



Artisan International Value Fund

QUARTERLY Commentary

Investor Class: ARTKX | Advisor Class: APDKX | Institutional Class: APHKX

As of 30 June 2024

Investment Results (%)

As of 30 June 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTKX	1.42	5.87	13.43	6.99	10.64	6.73	11.59
Advisor Class: APDKX	1.47	5.97	13.60	7.15	10.80	6.87	11.66
Institutional Class: APHKX	1.50	6.01	13.71	7.24	10.90	6.97	11.78
MSCI EAFE Index	-0.42	5.34	11.54	2.89	6.46	4.33	7.29
MSCI All Country World ex USA Index	0.96	5.69	11.62	0.46	5.55	3.84	7.48

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (23 September 2002); Advisor (1 April 2015); Institutional (1 October 2006). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTKX	APDKX	APHKX
Semi-Annual Report 31 Mar 2024 ^{1,2,3}	1.18	1.04	0.95
Prospectus 30 Sep 2023 ³	1.26	1.12	1.03

¹Unaudited, annualized for the six-month period. ²Excludes Acquired Fund Fees and Expenses as described in the prospectus. ³See 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.

Dear Shareholder:

The net asset value of the Artisan International Value Fund (Investor Class) increased by 1.42% during the quarter while the MSCI EAFE Index decreased by 0.42%. Over the last 1, 3 and 5 years, the annualized returns for the Artisan International Value Fund are 13.43%, 6.99% and 10.64%, respectively. Since the inception of the Fund back in 2002, the average annual total return is 11.59%.

Investing Environment

Global equity markets rose modestly during Q2. The big action continues to be in the United States, mostly driven by a small number of large-cap growth stocks. Outside of the US, equity markets edged higher in local currencies but were down in dollars, with the MSCI EAFE Index up 1% but down about half a percent in US dollars. US-based investors in international markets continue to earn lower returns in dollars as the dollar appreciates against foreign currencies.

In our view, the strength of the dollar has more to do with interest rate expectations than any sort of positive recognition of America's financial health. With America's budget deficit running high, and at what is arguably the top of an economic cycle, any casual financial observer can detect a level of political carelessness that could become very dangerous financially.

But in Q2, relative interest rate expectations continued to drive dollar strength. US interest rate expectations remained high as inflation readings continued to be elevated. On the other hand, inflation readings in Europe began to moderate in Q2, and in Japan the government continues to hold interest rates below inflation. As a result, higher real bond yields in the United States mean that the dollar remains an attractive market for bond investors.

Japan is an interesting case. The Japanese yen has devalued by 14% against the dollar this year. That is an extraordinary move for

one of the largest liquidity pools in the currency market. Curiously, many investors have so much confidence in Japanese commerce that they have sent the Nikkei Index up 21% in local currency year to date, yet another cohort of investors are pessimistic enough about Japan that they're aggressively selling yen in exchange for dollars.

Japanese government debt to GDP is 263%, one of the highest of all developed nations. And 70% of new issue 10-year Japanese government bonds are purchased by the Japanese central bank. The rest is purchased mainly by Japanese banks, which are regulated by the Japanese central bank. Hence there is no real market mechanism for pricing Japanese government bonds. Interest rates are set by the central bank via bond purchases (we would call that price controls if it were the price of hamburgers instead of interest rates that are set by an arm of the government), and since rates are negative on a real basis, capital allocators prefer to own bonds in currencies other than yen where they can earn a higher return.

A longer term perspective is also helpful. Since the 2011 tsunami in Japan, which marked the end of optimism surrounding the yen, the value of the yen has been roughly cut in half relative to the dollar. The implications are significant. Consider the cost of energy. Since Japan imports almost all of its oil and gas (both oil and gas are priced in dollars), the steep increase in the price of oil in yen has significant economic consequences.

The oil industry enjoyed a boom in 2011, with a barrel of oil averaging \$110. That compares to Brent crude's spot price today of about \$85. Americans have benefited from the roughly 23% decline over that period. On average, American households spend about \$5,000 per year on gasoline. The decline in the price of oil (which we are using as a proxy for gasoline) allows each American household to reallocate \$1,150 per year to something else (we suggest investing in an undervalued security). Due to the massive

decline in the value of the yen, Japanese consumers (and businesses) have had to withstand a 50% increase in the cost of energy. The difference is stark. American industries and consumers have more purchasing power, while Japanese industries and consumers have significantly less.

The same applies for food. Nippon.com reports the following:

“Japan’s food self-sufficiency ratio for fiscal 2022 based on production value fell to a record low of 58% according to data compiled by the Ministry of Agriculture, Forestry, and Fisheries, for a year-on-year decrease of five percentage points. Even though food imports were at the same level as the previous year, the value of imports swelled due to soaring international prices for grain, feed, and fertilizer combined with the falling Japanese yen. The self-sufficiency rate is 17 points lower than the target for fiscal 2030 set by the government of 75% self-sufficiency in terms of production value.”

Most food imports in Japan are priced in dollars, causing significant food inflation and consumer pain. An increase in basic expenses such as food and energy is especially hard on those with little discretionary income. Japanese consumers are losing purchasing power with significant implications for domestic demand—and politics. The approval rating for the current prime minister is a dismal 26%, making President Joe Biden look popular.

So what is driving the significant increase in the Japanese stock market? We believe there are two main drivers. First, the weaker yen increases the competitiveness and profits of those companies that manufacture in Japan and sell products outside of Japan (such as Hello Kitty). Second, Japanese corporate governance is changing for the better. That change should help improve returns for shareholders—at least in yen.

As dollar-based investors, it is important to consider investments outside the US based on the ability to generate returns in dollars. We must be cautious when investing in countries that lack the economic virtue necessary to sustain currency value.

Portfolio Discussion

The largest positive contributors to returns during the quarter were ABB, Philips and Arch Capital.

ABB is a large industrial conglomerate located in Switzerland. The company is toward the end of a multiyear journey to improve growth and profitability. As a result, earnings continue to grow, and the value of the business continues to increase beyond what we believed possible when we first invested in this business 10 years ago. During the quarter, the share price increased 19%.

Philips was highlighted in last quarter’s letter as one of the most undervalued large-cap companies outside of the US. Those comments were timely. The share price this quarter increased by 30%. The stock price jumped as the company settled litigation surrounding the company’s business selling CPAP machines. The terms of the settlement were reasonable, and now significant uncertainty is removed regarding the company’s ultimate liability.

Arch Capital is a Bermuda-based property and casualty insurance company. Though earnings continue to grow at Arch, there was no significant news that drove the share price increase. The shares increased by 9%.

The largest negative contributors to returns were Ryanair, Samsung Electronics and HCL Technologies.

Ryanair’s share price declined by 23% during the quarter as management highlighted modest weakness in airfares for the upcoming summer travel season. Ryanair is the best managed, lowest cost, fastest growing airline in Europe and is worth considerably more than where it is trading. As a result, we took the opportunity to add to our position at an attractive price. Management agrees, evidenced by the company executing a significant share repurchase.

Samsung Electronics’ share price declined by 3% during the quarter. Typically, this would not be notable. However, Samsung should be one of the largest beneficiaries of the investment being made to build out artificial intelligence (AI)-based compute capacity. And in a quarter where everything AI boomed, Samsung’s share price declined. We have made an investment in what is likely the worst performing “AI play” on the planet.

Of course, we do not look at an investment as a mere “play,” but we should answer the compelling question. Why hasn’t Samsung’s share price risen with the rest of the AI-related companies? The answer has to do with questions surrounding Samsung’s technological prowess since Hynix, a memory chip competitor, is selling far more of the type of chips necessary for AI computing to Nvidia. Samsung also sells this type of memory chip, but they have not been approved by Nvidia at this time. We believe the stock market is myopic regarding AI and is ignoring the significant improvement in profits currently being reported by Samsung. During the quarter, we increased our exposure to Samsung Electronics.

HCL is an India-based provider of outsourced technology services. That industry continues to suffer from lower corporate spending on IT outsourcing. We believe the pause in spending is temporary and the company will grow modestly this year. The share price fell by 4%.

At the end of the quarter, the portfolio no longer held an interest in Adidas and Trip.com.

We acquired shares of Adidas toward the end of 2022. At the time, the company was experiencing operating problems, including market share loss. In addition, the company had difficulty due to controversy around shoes made by the person formally known as Kanye West. The share price collapsed, creating an opportunity to purchase shares in one of the world’s best recognized brands at a very low valuation. Shortly thereafter, a new CEO was appointed, Bjorn Gulden. Mr. Gulden is held in high regard given his track record at crosstown rival Puma. As a result, the share price nearly doubled. We sold the shares at our estimate of intrinsic value.

Trip.com is China’s leading online travel agency. We hear frequently from our investors (in the context of Alibaba) about concerns

regarding investments in China. These concerns are macroeconomic or geopolitical in nature. They are, of course, valid. Any investment we consider must come with a far higher-than-average return expectation.

Each of the Chinese securities owned in the portfolio trades at a price that meets those high expectations. Despite what we view as absurdly cheap valuations, we recognize that securities with such negative sentiment only begin to attract attention when profits improve. In other words, despite the slowing Chinese economy and geopolitical concerns, some Chinese equities go up. Trip.com is a good example.

We first purchased shares of Trip.com early in the pandemic and shortly thereafter sold after a considerable gain. We purchased shares again during the Chinese COVID lockdown in August 2021. Now that the Chinese consumer is traveling again, profits have boomed for Trip.com. We sold the shares again at a considerable profit.

Perspective

"It's just a price on a page."

That is what we hear screaming in our heads when we see a share price run out of bounds. Having learned from Benjamin Graham, we, of course, set our own boundaries (the intrinsic value of the business) and let the stock market serve our needs in terms of buying and selling.

The divergence between the behavior of the stock market and what we do every day is then significant. We value businesses while stock market participants speculate on share price movements. We trade when there is a *significant* divergence between what we estimate is reasonable value for a business and where a share price trades while speculators bet on macroeconomic variables, investment flows, investor sentiment, central bank policy and short-term earnings estimates seemingly with no anchor. This paragraph encapsulates our investing advantage.

What we invest in are businesses, not just prices on a page. We invest in businesses that have economics dictated by a complex set of variables. One of those variables, a significant one, is the management team that runs the business. We think the people who are setting strategy, driving revenue, controlling costs, hiring and firing, and importantly allocating capital dictate the economic success or failure of a company. So, place us firmly in the camp of investors who believe management makes a difference. We owe them considerably for the wealth that they create on our behalf.

Today, we have a lineup of extraordinary leaders, including Vas Narasimhan of Novartis; Marc Grandisson of Arch Capital; Jan Jenisch, the chairman of Holcim; Colm Kelleher, the chairman of UBS; Erik Engstrom of RELX; Bjoern Rosengren, the retiring CEO of ABB; Johann Rupert, the controlling shareholder and chairman of Richemont; CVK (C Vijaykumar) of HCL Technologies; Feike Sijbesma, the chairman of Philips; Rich Kruger of Suncor Energy; Brian Hannasch, the retiring CEO of Couche-Tarde; Sophie Bellon, the controlling shareholder, chairman and CEO of Sodexo; Rob Perrins of Berkeley Group; Pekka Lundmark of Nokia; founder Jack Ma and Chairman Joe Tsai, the dynamic duo that recently came

back to run Alibaba; Cliff Pemble of Garmin; George Weston, the truly wondrous controlling shareholder and CEO of Associated British Foods; Ian Meakins, the chairman of Unilever; and Michael O'Leary of Ryanair: likely the most effective CEO in European corporate history. I give them a quiet round of applause every day, and perhaps you should too.

It is with great sadness that we share that Dinos Iordanou, my friend and the former CEO of Arch Capital, passed away on June 16. Under his leadership from 2003 through 2018, the share price of Arch Capital increased by over 8X. From the date of purchase through today, the increase in the share price of Arch Capital is the largest contributor to performance of the Artisan International Value Fund. That is an incredible outcome.

The insurance business is a difficult one. It is fragmented, and it operates in cycles that oscillate between fear (the opportunity for high returns) and greed (time to pull back). As a result, the industry is filled with companies that generate mediocre returns and some that end up in failure due to excessive underwriting risk-taking or by making disastrous investment decisions with policyholder funds. Dinos was the opposite. He was a disciplined underwriter who would aggressively take in insurance premiums when returns were high and would roll back premiums when returns were low. As a result, under his leadership, Arch Capital had one of the best track records for compounding returns to shareholders in the industry.

We would be greatly remiss in not recognizing the good that Dinos did during his lifetime not only in creating extraordinary value for us and his other shareholders, but also for his family and his many charitable endeavors. Dinos had the extraordinary combination of being hard-working, technically proficient, profit-focused, a larger-than-life personality, a loving father and husband, generous and kind. He was a true leader and an incredible human being. His obituary can be found [here](#).

Thank you for your support.

ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

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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. 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 EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. Nikkei Index is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. 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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