



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 January 2017

## Commentary

Emerging markets equities rebounded this month after a pullback in Q4. Expectations of dovish US monetary policy helped lift equities, and developing countries' currencies edged up as the USD slipped, led by the Brazilian real. The Turkish lira was an exception, however, which continued its steep slide amid the country's political turmoil.

Our portfolio outpaced the MSCI Emerging Markets Index in January, led by strong stock selection in Brazil, Korea and China and the strength of our holdings in Argentina. On the downside, select holdings in Peru, Kenya and Russia detracted.

Among our top contributors in January were Pampa Energia and Samsung Electronics. Pampa, the largest integrated electricity generation, transmission and distribution company in Argentina, is a direct beneficiary of the normalization of tariffs in the country. Furthermore, Pampa recently acquired all oil and gas assets of Petrobras in Argentina, which makes Pampa an integrated energy company. More recently, the government announced a new labor framework for the sector aimed at unlocking the value of Vaca Muerta, the second largest tight shale gas reserve in the world. We believe these factors help position Pampa for sustainable growth over the next 3-5 years. Shares of Samsung rose on favorable semiconductor pricing and robust smartphone shipments despite the Note 7 recall, suggesting consumer confidence remains strong. Samsung also increased its share buy back at a higher-than-expected rate, demonstrating their commitment to shareholders by returning 50% of free cash flow to investors.

Our weakest performer this month was Peruvian engineering and construction company Graña y Montero. Shares of Graña fell on news of the Peruvian government's cancellation of the Southern Gas Pipeline project, in which Graña has a 20% stake. It was cancelled when Odebrecht, the embattled Brazilian construction company, failed to sell its project shares to a new investor. Although the timing is uncertain, we expect Peru's new business-friendly government to repay Graña the majority of its initial investment. We also expect Graña to participate in the project once it is retendered, ensuring replacement of lost backlog due to the project's cancellation. With our investment thesis intact, we used the weakness in Graña's shares as an opportunity to add to our existing position.

We are optimistic about the positioning of our portfolio and the outlook for the asset class as we begin the new year. We are seeing companies place more focus on profitability and institute a more conservative approach to managing their balance sheets, which in our minds should lead to better returns in the future. As always, we remain true to our bottom-up investment approach of seeking companies uniquely positioned to benefit from local emerging markets growth. This focus has contributed to our outperformance relative to the index, and we will continue to be disciplined in our approach as we aim to deliver value over the long term.

## Portfolio Details

Net Asset Value (NAV)	\$12.88	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Annual Report 30 Sep 2016 <sup>2</sup>	1.85%	0.94%
Prospectus 30 Sep 2016 <sup>3</sup>	2.41%	1.50%

<sup>1</sup>Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2018. <sup>2</sup>The Fund's annual report expense ratios reflect a one-time reimbursement by the Fund's custodian recognized by the Fund in the fiscal year ended 30 September 2016, which reduced the Fund's expense ratios by approximately 0.56%. <sup>3</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	6.9
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.3
Alibaba Group Holding Ltd (China)	3.7
Naspers Ltd (South Africa)	2.3
Sberbank of Russia PJSC (Russia)	2.1
Zhuzhou CRRC Times Electric Co Ltd (China)	2.0
Itau Unibanco Holding SA (Brazil)	1.9
Baidu Inc (China)	1.8
Hon Hai Precision Industry Co Ltd (Taiwan)	1.7
Randgold Resources Ltd (United Kingdom)	1.7
<b>TOTAL</b>	<b>29.3%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	13.1	10.2
Consumer Staples	5.0	7.0
Energy	6.0	7.7
Financials	21.6	24.2
Health Care	8.2	2.4
Industrials	7.2	5.7
Information Technology	25.2	23.9
Materials	8.0	7.7
Real Estate	0.0	2.6
Telecommunication Services	2.1	5.8
Utilities	3.6	2.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 3.8% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 31 January 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	6.80	6.80	6.80	31.86	3.76	0.85	—	-2.61	
Linked Institutional and Investor Class <sup>2</sup>							0.96		3.59
MSCI Emerging Markets Index	5.47	5.47	5.47	25.41	1.44	0.19	2.49	-0.86	4.94

  

As of 31 December 2016									
	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	-0.08	-4.42	16.39	16.39	-0.90	1.59	—	-3.38	
Linked Institutional and Investor Class <sup>2</sup>							0.40		2.97
MSCI Emerging Markets Index	0.22	-4.16	11.19	11.19	-2.55	1.28	1.84	-1.48	4.45

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>57.0</b>	<b>70.4</b>
China	20.0	26.8
Korea	13.9	14.7
Taiwan	9.9	12.1
India	7.1	8.2
Indonesia	4.6	2.5
Thailand	0.8	2.3
Malaysia	0.6	2.5
<b>LATIN AMERICA</b>	<b>19.6</b>	<b>13.6</b>
Brazil	9.9	8.1
Mexico	3.0	3.4
Argentina	2.9	—
Chile	2.1	1.2
Peru	1.7	0.4
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>18.9</b>	<b>16.0</b>
Russia	7.2	4.3
South Africa	4.4	6.9
Turkey	2.1	1.0
United Arab Emirates	1.4	0.8
Czech Republic	0.9	0.2
Poland	0.9	1.2
Greece	0.8	0.3
Kenya	0.7	—
Kazakhstan	0.5	—
<b>DEVELOPED MARKETS</b>	<b>4.4</b>	<b>—</b>
United Kingdom	1.8	—
Hong Kong	1.3	—
Switzerland	0.9	—
Germany	0.5	—
<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	25

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 Jan 2017: Grana y Montero SAA 0.4%; Pampa Energia SA 1.3%; Petroleo Brasileiro SA 1.2%. 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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Country exposure percentages reflect country designations as classified by MSCI as of the date shown. Securities not classified by MSCI reflect country designations as of the date the report was generated. Sector exposure percentages reflect sector designations as currently classified by GICS.

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

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