



# Artisan International Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTJX

As of 31 October 2016

## Commentary

Global equities began Q4—typically a strong period for markets—on a down note. Uncertainty tied to the impending US presidential election contributed to heightened volatility. A US dollar rally, driven in part by firming expectations for a rate hike at the Fed's December meeting, reduced USD-based returns. Markets also contended with questions over the future of European quantitative easing. Financials stocks benefited from a backup in interest rates, outpacing more defensive sectors, including health care. Small-cap stocks trailed large, while value bested growth.

Our portfolio trailed the MSCI EAFE Small Cap Index in October. Bottom contributors included Berendsen and AA. Berendsen, a European textile cleaning business, has encountered some logistical struggles in meeting increased demand for its linen division, resulting in higher costs and near-term delays. Management has moved to address these issues, and the overall business is performing well. We believe weakness in AA is more a near-term sentiment reset following a strong recent run than a reflection of any negative change in fundamentals. AA, a new holding in Q3, is the UK's leading roadside assistance service with significant scale advantages. The company has a stable and profitable business model—roughly three quarters of its earnings derive from roadside assistance contracts which historically generated 50% margins and renewal rates of roughly 80%. After suffering some execution missteps in recent years, the company has a capable new management team.

Top contributors included Takkt and InterXion. Takkt, a German business equipment provider, is continuing its recovery following a sharp, Brexit-related selloff in June—it remains a top contributor year to date. The company is seeing solid growth both organically and through accretive acquisitions. Takkt's non-capital intensive business model produces attractive levels of free cash flow generation, and we see additional upside through market share gains in fragmented European markets. We believe InterXion, a European data center company, is attractively positioned as rising global data traffic and cloud computing growth spur data center demand.

Activity was limited in October. We exited Spanish hotel operator Melia on strength and purchased Winpak, a Canadian provider of innovative flexible and rigid packaging for perishable food and beverages.

We continue to face headwinds tied to large inflows to passive strategies which structurally favor larger and more expensive stocks. However, there are signs this trend may be abating, as rising rate environments historically favor an active approach to stock selection. We will continue to focus on sustainable growth while placing a high amount of conviction behind companies we believe offer sustainable competitive advantages, strong management teams and reasonable valuations.

## Portfolio Details

Net Asset Value (NAV)	\$21.84
ARTJX Inception	21 December 2001
Expense Ratios	
Semi-Annual Report 31 Mar 2016 <sup>1</sup>	1.52%
Prospectus 30 Sep 2015	1.52%

<sup>1</sup>Unaudited, annualized for the six month period.

## Top 10 Holdings (% of total portfolio)

Wirecard AG (Germany)	5.1
Royal Unibrew A/S (Denmark)	4.7
Ginko International Co Ltd (Taiwan)	4.3
Takkt AG (Germany)	4.3
Cloetta AB (Sweden)	4.3
Scandinavian Tobacco Group A/S (Denmark)	4.1
Comet Holding AG (Switzerland)	4.1
InterXion Holding NV (Netherlands)	3.7
Elis SA (France)	3.6
Dignity PLC (United Kingdom)	3.6
<b>TOTAL</b>	<b>41.7%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	EAFE SC <sup>1</sup>
Consumer Discretionary	15.3	16.0
Consumer Staples	29.3	7.2
Energy	0.0	2.7
Financials	3.8	10.8
Health Care	7.5	7.6
Industrials	14.3	21.9
Information Technology	15.9	10.4
Materials	1.5	9.2
Real Estate	2.1	11.2
Telecommunication Services	8.9	1.2
Utilities	1.5	1.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 9.0% of the total portfolio. <sup>1</sup>MSCI EAFE Small Cap Index.

## Investment Results (%)

As of 31 October 2016	Average Annual Total Returns							
	MTD <sup>1</sup>	QTD <sup>1</sup>	YTD <sup>1</sup>	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTJX</b>	<b>-5.74</b>	<b>-5.74</b>	<b>-9.45</b>	<b>-9.18</b>	<b>-2.54</b>	<b>7.57</b>	<b>4.75</b>	<b>11.30</b>
MSCI EAFE Small Cap Index	-2.83	-2.83	2.21	2.98	3.05	8.91	3.72	9.78
MSCI EAFE Index	-2.05	-2.05	-0.35	-3.23	-1.31	4.99	1.22	5.41

As of 30 September 2016

<b>Investor Class: ARTJX</b>	<b>2.03</b>	<b>5.17</b>	<b>-3.94</b>	<b>2.50</b>	<b>0.93</b>	<b>10.87</b>	<b>5.87</b>	<b>11.82</b>
MSCI EAFE Small Cap Index	2.97	8.64	5.19	12.33	5.08	11.07	4.39	10.05
MSCI EAFE Index	1.23	6.43	1.73	6.52	0.48	7.39	1.82	5.59

Source: Artisan Partners/MSCI. <sup>1</sup>Returns for periods less than one year are not annualized.

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.

## Region/Country Allocation (% of total portfolio equities)

REGION	Fund	EAFE SC <sup>1</sup>
<b>EUROPE</b>	<b>79.1</b>	<b>53.5</b>
United Kingdom	17.8	16.6
Germany	13.1	6.3
Denmark	9.7	1.5
Italy	9.6	3.4
France	7.8	4.5
Spain	6.5	2.5
Switzerland	4.8	4.5
Sweden	4.7	5.1
Netherlands	4.1	1.8
Finland	1.0	1.6
<b>PACIFIC BASIN</b>	<b>11.8</b>	<b>45.0</b>
Japan	9.5	32.9
Singapore	2.4	1.9
<b>EMERGING MARKETS</b>	<b>5.7</b>	<b>—</b>
Taiwan	4.7	—
South Africa	0.7	—
Indonesia	0.3	—
<b>AMERICAS</b>	<b>3.4</b>	<b>—</b>
Canada	3.4	—
<b>MIDDLE EAST</b>	<b>—</b>	<b>1.4</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Mark L. Yockey, CFA	36
Charles-Henri Hamker	26

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 Small Cap Index measures the performance of small-cap companies in developed markets, excluding the US and Canada. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. 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. These holdings comprise the following percentages of the Fund's total net assets as of 31 Oct 2016: AA PLC 2.8%; Berendsen PLC 1.5%; Wipak Ltd 0.5%. 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.

All information in this report includes all classes of shares, except performance and expense ratio information and as otherwise indicated, and is as of the date shown in the upper right hand corner unless otherwise indicated. Totals may not sum due to rounding.

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**Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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