



Artisan International Fund

MONTHLY
Commentary

Investor Class: ARTIX | Advisor Class: APDIX As of 31 December 2016

Commentary

2016 was a challenging year for the team's investment approach. Not only was our investment style emphasizing sustainable growth out of favor, but we were also poorly positioned for an improving backdrop for the global economy and commodity markets.

We began the year with a cautious, even bearish view of the world outside of the US, struggling to find growth opportunities in most regions. At that time, we believed multiple influences contributed to a risk-off climate for equity markets—the Fed had just raised rates for the first time in many years, credit markets were selling off driven by the collapse in commodities, and China's economy appeared to be slowing materially. There was capital flight out of emerging markets, and the renminbi was under pressure due to foreign exchange flows. Though the economic backdrop improved in subsequent months as oil prices rose and China engineered a recovery, interest rates reached all-time lows and concerns lingered around Brexit, the US election and the European banking system.

While top-line growth was difficult to find, we were particularly attracted to companies with strong cash flow and earnings visibility. That bottom-up search for sustainable growth contributed to above-benchmark weightings in defensive sectors (e.g., consumer staples, telecom), which proved a headwind as sentiment improved and interest rates moved sharply higher. We also missed out on some of the stronger-performing areas of the market as we had little exposure to cyclical commodities (i.e. energy and metals & mining). We generally avoid cyclical commodity companies that are largely dependent on forces outside of company control. By contrast, we seek high value-added companies that can innovate or provide a unique solution—however, this was a hindrance in a commodities-led rally.

We also had a larger-than-usual number of stock-specific upsets and fewer big gainers among our top holdings. Bayer cost the portfolio almost 1% of performance YTD, starting the year as the second largest holding. We sold Bayer following its announcement of the bid for Monsanto which represented a major shift in direction for the company. Other large holdings, such as Liberty Global, Cognizant and Delphi, also detracted, and we reduced or sold all three as we reassessed their outlooks.

Toward the end of the summer, we became more constructive in our growth outlook—when long bond yields began to signal that higher inflation was expected—and even more so after the US election when we identified fundamental underpinnings for a likely reacceleration in global growth. This is evident in recent activity. During October, we began to add to financials, and more recently have added some European banks as we believe the potential for alleviation of regulatory headwinds against a backdrop of widening spreads make these holdings more attractive now. At the same time, we reduced or sold a number of our consumer staples names, principally on valuation grounds.

We are disappointed in our recent results and the sharpness of the underperformance. However, previous periods of underperformance and subsequent recoveries in our 20-plus years of investing have reinforced upon us the importance of adhering to our disciplined process. We continue to believe that by investing in good quality companies with strong earnings growth and being disciplined about valuation, we will deliver superior results over the long term.

Portfolio Details

	ARTIX	APDIX
Net Asset Value (NAV)	\$25.61	\$25.57
Inception	28 Dec 1995	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2016	1.19%	1.01%
Prospectus 30 Sep 2015	1.17%	1.02% ¹

¹Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Linde AG (Germany)	4.3
Deutsche Boerse AG (Germany)	4.1
Japan Tobacco Inc (Japan)	4.0
Allianz SE (Germany)	3.8
Liberty Global PLC (United States)	3.6
Nestle SA (Switzerland)	3.6
Canadian Pacific Railway Ltd (Canada)	3.5
ING Groep NV (Netherlands)	3.2
Aon PLC (United States)	3.1
Medtronic PLC (United States)	3.0
TOTAL	36.2%

Source: Artisan Partners/FactSet (MSCI).

Sector Diversification (% of total portfolio equities)

	Fund	EAFE ¹
Consumer Discretionary	7.6	12.5
Consumer Staples	16.1	11.2
Energy	1.0	5.5
Financials	30.3	21.2
Health Care	6.6	10.7
Industrials	14.2	14.0
Information Technology	8.0	5.5
Materials	7.0	7.9
Real Estate	1.4	3.7
Telecommunication Services	7.8	4.5
Utilities	0.0	3.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 2.4% of the total portfolio. ¹MSCI EAFE Index.

Investment Results (%)

As of 31 December 2016	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	-0.04	-8.45	-9.66	-9.66	-4.90	6.19	1.64	8.27
Advisor Class: APDIX	0.04	-8.38	-9.50	-9.50	-4.78	6.27	1.68	8.29
MSCI EAFE Index ²	3.42	-0.71	1.00	1.00	-1.60	6.53	0.75	4.26
MSCI All Country World ex USA Index ^{2,3}	2.56	-1.25	4.50	4.50	-1.78	5.00	0.96	4.69

Source: Artisan Partners/MSCI. ¹Returns for periods less than one year are not annualized. ²Inception 31 Dec 1995. ³Performance represents the MSCI ACWI ex USA (Gross) Index from inception to 31 Dec 2000 and the MSCI ACWI ex USA (Net) Index from 1 Jan 2001 forward. Advisor Class performance is that of the Investor Class from 28 December 1995 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected.

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.

Region/Country Allocation (% of total portfolio equities)

REGION	Fund	EAFE ¹
EUROPE	54.7	63.1
Germany	20.7	9.3
Switzerland	7.1	8.7
Netherlands	5.7	3.3
France	5.4	10.2
Italy	5.0	2.1
United Kingdom	4.0	18.3
Ireland	2.4	0.5
Spain	1.6	3.1
Sweden	1.2	2.8
Belgium	1.1	1.2
Denmark	0.5	1.6
AMERICAS	19.1	—
United States	14.9	—
Canada	4.2	—
PACIFIC BASIN	18.7	36.2
Japan	14.0	24.1
Hong Kong	3.5	3.2
Australia	1.1	7.4
EMERGING MARKETS	7.5	—
China	4.6	—
Taiwan	2.1	—
Russia	0.4	—
Indonesia	0.3	—
Thailand	0.2	—
Korea	<0.1	—
MIDDLE EAST	—	0.7
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (MSCI). ¹MSCI EAFE Index. Countries held in the index, but not held in the portfolio, are not listed.

Team Leadership (Pictured left to right)



Portfolio Manager	Years of Investment Experience
Mark L. Yockey, CFA	36
Associate Portfolio Managers	
Charles-Henri Hamker	27
Andrew J. Euretig	13

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.

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 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. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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