



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 March 2017

## Commentary

Emerging markets saw strong inflows throughout the first quarter and posted solid gains, with South Korean and Indian markets being two standouts. Investors seemed undeterred by the impeachment of South Korea's President Geun-hye, and shares rallied on the Korean won's strength and on gains in technology companies, namely Samsung. India's equities rallied over 17% in USD terms on optimism that Prime Minister Modi will be in office until 2024.

Our portfolio outperformed the MSCI Emerging Markets Index during the quarter, led by stock selection in Argentina, Brazil and South Africa. On an absolute basis, our Korean and Chinese holdings were strong contributors; that said, our underweight to China was a relative headwind. Conversely, our lone holding in Poland and two Peruvian names underperformed.

Among our top contributors this quarter were Argentina's largest electricity company Pampa Energía and Taiwanese medical waste treatment provider Sunny Friend Environmental. Pampa has benefited from utility tariffs revisions to encourage investments in an undersupplied economic activity as well as changes in labor agreement on the oil and gas side of their business. It has been a successful investment for us since we initially purchased the stock in 2015. We sold our position subsequent to the end of the quarter as the stock reached our target price. Sunny Friend is benefiting from new industrial hazardous-waste projects, which are expected to drive earnings growth over the long term. We believe the company will continue to be a beneficiary of the region's increasing enforcement of proper waste treatment.

Our weakest performer this quarter was Peruvian engineering and construction company Graña y Montero. As we've discussed in prior commentaries, Graña's shares have been under pressure from allegations that its executives were aware that Odebrecht paid a bribe to former Peruvian President Toledo in an effort to win projects. Shares increased at the end of March on news that prosecutors rejected the Justice Department's request to include Graña's former chairman in the investigation, though they have not been ruled out of the probe. We continue to monitor the news flow as we are mindful of the potentially negative impact these allegations may have on Graña's earnings power.

We had a fairly active quarter in terms of portfolio activity, selling five holdings in favor of four names we believe have better upside potential. Our largest purchase was Argentinian oil and gas producer YPF, which we repurchased with part of the proceeds from our sale of Pampa. YPF currently owns over 40% acreage of the Vaca Muerta formation, the second largest shale gas reserve and fourth largest shale oil reserve in the world. The government recently reached an agreement with Argentina's oil and gas unions which will meaningfully reduce labor costs to develop Vaca Muerta as well as revised upwards gas tariffs to encourage production. We believe there is now strong interest in partnering with YPF to develop the acreage available, which would provide YPF with a long runway for production growth.

## Portfolio Details

Net Asset Value (NAV)	\$13.49	
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)	6.8
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.2
Alibaba Group Holding Ltd (China)	3.7
Naspers Ltd (South Africa)	2.4
Sberbank of Russia PJSC (Russia)	2.0
Hon Hai Precision Industry Co Ltd (Taiwan)	1.9
Reliance Industries Ltd (India)	1.8
Zhuzhou CRRC Times Electric Co Ltd (China)	1.8
Baidu Inc (China)	1.7
ICICI Bank Ltd (India)	1.7
<b>TOTAL</b>	<b>28.9%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	14.0	10.4
Consumer Staples	4.2	6.9
Energy	7.3	7.3
Financials	22.0	24.1
Health Care	8.4	2.4
Industrials	7.6	5.9
Information Technology	24.8	24.5
Materials	6.8	7.5
Real Estate	0.0	2.6
Telecommunication Services	1.3	5.6
Utilities	3.7	2.8
<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 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	Linked Inception <sup>3</sup>
Investor Class: ARTZX	2.90	11.86	11.86	21.27	3.39	1.00	—	-2.05	
Linked Institutional and Investor Class <sup>2</sup>							1.00		3.98
MSCI Emerging Markets Index	2.52	11.44	11.44	17.21	1.18	0.81	2.72	-0.23	5.40

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>55.6</b>	<b>71.5</b>
China	18.3	26.9
Korea	14.0	15.1
Taiwan	10.1	12.3
India	7.1	8.9
Indonesia	4.5	2.5
Thailand	0.8	2.3
Malaysia	0.8	2.4
<b>LATIN AMERICA</b>	<b>21.3</b>	<b>13.4</b>
Brazil	9.1	7.6
Argentina	4.5	—
Mexico	3.1	3.7
Chile	2.1	1.2
Peru	1.6	0.4
Colombia	0.8	0.4
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>19.1</b>	<b>15.2</b>
Russia	7.7	3.8
South Africa	4.2	6.6
Turkey	2.1	1.0
United Arab Emirates	1.4	0.7
Czech Republic	0.9	0.2
Kenya	0.9	—
Greece	0.8	0.3
Poland	0.7	1.2
Kazakhstan	0.5	—
<b>DEVELOPED MARKETS</b>	<b>4.1</b>	<b>—</b>
United Kingdom	1.7	—
Hong Kong	1.2	—
Switzerland	0.8	—
Germany	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 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 Mar 2017: Grana y Montero SAA 0.5%; Pampa Energia SA 1.5%; Sunny Friend Environmental Technology Co Ltd 1.3%; YPF SA 1.3%. 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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