Artisan Non-U.S. Small-Mid Growth Strategy

QUARTERLY Commentary

As of 31 March 2024

Investment Process

We seek long-term investments in high-quality businesses exposed to structural growth themes that can be acquired at sensible valuations in a contrarian fashion and are led by excellent management teams.

Investing with Tailwinds

We identify structural themes at the intersection of growth and change with the objective of investing in companies having meaningful exposure to these trends. Themes can be identified from both bottom-up and top-down perspectives.

High-Quality Businesses

We seek future leaders with attractive growth characteristics that we can own for the long term. Our fundamental analysis focuses on those companies exhibiting differentiated and defensible business models, high barriers to entry, dynamic management teams, favorable positions within their industry value chains and high or improving returns on capital. In short, we look to invest in small companies that have potential to become large.

A Contrarian Approach to Valuation

We seek to invest in high-quality businesses in a contrarian fashion. Mismatches between stock price and long-term business value are created by market dislocations, temporary slowdowns in individual businesses or misperceptions in the investment community. We also examine business transformation brought about by management change or restructuring.

Manage Unique Risks of International Small- and Mid-Cap Equities

International small- and mid-cap equities are exposed to unique investment risks that require managing. We define risk as permanent loss of capital, not share price volatility. We manage this risk by having a long-term ownership focus, understanding the direct and indirect security risks for each business, constructing the portfolio on a well-diversified basis and sizing positions according to individual risk characteristics.

Team Overview

Our team is intellectually curious about the world and how it is changing. Each team member is passionate about small company investing and discovering businesses with meaningful and open-ended growth opportunities.

Portfolio Management

Rezo Kanovich
Portfolio Manager

Investment Results (% USD)

As of 31 March 2024	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**4.13**	**4.13**	**8.65**	**-1.42**	**8.94**	—	**11.55**
Composite — Net	**3.88**	**3.88**	**7.57**	**-2.41**	**7.85**	—	**10.43**
MSCI All Country World ex USA SMID Index	2.44	2.44	12.31	0.31	5.51	—	7.22
MSCI All Country World ex USA Small Cap Index	2.11	2.11	12.80	0.38	6.24	—	7.92

Annual Returns (% USD) Trailing 12 months ended 31 March

	2020	2021	2022	2023	2024
Composite — Net	**-6.56**	**68.07**	**-7.65**	**-6.45**	**7.57**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 January 2019.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described near the back of this document, which should be read in conjunction with this material.

Investing Environment

Global equities advanced in Q1 primarily on investor expectations of central bank interest rate cuts in the US, EU and UK. However, the timing and magnitude of potential cuts are far from certain, as inflation remains above the Federal Reserve's 2% target and labor market strength persists. Macro dynamics, including volatility around interest rate expectations, continue to drive the markets against the backdrop of persistent inflation in the US and a sluggish economic recovery in China. In Japan, the central bank ended its negative rate regime after eight years and signaled it could raise rates further, although real rates are still in negative territory. In addition, volatility in foreign exchange markets remains elevated amid heightened economic uncertainties around the world.

On the geopolitical stage, the Russia-Ukraine war entered its third year, US-China tensions persist, and the Israel-Hamas war carries on, now including Iran, which launched an attack from its soil on Israel, and its military proxies. In 2023, global defense spending grew at its fastest pace in the last decade, and European NATO members signaled their intention to increase military spending. Rising geopolitical tensions continue to contribute to risk premium in the market and triggered a flight to the *perceived* safety of large-cap companies, further exacerbating the performance gap over smaller peers.

As long-term investors, we pay close attention to how the world is changing and look to identify emerging growth trends in the economy that will have relevance for at least the next decade. We seek to be long-standing owners in high-quality businesses with meaningful exposure to these structural tailwinds and participate in their growth at an early stage. This thematic dimension of our investment approach seeks to position the portfolio "on the right side of history" and aims to focus our attention on companies whose success is less dependent on a cyclical backdrop. Industry transformation and growth rarely occur without temporary impediments, and the value of most businesses is not determined by short-term fluctuations. Patience and a commitment to contrarian thinking are required. We continually evaluate our investment theses and valuation assumptions based on rolling 5-year cash flow projections. We are judicious about evaluating business model strength, embedded optionality and through-cycle normalized earnings. Our long-term orientation helps us to separate signal from noise, which often requires looking through, or even taking advantage of, short-term headwinds that may otherwise lead investors to forego nuance, trade momentum and be reactionary. In our view, an unwavering focus on the durability of our themes and idiosyncratic value drivers within our businesses is the most effective way to build long-term returns and deliver the compounding potential that this asset class offers.

Throughout our tenure, there have been numerous examples of the market's tendency to vacillate from unbridled euphoria to abject pessimism with little regard for the significant long-term transformations occurring in an industry value chain. The global energy transition is a growing portfolio theme that has not been immune to such short-term behavior and warrants further discussion, particularly given the volatility in energy prices.

Despite shifting market and political sentiments, the tremendous progress in the world of energy is irrefutable. Advancements include carbon capture technology, reductions in greenhouse gas emissions at oil well heads and alternative sources of energy. In addition, government and consumer pressure has created an environment where businesses that don't embrace this future will face real-world consequences. Growing investment at the global, national and corporate levels, when done sensibly, has economic logic and is on the "right side of history."

As a result of both innovation and the increasing relevance to existing businesses, this theme has become more significant in our portfolio. We have made select investments in high-quality companies that we believe are poised to be meaningful beneficiaries of this structural tailwind across a broad range of industries. The diversity of investments reflects our view that the world's transition to sustainable energy is multifaceted and requires a holistic restructuring of energy systems, transportation and infrastructure. Our nuanced and flexible approach leads us to businesses that have multiple ways to win, enjoy enduring value drivers and possess inexpensive embedded optionality. Despite short-term challenges, such as slower electric vehicle adoption in the US and higher costs associated with hydrogen technology, we believe progress will ultimately create leaders in these industries.

One such example is UK-based Rotork, a global leader in mission-critical, intelligent flow control solutions. Structurally, electric actuators are gaining market share from pneumatic and hydraulic actuators, which have less precise control, require more maintenance and emit hazardous pollutants. Rotork's solutions, which include electric actuators, have broad applications for water, chemical, and oil and gas plants. Through its multiple end markets, Rotork has established itself as an essential player in green energy infrastructure. The UN's recent COP28 climate agreement, which aims to transition away from fossil fuels and reduce the emissions of greenhouse gases, should benefit Rotork as supply chains decarbonize and electrify. For example, electrification efforts in the upstream oil and gas industry in North America present an annual multi-hundred million dollar opportunity over the next two decades. Not only do Rotork's actuators and flow control solutions help traditional oil and gas companies reduce emissions by preventing leaks and enabling preventative maintenance, but they also enable Rotork to participate in the fast-growing new areas of hydrogen technology, carbon capture, usage and storage, and battery manufacturing. The production of alternative energy sources, such as biofuels, wind, solar and hydro power, also requires Rotork's products and services to optimize performance, reliability and safety. We like the company's embedded optionality with increased adoption of renewable power, as well as its high return on capital, margin opportunity and potential for accelerated growth.

Another example is France-based Gaztransport et Technigaz (GTT), the global leader in designing cryogenic membrane containment systems required to transport and store liquid natural gas (LNG). This technology has played a significant role in the European energy market since the outbreak of the Russia-Ukraine war, as LNG supply lines have been redrawn. GTT also supplies electrolysers used to produce green hydrogen with industrial scale potential. Both LNG and hydrogen are important sources of energy that is both cleaner and more secure. While recent market dynamics have slowed this shift in the near term, long-term demand for LNG remains very supportive, with new vessel orders increasing for current projects, new projects on the horizon and an industrywide effort to increase shipyard capacity. GTT's proprietary technology creates a barrier to entry, and its continued focus on improving membrane technology helps to sustain its competitive advantage. The company is highly profitable via the licensing of its technology, which creates a circumstance where the company can grow revenue with minimal additional cost.

A third company example that has nuanced but meaningful exposure to the world's transition to sustainable energy is UK-based Smiths Group, an engineering company that focuses on control systems and instruments. Its largest division, John Crane, essentially competes in an oligopoly of three and has expertise in mechanical seal technology that prevents methane and other high-intensity greenhouse gases from being released into the atmosphere—essentially a carbon capture system at the level of oil and gas wells. This technology also has applications in wind turbines, geothermal plants and hydroelectric dams, as well as the safe and efficient transportation of hydrogen. Demand for green technology, green electrification and energy-efficiency solutions continues to accelerate across industries around the world, and we believe Smiths Group is uniquely positioned to capture these opportunities. Once a less efficient conglomerate, Smiths has reorganized into four separate operating divisions—Smiths Detection, John Crane, Smiths Interconnect and Flex-Tek. The market has not recognized the potential value creation of this structure, and the stock still trades at a significant discount to earnings. In our opinion, Smiths has meaningful growth and margin opportunities.

Given the scale and duration of the transformation involved, energy transition is poised to expand in economic relevance. However, our path forward will always be selective and align with how we approach theme investing across the portfolio. We actively search for opportunities at the intersection of growth and change and associate ourselves with talented management teams that can create long-term value throughout cycles. Investor sentiment regarding an industry or theme may ebb and flow from quarter to quarter, but our focus always remains on individual company fundamentals and business progression. Importantly, we also adhere to strong valuation discipline and risk management principles that provide the portfolio with resilience during times of market turbulence.

Performance Discussion

Our portfolio outperformed the MSCI ACWI ex US SMID Index in Q1, primarily due to our stock selection in health care. Stock selection in information technology was the biggest relative detractor for the quarter.

On an individual company basis, NICE, Avidity Biosciences and ConvaTec were the largest contributors. Shares of NICE, a global leader in enterprise software for contact centers and the portfolio's largest holding, rose after the company reported strong revenue growth and reiterated 2024 guidance of nearly 20% organic growth for cloud. Management noted that artificial intelligence (AI) is becoming a meaningful driver in cloud contact center adoption with broad-based demand across industries and geographies. We remain confident in NICE's multiyear opportunity with enhanced products and its ability to widen its market share lead—particularly at the high end of the customer base. Management continues to run the business profitably, with 20% margins, over a billion dollars of cash on the balance sheet and a focus on R&D to sustain its competitive positioning.

Avidity Biosciences is a biotech company that has developed a proprietary antibody oligonucleotide conjugates (AOC) platform, combining the strength of monoclonal antibodies and siRNA therapies. Currently, its lead drug candidates are targeting rare muscular atrophy diseases such as myotonic dystrophy type 1 (DM1), Duchenne muscular dystrophy and facioscapulohumeral muscular dystrophy, while larger opportunities exist beyond muscle diseases. Shares gained after Avidity announced positive efficacy and safety data from its phase 2 DM1 study, providing strong validation for the AOC platform. Our diligence suggested that the earlier adverse patient response, which led to partial FDA clinical hold, was likely an isolated event. With the phase 3 study set to begin in Q2 and multiple attractive assets in its pipeline, we are confident in the long-term potential of Avidity's breakthrough platform.

ConvaTec is a medical device maker that continues on its turnaround journey, leveraging its R&D engine to develop a suite of new products for the highly lucrative ostomy and continence care markets, as well as for the structurally growing, high-margin markets of infusion devices for insulin pumps and wound care. Shares gained after ConvaTec raised its mid-term organic revenue growth guidance and reported robust growth in all segments. We initially underwrote our investment in the company at a time of pervasive market pessimism and retained our contrarian stance throughout its lengthy turnaround into the highly profitable company of today. In addition to its enhanced R&D efforts and robust product pipeline, ConvaTec has optimized its cost structure to become more efficient. We believe the company is attractively valued given the highly recurring nature of its revenue, its innovative power and the margin potential.

Aixtron, Wolfspeed and Lightspeed were the largest detractors. Aixtron engineers and manufactures metal organic chemical vapor deposition equipment. Once a single-product company focused on LED lights, Aixtron has aggressively invested in R&D and has evolved into a global leader in equipment for epitaxy—a process necessary for making power semiconductors, micro-LED display technologies, communication equipment and next-generation photonics that have a wide range of applications. Aixtron's Q4 results included slightly lower-than-expected revenue guidance for 2024. However, we believe long-term company fundamentals remain strong. Demand for silicon carbide and gallium nitride (GaN) products is robust, and Aixtron's new GaN platform, which is designed to improve customers' chip production yields and uniformity, should have strong adoption.

Wolfspeed is a leader in material science, manufacturing silicon carbide wafers and devices for next-generation power semiconductors used to improve the range and efficiency of electric vehicles and to drive industrial applications. Its shares fell due to weakness in near-term EV sales growth and lackluster industrial demand. Wolfspeed's capacity is sold out through 2026, and demand for power devices continues to accelerate. The company is also moving up the value chain, demonstrating its ability to evolve into a system design house with robust design wins across multiple automotive OEMs. Moreover, over the last few quarters, Wolfspeed signed multi-billion dollar contracts with Japan-based Renesas Electronics and Germany-based Infineon for its silicon carbide wafers, supporting our view that its substrate production is not commoditizing, as many believed, and is of high value. While short-term worries about US EV adoption and capex weigh on Wolfspeed, we like the long-term value of its assets and continue to have confidence in the management team's ability to successfully navigate its significant opportunity set.

Lightspeed provides point-of-sale (POS) and enterprise resource planning software for the retail and hospitality industries. Its suite of value-added services include payment, inventory management and advanced analytics. While the company reported strong quarterly results that showed the benefits from its recent new platform launches, its shares fell on management's comments regarding increased reinvestment to accelerate market share growth. The company also announced the return of its founder as interim CEO. We believe Lightspeed is well positioned to penetrate the global software-integrated POS and payments market.

Perspective

With the ongoing macroeconomic challenges and geopolitical uncertainties around the world, volatility remains elevated in both the equity and bond markets. Elections are set to take place in more than 50 countries this year, including the US presidential election in Q4, which is likely to further shape a market narrative in 2024. Although breadth in the market has improved from last year, a narrow list of themes, such as AI and GLP-1 weight loss drugs, continues to dominate returns, often with little regard for valuation.

As long-term, contrarian investors, we generally welcome market volatility, as it can create the opportunity to purchase best-in-class franchises at attractive valuations. Similarly, periods of dislocation within industry value chains, be it macroeconomic-led or the result of "creative destruction," often enable well-capitalized companies with agile and entrepreneurial management teams to play offense versus weaker competitors.

We continue to travel extensively to identify these opportunities in a hands-on fashion, including a recent trip to Japan during the quarter. Over the past year, investors have increasingly focused their attention on Japan given the combination of a weaker yen, the end to the negative rate regime, the implementation of measures for greater capital efficiency at companies and a pivot away from China by capital allocators. Despite Japan being an important market for us, and a fairly evergreen source of ideas, we are generally skeptical of environments of mass euphoria where investors tend to trade on macro momentum. That said, there is a lot to like in Japan, and we will continue to selectively take advantage of opportunities.

Unlike many geographies, Japan offers a deep and fragmented landscape of smaller companies. As is the case for much of our universe, it is also poorly served from the sell-side community, allowing for discovery and differentiated views. One cannot be a tourist, and we have committed to frequent travel to Japan over many years to find unique businesses with sustainable competitive advantages. In the past two years, the sense of corporate value has become even more tangible, given the domestic economic strength and corporate governance reforms. While the market has become preoccupied with the price-to-book ratio and potential balance sheet optimization of Japanese companies, we believe larger and more enduring opportunities will result from high-quality companies with globally relevant brands implementing structural improvements in return on capital.

Two examples in our portfolio are Morinaga Milk Industry and Rohto Pharmaceutical. Morinaga Milk Industry is a leading producer of dairy products in Japan. With a strong brand, a focus on R&D and a diversified product portfolio spanning infant formula, ice cream and functional health supplements like probiotics, Morinaga Milk is well positioned to gain market share and implement price increases to pass through a portion of inflation. The company is also undergoing cost optimization that should further boost margins. Rohto Pharmaceutical is a manufacturer and distributor of personal care products, including eye drops, contact lens care, dermal medicines, skincare/beauty products and over-the-counter medicines. With the inflationary environment in Japan, Rohto's high-value positioning as a premium skincare provider at an affordable price is resonating a lot more with customers. Sales, especially for skincare products, have been strong in Japan and the rest of Asia, and we expect continued growth and improving profitability.

We are excited about the long-term opportunities our investment universe presents and look forward to updating you on how we are positioning the portfolio to capture them. As always, thank you for your continued trust and confidence.

For more information: Visit www.artisanpartners.com

Investment Risks: 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. Growth securities may underperform other asset types during a given period. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request.

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For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan Non-U.S. Small-Mid Growth Strategy Composite's total net assets as of 31 Mar 2024: Nice Ltd 5.0%, ConvaTec Group PLC 3.4%, Rotork PLC 1.6%, Wolfspeed Inc 1.2%, Gaztransport Et Technigaz SA 0.6%, Smiths Group PLC 1.2%, Avidity Biosciences Inc 0.8%, AIXTRON SE 1.0%, Lightspeed Commerce Inc 1.0%, Morinaga Milk Industry Co Ltd 0.8%, Rohto Pharmaceutical Co Ltd 1.1%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

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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.

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