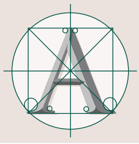

Artisan Developing World Fund

QUARTERLY
Commentary

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

As of 30 June 2022

Portfolio Management
Lewis S. Kaufman, CFA

Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned -24.50% for the quarter ended June 30, 2022, versus -11.45% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 57.29% cumulatively, versus 22.87% for the MSCI Emerging Markets Index. Inflation and growth concerns dominated market sentiment during the quarter. Inflation accelerated in the aftermath of Russia's Ukraine invasion, COVID-related lockdowns in China and continued imbalances in supply and demand. The May headline US CPI reading of 8.6% was the highest since 1981. The US Federal Reserve tightened an additional 50bps in May and 75bps in June, bringing policy rates to 1.75% and underscoring its renewed commitment to containing inflation expectations by restricting aggregate demand. Equities in turn incorporated lower valuation and earnings expectations. The S&P 500® Index (-16.4%) suffered its seventh-worst quarterly decline since 1970 (3Q74: -26.1%, 4Q87: -23.2%, 4Q08: -22.6%, 1Q20: -20.0%, 2Q70: -18.9%, 3Q02: -17.6%). The MSCI EAFE Index, a broad gauge of international stocks, declined 14.5%. Emerging markets equities performed relatively better even after factoring in currency weakness, reflecting the influence of Chinese stocks during the quarter. Indeed, China was the best performing market in the world (MSCI China Index: 3.4%, Hang Seng China Enterprises Index: 3.5%, S&P China ADR Index: 8.4%) despite lockdowns, property sector weakness, regulatory constraints, and ongoing geopolitical tensions. China's divergence from global markets likely reflects a view that monetary and fiscal conditions will ease in China, as the world tightens. Excluding China, the MSCI Emerging Markets Index returned -17.9% (i.e., worse than US and international equities), reflecting currency weakness and the importance of agricultural commodities in emerging markets inflation baskets. Governments in India, Indonesia and Argentina all announced protectionist restrictions on agricultural exports such as wheat and palm oil. Emerging markets currencies weakened markedly against the dollar (MSCI EM Currency Index: -4.5%), and the rand (-10.3%), real (-9.8%), won (-5.7%), zloty (-6.3%) and yuan (-5.4%) registered more significant declines. This currency weakness is visible in capital flight, as the JP Morgan EMBI Global Diversified Index declined 11.4% during the quarter following a 9.9% decline in 1Q. In an effort to stem inflationary pressures and provide a ballast to currencies, India, Brazil, Mexico, South Africa and Poland all hiked policy rates, which may restrict growth in future quarters. Reflecting these dynamics, Brazil was the worst performing major emerging market during the quarter (-24.4%), while Poland (-27.1%) and South Africa (-23.0%) also declined significantly. Korea (-20.9%) and Taiwan (-19.8%) fell due to the influence of the chip and manufacturing industries. India (-13.6%) and Saudi Arabia (-12.5%) both declined despite their status as oil consumer and producer, respectively.

Contributors and Detractors

Top contributors to performance for the quarter were all based in China and included local services company Meituan, housing platform KE Holdings, online drug marketplace JD Health, premium spirits company Kweichow Moutai and eye hospital group Aier. Meituan reported higher-than-expected profitability in food delivery and continued to narrow losses in its new initiatives segment, despite weaker demand in certain cities due to COVID-19 lockdowns. KE Holdings rose due to loosened home purchasing restrictions and lower mortgage rates, which could stabilize the property developer sector and bolster existing home sales. JD Health rose due to the resilience of its online pharmacy initiatives in the face of lockdowns, and improved sentiment around regulations. Kweichow Moutai rose due to continued success in its channel reform and product mix upgrade, and the stability of its supply-driven business model in a period of economic weakness. Aier advanced as margins continued to benefit from mix improvement and scale, and investors expressed a view that weaker demand related to lockdowns would be temporary.

Bottom contributors to performance for the quarter included social media platform Snap, 3D design company Unity, online travel marketplace Airbnb, Latin American e-commerce platform MercadoLibre and graphics semiconductor company Nvidia. Snap declined due to the economic sensitivity of its online advertising business, fears of further digital privacy changes from Apple, and perceived deterioration in the competitive environment. Unity retreated after disclosing data integrity issues with an important advertising product, even as new seat additions in gaming and non-gaming verticals remained strong. Airbnb declined despite strong summer bookings and resilience in extended stays, as investors contemplated the potential impact of waning consumer confidence on future travel spending. MercadoLibre (despite reporting strong results) was negatively impacted by fears of an e-commerce slowdown and credit cycle deterioration, even as operating momentum remained strong. Nvidia reported strong results notably in cloud computing but was negatively impacted by weaker guidance around Russia and China, while investor fears of a potential semiconductor industry downturn and negative developments in cryptocurrencies continued to percolate.

Market Outlook

The biggest surprise this quarter was resilience of the Chinese equity markets. Investors have long been concerned about China's levels of indebtedness, the domestic regulatory backdrop and external tensions. However, it is perhaps China's potential support for Russia's invasion of Ukraine that most unnerved investors and

punctuated declines in recent quarters. In the event, China has so far steered clear of military support and Western sanctions, seeking instead to reinforce its standing with the investment community by reiterating its commitment to private capital. Moreover, while China's adherence to its "zero tolerance" COVID-19 policy has resulted in lockdowns and economic disruption, it has also created the conditions for easier monetary policy and increased fiscal impetus. To be clear, we do not believe that we are at the precipice of a surge in capital formation, fixed assessment or total social finance growth. China is still gravely concerned about aggregate debt levels (a concern which will constrain its fiscal impetus), and will also wish to manage relative interest rate differentials so as to discourage renminbi weakness and capital flight. However, given that the rest of the world is awash in tighter policy and financial conditions, market participants have concluded that relative policy differentials favor China at present. We continue to be drawn to China's skilled labor dividend, capacity for domestic capital formation and inherently scalable domestic market. We are also monitoring the quality of China's capital formation, including the IPO pipeline as a harbinger for productivity and improved potential output. External risks including tensions with the West likely continue to pose the greatest risk to the Chinese investment backdrop. We continue to lean on the concept of flexion (as described in last quarter's letter), which has enabled the fund to capture this most recent rebound in China in an outsized way while also being attentive to capital at risk.

Outside of China, most emerging markets economies continue to struggle as the Fed (and European Central Bank) normalize monetary policy. While there is a tendency to conceive of emerging markets as insulated from global developments, capital flows and currencies continue to represent obvious transmission mechanisms—as visible in the fact that EM ex China performed worse than the US in a historically bad period for US markets. Notably, even at relatively depressed levels of domestic demand, the inflation backdrop for many emerging markets is unpalatable due to deteriorating terms of trade and the composition of local inflation baskets. As emerging markets central banks respond, higher interest rates will likely pressure both consumption and investment. There is also a tendency to conceive of the asset class as a whole as a beneficiary of rising commodity prices. Notably, China, Korea, Taiwan, India, which combined account for nearly 75% of the MSCI Emerging Markets Index, are all commodity importers—underscored by the fact that China and India have opted to purchase Russian crude oil at a discount, despite the international sanction regime. Latin America remains a significant commodity producer in aggregate, but individual countries in the region have been overwhelmed by a cocktail of right- and left-wing populism. The Gulf states are beneficiaries of the current energy price environment but have small domestic populations that offer finite opportunities for scalable businesses. In the aggregate, traditional emerging markets continue to struggle along the dimensions of policy flexibility, skilled labor availability and domestic capital formation. Our emphasis on passport companies that can transcend affordability with innovative and aspirational products is grounded in a well-considered economic framework.

Portfolio Positioning

Risk management is often defined in terms of volatility and downside participation. Instead, we believe the purpose of a risk management framework is to facilitate the execution of an investment program in moments of chaos. We do not wish to suggest that we do not aspire to good performance in down markets. However, we do not want to emphasize inferior assets that may facilitate a near-term performance characteristic. Instead, we prefer the concept of what we call correlations, whereby individual stocks may not be sufficient to mitigate volatility in the aggregate but perform differentially enough to allow for methodical portfolio improvement. For example, Veeva declined 6.8% during the quarter and Visa 11.0%, whereas energy stalwart Exxon Mobil rose 4.8%. However, since the fund's inception, Veeva is up 607% and Visa 209%, versus Exxon's 45%. Veeva and Visa may not have been quite as resilient as Exxon this quarter, but they were perfectly sufficient to serve as a source of funds for some of the best value creators in our portfolio (some of which declined in excess of 50% this quarter). Similarly, China has recently been an excellent source of funds, even though it can hardly be characterized as a "defensive" asset. Moreover, to the extent that correlations are too high to leverage in given moments, we have flexion as an additional tool whereby names that are not well aligned with current iterations of our process can be sold at moments of low reinvestment risk (and high tax efficiency). For example, we have recently exited Uber, Farfetch and Stone, while reinvesting in both our core portfolio and new names that are either well aligned with scalability (such as Nubank and Boss) or the potential for new correlations (such as Align Technologies). In understanding the performance characteristics of the strategy, it is important to note that we have designed the fund to have transactional staying power in moments of chaos, in a way that enhances the long-term return profile of the strategy. The longer the current investment backdrop persists (as it has in some sense for nearly two years), the greater our opportunity to enhance value.

In terms of companies we might emphasize in such moments, we often state that we are value driven, rather than valuation driven. Perversely, we take this posture because when value creation converges with price declines, it can create valuation improvements and even mispricings very quickly. For example, Adyen's multiple of earnings for the coming 12 months ("NTM") has improved from 117.6X to 60.5X (or 48.6%) YTD, even though the stock has declined a more modest 40.0%. Were the stock price to stagnate for two additional quarters, that multiple would fall to 47.3X (based on consensus Bloomberg data). By contrast, relatively inert businesses can become cheaper if prices decline, but will not experience valuation improvements through the passage of time since business value may not be increasing (and may be particularly susceptible to adverse economic environments). We do

not wish to suggest that scalable businesses are impervious to the current economic backdrop or earnings disappointments. In fact, scalable businesses tend to have high margin structures, such that a lost dollar of revenue relative to expectations occurs at very high incremental margins. However, value deferral is not value impairment; business value continues to compound in such instances. For example, Sea is still likely to grow revenue 25%-30% this year (down from expectations of 47% at the start of the year), and has accumulated business value at rates such that it now nearly trades at parity with a conservative estimate of the value of its e-commerce business (eBay multiple applied to Sea's 2022 gross merchandise value of $90 billion, which is being monetized successfully); Sea also has a gaming business generating about $1.5 billion in EBITDA and a very promising fintech operation that may be worth in excess of $10 billion. As time passes and prices converge with business value increases, the valuation proposition of our portfolio can assert itself in an increasingly differentiated manner.

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 (%)

			Average Annual Total Returns				
As of 30 June 2022	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**-24.50**	**-39.14**	**-48.63**	**2.48**	**5.66**	—	**6.68**
Advisor Class: APDYX	**-24.48**	**-39.11**	**-48.55**	**2.66**	**5.84**	—	**6.87**
Institutional Class: APHYX	**-24.44**	**-39.04**	**-48.48**	**2.77**	**5.94**	—	**6.98**
MSCI Emerging Markets Index	-11.45	-17.63	-25.28	0.57	2.18	—	2.99

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
Semi-Annual Report 31 Mar 2022[1]	1.27	1.10	1.01
Prospectus 30 Sep 2021[2]	1.26	1.09	1.00

[1]Unaudited, annualized for the six-month period. [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. 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 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 S&P China Select ADR Index seeks to track all American depositary receipts trading on the NYSE, NYSE American, and NASDAQ that represent shares in companies from China. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. JPMorgan EMBI Global Diversified Index tracks returns for actively traded external debt instruments in emerging markets. Hang Seng China Enterprises Index reflects the overall performance of Mainland securities listed in Hong Kong. MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. 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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Correlation is a statistical measure of how two securities move in relation to each other. A perfect positive correlation is represented by the value +1.00, while 0.00 indicates no correlation and -1.00 indicates a perfect negative correlation. **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. **Price-to-Earnings (P/E) Ratio** measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years. **Consumer Price Index** measures the average change in prices over time that consumers pay for a basket of goods and services.

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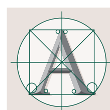
A R T I S A N  P A R T N E R S