



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 30 June 2017

## Commentary

June marked the sixth consecutive month of emerging markets outperformance versus developed markets—the longest monthly outperformance streak since May 2009. Steadily improving fundamentals have coincided with the asset class' strong recent performance. ROEs of emerging markets stocks surpassed those of developed markets starting in mid-2016 and have since held a steady lead. Still, the MSCI Emerging Markets Index continues to trade at one of the largest valuation discounts to the MSCI World Index since 2003. As investors focused on companies with attractive valuations relative to sustainable earnings growth potential, we're finding the recent environment more favorable to our process.

In Q2, China, Korea and Taiwan were three of the strongest-performing countries in the MSCI EM Index—with particular strength across technology companies. MSCI's decision to phase in China A-share companies starting in June 2018 was an additional tailwind in China. Conversely, Brazil was one of the worst performing countries as major corruption allegations against President Michel Temer have cast doubts on the timing of much-anticipated political reforms.

Our portfolio slightly led the MSCI Emerging Markets Index in Q2. Two of our largest holdings—Alibaba and Samsung Electronics—were also among our strongest relative contributors to return. Chinese technology company Alibaba has been demonstrating a number of ways it can leverage its massive stockpile of consumer data to drive more targeted advertising and consumer engagement. We see the company's payments platform, Ant Financial, as a key contributor in this regard—it already has 500 million subscribers and is capable of collecting consumer data across the value chain from payments to wealth management and lending. Strength in Samsung's semiconductor business contributed to a sharp rise in the company's operating profit. More importantly, Samsung recently announced plans to cancel legacy treasury stock—a move that will provide existing shareholders with more control and a greater share of earnings.

Our Brazilian holdings held up better than index peers during the quarter. However, Brazilian electric company Cia Energetica de Minas (CEMIG) was caught in the market down draft and was among our portfolio's bottom relative contributors. We continue to believe CEMIG's leading market position and diversified asset base support its sustainable earnings prospects.

Digital China was also weak during the quarter, likely impacted by spillover weakness among small- and mid-cap companies trading in mainland China. We see no fundamental justification for the weakness and continue to believe Digital China is a key long-term beneficiary of heightened IT demand.

## Portfolio Details

Net Asset Value (NAV)	\$14.37	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Semi-Annual Report 31 Mar 2017 <sup>2</sup>	2.24%	1.50%
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>Unaudited, annualized for the six month period. <sup>3</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	7.0
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.2
Alibaba Group Holding Ltd (China)	5.0
Naspers Ltd (South Africa)	2.4
Hon Hai Precision Industry Co Ltd (Taiwan)	2.2
ICICI Bank Ltd (India)	1.9
Global Ports Holding PLC (United Kingdom)	1.8
Reliance Industries Ltd (India)	1.7
Baidu Inc (China)	1.6
Sberbank of Russia PJSC (Russia)	1.6
<b>TOTAL</b>	<b>30.5%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	14.4	10.6
Consumer Staples	3.7	6.8
Energy	6.9	6.5
Financials	22.5	23.6
Health Care	7.6	2.4
Industrials	9.1	5.7
Information Technology	27.0	26.6
Materials	6.1	7.1
Real Estate	0.0	2.7
Telecommunication Services	1.0	5.4
Utilities	1.7	2.6
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 2.6% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 30 June 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	1.34	6.52	19.15	24.32	3.71	4.48	—	-1.31	
Linked Institutional and Investor Class <sup>2</sup>							0.27		4.48
MSCI Emerging Markets Index	1.01	6.27	18.43	23.75	1.07	3.96	1.91	0.45	5.86

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>56.3</b>	<b>73.1</b>
China	18.3	27.9
Korea	14.5	15.6
Taiwan	10.5	12.5
India	7.0	8.8
Indonesia	4.4	2.5
Malaysia	0.8	2.4
Thailand	0.7	2.2
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>18.3</b>	<b>14.6</b>
Russia	6.2	3.2
South Africa	5.0	6.6
Turkey	2.0	1.2
Poland	1.8	1.3
Kenya	1.1	—
Czech Republic	1.0	0.2
Greece	0.8	0.4
Kazakhstan	0.4	—
<b>LATIN AMERICA</b>	<b>18.3</b>	<b>12.3</b>
Brazil	7.8	6.6
Mexico	3.3	3.7
Argentina	3.1	—
Chile	1.7	1.1
Peru	1.4	0.4
Colombia	1.0	0.4
<b>DEVELOPED MARKETS</b>	<b>7.2</b>	<b>—</b>
United Kingdom	4.6	—
Hong Kong	1.3	—
Switzerland	0.8	—
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. MSCI World Index measures the performance of developed 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 30 Jun 2017: Cia Energetica de Minas Gerais 0.6%; Digital China Holdings Ltd 0.9%. 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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