



Artisan International Fund

MONTHLY
Commentary

Investor Class: ARTIX | Advisor Class: APDIX As of 31 March 2017

Commentary

International equities rode the post-US election optimism into Q1 with all sectors notching gains except energy, 2016's standout performer. Returns for USD-based investors were augmented by a weaker dollar versus the euro and yen—perhaps reflecting expectations for tapering by central banks in Europe and Japan given new signs of growth. Indeed, inflation expectations are elevated from year-ago levels, and actual inflation ticked up across much of the world, though partly owing to energy prices. In the equities markets, growth outpaced value in Q1, a sharp rotation from value's strong 2016 outperformance.

Our portfolio's Q1 strength was partly attributable to a rebound in several of our larger Q4 detractors, including European media company Liberty Global, Chinese e-commerce company Alibaba and global payments company Wirecard. Liberty Global has alleviated some competitive pressures in the Netherlands by completing a Dutch joint venture with Vodafone, which has also bolstered the company's cash position. The stock has been volatile in recent quarters, but we remain attracted to Liberty's market-share dominance, pricing power and superior broadband network speeds vis-à-vis its telco competitors.

Alibaba is achieving strong core commerce growth and has made progress building its cloud business. We're compelled by the secular growth prospects in online and mobile commerce—particularly given China's still-low penetration rates versus major developed markets. In mobile, we see significant room for monetization from currently low ad-penetration rates. Further, we believe the company can leverage its massive stockpile of consumer data for more personalized marketing and, ultimately, increased user engagement. Meanwhile, Wirecard is successfully integrating accretive acquisitions in higher-growth Asian markets, and more recently in the US. Ultimately, we see Wirecard as one of the best-positioned companies to participate in the secular growth of e-commerce globally.

Conversely, two smaller positions—steel pipe supplier Tenaris and mining company MMC Norilsk Nickel—were among only a handful of holdings that detracted in the quarter. Japan Tobacco was also weak as it contends with heavier competition in the newer e-cigarette/vaping category.

Our positioning remained relatively unchanged, although we opened positions in Samsung Electronics and SAP. We see Samsung capable of leveraging its leadership position in the consolidated memory market to command premium pricing as demand skyrockets for connected devices (e.g., mobile, servers, PCs and autos). SAP is an enterprise software company whose stable growth is supported by a sticky customer base with very little churn. On the sales side, we exited British American Tobacco as shares approached our target valuation.

Looking forward, we think there are plenty of catalysts for ongoing earnings growth. For one, global growth appears to be broadening to more cyclical parts of the economy such as manufacturing, as well as across geographies outside of the US. However, we're also realistic about the potential for downside risk, especially at this later stage of the bull market. The political climate—including the outcome of elections in Europe and President Trump's political agenda—is an evolving landscape we can't endeavor to predict. Regardless of the outcomes, we will remain focused on factors inside of our control: finding companies with sustainable competitive advantages trading at reasonable valuations.

Investment Results (%)

As of 31 March 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	3.60	8.98	8.98	2.15	-1.53	4.96	2.05	8.61
Advisor Class: APDIX	3.61	8.99	8.99	2.32	-1.40	5.04	2.09	8.63
MSCI EAFE Index ²	2.75	7.25	7.25	11.67	0.50	5.83	1.05	4.55
MSCI All Country World ex USA Index ^{2,3}	2.54	7.86	7.86	13.13	0.56	4.36	1.35	5.00

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.

Portfolio Details

	ARTIX	APDIX
Net Asset Value (NAV)	\$27.91	\$27.87
Inception	28 Dec 1995	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2016	1.19%	1.01%
Prospectus 30 Sep 2016 ¹	1.19%	1.01%

¹See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Deutsche Boerse AG (Germany)	4.2
Liberty Global PLC (United States)	4.0
Linde AG (Germany)	4.0
Allianz SE (Germany)	3.8
Nestle SA (Switzerland)	3.5
Canadian Pacific Railway Ltd (Canada)	3.3
ING Groep NV (Netherlands)	3.3
Japan Tobacco Inc (Japan)	3.2
Alibaba Group Holding Ltd (China)	3.2
Medtronic PLC (United States)	3.1
TOTAL	35.6%

Source: Artisan Partners/FactSet (MSCI).

Sector Diversification (% of total portfolio equities)

	Fund	EAFE ¹
Consumer Discretionary	7.9	12.2
Consumer Staples	15.9	11.4
Energy	1.1	5.0
Financials	28.4	21.3
Health Care	7.2	10.7
Industrials	14.6	14.3
Information Technology	10.9	5.7
Materials	7.0	7.9
Real Estate	1.4	3.7
Telecommunication Services	5.5	4.4
Utilities	0.0	3.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 4.3% of the total portfolio. ¹MSCI EAFE Index.

Average Annual Total Returns

	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	2.15	-1.53	4.96	2.05	8.61
Advisor Class: APDIX	2.32	-1.40	5.04	2.09	8.63
MSCI EAFE Index ²	11.67	0.50	5.83	1.05	4.55
MSCI All Country World ex USA Index ^{2,3}	13.13	0.56	4.36	1.35	5.00

Region/Country Allocation (% of total portfolio equities)

REGION	Fund	EAFE ¹
EUROPE	55.4	63.4
Germany	22.0	9.5
Netherlands	6.7	3.5
Switzerland	6.2	8.7
Italy	5.5	2.2
France	5.2	10.2
United Kingdom	3.7	17.9
Ireland	2.5	0.5
Spain	1.7	3.4
Sweden	0.9	2.9
Belgium	0.6	1.2
Denmark	0.5	1.6
AMERICAS	19.4	—
United States	15.8	—
Canada	3.6	—
PACIFIC BASIN	16.0	36.0
Japan	12.0	23.4
Hong Kong	2.6	3.5
Australia	1.4	7.6
EMERGING MARKETS	9.2	—
China	3.9	—
Taiwan	2.2	—
Korea	1.6	—
Russia	0.7	—
Indonesia	0.4	—
Brazil	0.2	—
Thailand	0.2	—
Mexico	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. These holdings comprise the following percentages of the Fund's total net assets as of 31 Mar 2017: MMC Norilsk Nickel PJSC 0.6%; Samsung Electronics Co Ltd 1.3%; SAP SE 0.5%; Tenaris SA 0.6%; Wirecard AG 2.2%. 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.

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