sure they understand three facts about this fund now. First, Kanovich's stock-selection strategy is quite different from his predecessors' approach, so this fund's portfolio has been completely made over. (Ninety-four of the 107 stocks in the portfolio as of Dec. 31 were purchased in the fourth quarter.) Second, Kanovich focuses further up the market-cap ladder than many foreign small/mid-cap managers do and his predecessors did. (This fund has an average market cap of \$3.4 billion at present, versus \$2.5 billion for its median rival and \$2.2 billion for this fund when Kanovich took over.) Third, the no-load share class and institutional share classes remain a bit pricier than the relevant medians even though they are significantly less expensive than they used to be.

William Samuel Rocco has a position in the following securities mentioned above: ARTJX. Find out about Morningstar's [editorial policies](#).

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Investment Results as of 31 Mar 2019 (%)						Expense Ratios
Artisan International Small-Mid Fund	YTD	1 YR	5 YR	10 YR	ITD	Prospectus 30 Sep 2018
Investor Class: ARTJX	15.15	-5.84	1.21	12.17	10.96	1.36
Advisor Class: APDJX	15.25	-5.84	1.21	12.17	10.96	1.27
Institutional Class: APHJX	15.28	-5.66	1.32	12.23	11.00	1.15
MSCI All Country World ex USA SMID Cap Index	10.25	-7.88	3.21	10.86	8.78	—
MSCI All Country World ex USA Small Cap Index	10.26	-9.49	3.26	11.86	9.55	—

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (21 Dec 2001); Institutional (12 Apr 2016); Advisor (4 Dec 2018). For the period prior to inception, Institutional and Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Institutional or Advisor Class and the share class's returns during that period would be different if such expenses were reflected.

Morningstar rankings are based on historical total return and are not representative of future results. The Fund's ranking is based on the Investor Share's percentile rank relative to all funds in the Morningstar Foreign Small/Mid Growth Category Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1. The number of funds in the category may include several share classes of the same mutual fund which may have a material impact on the fund's ranking within the category. The Fund is ranked 22% out of 139 funds for the 1YR period, 94% out of 99 funds for the 5YR period and 61% out of 62 funds for the 10YR period as of 31 Mar 2019.

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.

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 visiting www.artisanfunds.com. Read carefully before investing.

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

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 indexes are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment. 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.

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