



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 December 2017

## Commentary

Emerging markets equities outpaced every other major asset class in 2017. The MSCI Emerging Markets Index ended 2017 up 37% (in USD) on steadily improving asset-class profitability, reflected in generally expanding ROEs since late 2016. Yet, emerging markets stocks still trail developed markets over the past 5 and 10 years. Today, they trade at one of the largest valuation discounts to developed markets since 2003, making them optically attractive. To us they're even more attractive given the ROE trajectory shape.

Our portfolio outpaced the MSCI Emerging Markets Index during the quarter and year, aided by strong relative contributions from our financials and health care holdings. In financials, two of our non-benchmark holdings—Argentinian bank Grupo Supervielle and Chinese wealth management services provider Noah—were top QTD and YTD relative contributors. Grupo Supervielle has developed a niche expertise serving lower middle class customers as well as small- and medium-sized enterprises—two of Argentina's highest growing customer segments. We believe the company can leverage this sustainable competitive advantage to disproportionately benefit from a broadly supportive banking industry backdrop in Argentina. We're attracted to Noah's leading market position, strong brand name and high-quality personal service. We also believe recently stepped-up Chinese government regulations on asset managers without proper licenses will help reduce competition from Noah's non-licensed peers.

In health care, Sino Biopharma was a stand-out QTD and YTD performer. The company is a major player in China's pharmaceuticals industry, with leading positions in treatments for hepatitis B and other liver diseases. We remain impressed with Sino Biopharma's expansive pipeline, as well as its vast sales network, which has helped solidify the company's dominance in a market with generally fragmented distribution channels.

On the down side, our largest single relative detractor for the quarter and year was our lack of exposure to benchmark heavyweight Tencent, whose shares climbed over 100% YTD. While we're compelled by Tencent's sustainable earnings growth prospects, we've thus far chosen instead to overweight other technology companies we see trading at more reasonable valuations (including Alibaba, Samsung Electronics and Taiwan Semiconductor Manufacturing)—though we are watching Tencent shares closely for a more attractive entry point.

Among our own holdings, global cruise port operator Global Ports and Russian convenience store and hypermarket operator Magnit were relative QTD and YTD detractors. Global Ports, which went public in May 2017, experienced some cruise traffic softness in its largest market of Turkey, initially tied to Turkey's April 2017 constitutional referendum. Our thesis remains intact. Without any meaningful global competitors, we see Global Ports strongly positioned to become the global leader that can consolidate a fragmented industry. Magnit has yet to see a pickup in same-store-sales growth from depressed levels outside of the major city centers where the company has the majority of its footprint. Ultimately, we think these areas—some of the hardest hit by recession—will be the strongest beneficiaries of economic recovery, and we took advantage of recent share-price weakness to add to our position.

## Portfolio Details

Net Asset Value (NAV)	\$16.79	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Annual Report 30 Sep 2017	2.19%	1.50%
Prospectus 30 Sep 2016 <sup>3</sup>	2.36% <sup>2</sup>	1.50%

<sup>1</sup>Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2019. <sup>2</sup>Revised 1 Jul 2017 to reflect a reduction in management fees. <sup>3</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	6.9
Alibaba Group Holding Ltd (China)	5.2
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.0
Naspers Ltd (South Africa)	3.0
Sino Biopharmaceutical Ltd (China)	2.7
Sberbank of Russia PJSC (Russia)	2.3
Zhuzhou CRRC Times Electric Co Ltd (China)	2.1
Grupo Supervielle SA (Argentina)	2.1
Reliance Industries Ltd (India)	2.0
Sunny Friend Environmental Technology Co Ltd (Taiwan)	1.9
<b>TOTAL</b>	<b>33.2%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	13.9	10.2
Consumer Staples	2.5	6.6
Energy	7.3	6.8
Financials	23.2	23.5
Health Care	8.3	2.7
Industrials	8.8	5.3
Information Technology	26.4	27.6
Materials	6.1	7.4
Real Estate	0.8	2.8
Telecommunication Services	1.9	4.8
Utilities	0.8	2.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 1.8% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 31 December 2017	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	Linked Inception <sup>3</sup>
Investor Class: ARTZX	4.68	8.33	39.95	39.95	12.52	5.33	—	0.43	
Linked Institutional and Investor Class <sup>2</sup>							0.74		5.75
MSCI Emerging Markets Index	3.59	7.44	37.28	37.28	9.10	4.35	1.68	1.99	6.96

Source: Artisan Partners/MSCI. <sup>1</sup>Returns for periods less than one year are not annualized. <sup>2</sup>Linked performance data shown relates to the Investor Shares from 2 June 2008 forward and for Institutional Shares prior to 2 June 2008.

<sup>3</sup>Institutional Class inception: 26 June 2006.

Performance of the Institutional Shares does not reflect higher expenses associated with the Investor Shares, and if reflected, would reduce the performance quoted. 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	MSCI EM <sup>1</sup>
<b>EMERGING ASIA</b>	<b>58.4</b>	<b>73.2</b>
China	20.6	29.7
Korea	14.8	15.4
Taiwan	10.5	11.3
India	7.1	8.8
Indonesia	4.0	2.2
Malaysia	0.7	2.4
Thailand	0.7	2.3
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>20.7</b>	<b>15.0</b>
Russia	7.6	3.3
South Africa	6.3	7.1
Turkey	1.9	1.1
Kenya	1.1	—
Czech Republic	1.0	0.2
Greece	1.0	0.3
Poland	1.0	1.3
United Arab Emirates	0.8	0.6
<b>LATIN AMERICA</b>	<b>16.5</b>	<b>11.8</b>
Brazil	8.4	6.8
Argentina	3.6	—
Chile	2.1	1.3
Peru	1.3	0.4
Mexico	1.0	2.9
<b>DEVELOPED MARKETS</b>	<b>4.5</b>	<b>—</b>
United Kingdom	2.2	—
Hong Kong	1.3	—
Switzerland	0.7	—
United States	0.3	—
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Team Leadership



Portfolio Manager	Years of Investment Experience
Maria Negrete-Gruson, CFA	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. 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 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 Dec 2017: Global Ports Holding PLC 1.2%; Magnit PJSC 0.9%; Noah Holdings Ltd 1.8%. 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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**Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity.

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