



# Artisan International Small Cap Fund

MONTHLY  
Commentary

Investor Class: ARTJX

As of 31 March 2017

## Commentary

International small-cap 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 positive performance failed to keep pace with the MSCI EAFE Small Cap Index in Q1. Among our larger QTD detractors were Ginko and Berendsen. As of late, Taiwan-based contact lens maker Ginko—whose major market is China—is contending with FX headwinds from a weaker RMB. Despite the setback, we're still attracted to Ginko's market-share dominance in the fast-growing Chinese market, where the contact lens penetration rate is significantly lower than developed markets.

Last year, Berendsen, a European contract linen and laundry business, had been experiencing increased demand for its linen business—a decided positive—but hadn't invested in new capacity fast enough. As such, it incurred additional overtime and some near-term delays, impacting margins. Management has moved to address these issues, though recently indicated its turnaround plan would take longer and cost more than originally anticipated. Given that we still find the fundamental business attractive, we took advantage of share price weakness to increase our position.

On the up side, top contributors to performance included Wirecard and InterXion. Global payments company 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.

InterXion is a European data center company. We're attracted to the secular growth in data center demand, driven by rising global data traffic levels, growth in cloud computing and the cost-saving advantages afforded by outsourcing data storage needs. We also believe InterXion could be an attractive acquisition opportunity for North American data center companies seeking to expand into Europe.

We opened a handful of new positions during the quarter, including global construction company Doosan Bobcat. As a leader in North America, we see Bobcat strongly positioned to capture new housing and infrastructure demand in the US. We also purchased Cosmax, a Korean cosmetics maker with heavy exposure to growing Chinese consumer demand.

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.

## Portfolio Details

Net Asset Value (NAV)	\$20.97
ARTJX Inception	21 December 2001
Expense Ratios	
Annual Report 30 Sep 2016	1.51%
Prospectus 30 Sep 2016 <sup>1</sup>	1.52%

<sup>1</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

Wirecard AG (Germany)	5.5
Comet Holding AG (Switzerland)	5.3
InterXion Holding NV (Netherlands)	4.9
Takkt AG (Germany)	4.1
Ginko International Co Ltd (Taiwan)	3.9
Doosan Bobcat Inc (Korea)	3.6
Dignity PLC (United Kingdom)	3.5
Enav SpA (Italy)	3.4
Aareal Bank AG (Germany)	3.2
Elis SA (France)	2.9
<b>TOTAL</b>	<b>40.3%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	EAFE SC <sup>1</sup>
Consumer Discretionary	18.1	15.9
Consumer Staples	7.7	6.7
Energy	1.9	2.8
Financials	12.2	11.4
Health Care	10.9	7.2
Industrials	22.4	22.0
Information Technology	16.3	10.8
Materials	5.6	9.4
Real Estate	0.0	10.8
Telecommunication Services	3.4	1.1
Utilities	1.5	2.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash represented 3.6% of the total portfolio. <sup>1</sup>MSCI EAFE Small Cap Index.

## Investment Results (%)

As of 31 March 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
<b>Investor Class: ARTJX</b>	<b>2.19</b>	<b>5.91</b>	<b>5.91</b>	<b>-1.75</b>	<b>-4.14</b>	<b>5.92</b>	<b>3.47</b>	<b>11.12</b>
MSCI EAFE Small Cap Index	2.00	7.97	7.97	10.99	3.60	9.20	3.03	10.05
MSCI EAFE Index	2.75	7.25	7.25	11.67	0.50	5.83	1.05	5.84

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

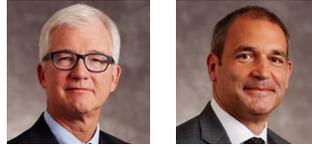
Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 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>80.0</b>	<b>55.7</b>
Germany	16.9	6.4
United Kingdom	16.5	17.6
France	11.8	4.3
Italy	9.9	4.1
Switzerland	5.5	4.8
Spain	5.2	2.5
Netherlands	5.1	2.1
Denmark	5.0	1.5
Sweden	4.1	5.1
<b>EMERGING MARKETS</b>	<b>10.6</b>	<b>—</b>
Korea	6.6	—
Taiwan	4.1	—
<b>PACIFIC BASIN</b>	<b>5.9</b>	<b>42.8</b>
Singapore	2.6	1.8
Japan	2.1	30.8
Hong Kong	1.2	2.4
<b>AMERICAS</b>	<b>3.5</b>	<b>—</b>
United States	2.0	—
Canada	1.4	—
<b>MIDDLE EAST</b>	<b>—</b>	<b>1.5</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	27

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 Mar 2017: Berendsen PLC 2.1%; Cosmax Inc 2.7%. 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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