



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 28 February 2018

## Commentary

Global markets experienced their first bout of meaningful volatility in some time in February, with most closing with losses for February but still in the black for the year. Investors cited concerns that nascent signs of global inflation could lead to markedly tighter monetary policy. Russia held up better than peers in February, bolstered by S&P upgrading it to investment grade and remaining among emerging markets' top performers for the quarter. Conversely, Korea, China and India were among the bottom performers in February, with China the only country of the three that remains positive for the quarter.

Our portfolio held up slightly better than the index in February and trails the benchmark for the quarter. Among our bottom QTD contributors are Zhuzhou and Kajaria Ceramics. Zhuzhou was pressured primarily in January as the Chinese government announced a slightly lower-than-expected railway budget. As with many Chinese stocks, shares subsequently traded largely sideways in February as market volumes were muted amid Lunar New Year celebrations. We maintain our conviction in Zhuzhou's sustainable growth potential as it consolidates the industry on the strength of its superior technology.

Kajaria, India's largest tile manufacturer, is capitalizing on India's faster economic growth, which is driving demand for higher quality construction materials, in turn leading to faster sales growth. Higher fuel costs and lower capacity utilization have recently weighed on margins and pressured shares. However, we believe recent regulatory changes—including a lower goods and services tax (GST) along with improved means of enforcing it—position Kajaria well relative to its smaller, unorganized competitors.

Among our QTD top contributors are Samsung Biologics and Foschini. With a strong competency for manufacturing biopharmaceuticals efficiently at scale—generating above-industry margins in the process—and a solid pipeline of marketable biosimilars within its Samsung Bioepis subsidiary, Samsung Biologics is executing at a high level. As its manufacturing capacity increases and more biosimilars come to market, we believe the company can position itself as a market leader with sustainable growth opportunities in an industry with high barriers to entry.

Against an improving political backdrop in South Africa, Foschini is executing well. A more stable political environment has bolstered the rand, helping rein in inflation and lifting disposable incomes. This favorable combination has contributed to attractive sales growth for Foschini. Further, the company is effectively capitalizing on its investments in manufacturing and logistics to take market share from domestic competitors Truworths and Woolworths. While we wouldn't be surprised if ongoing pressure from international competitors pressures margins in the future, we believe Foschini remains well-positioned relative to domestic peers.

## Portfolio Details

Net Asset Value (NAV)	\$17.21	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Annual Report 30 Sep 2017	2.19%	1.50%
Prospectus 30 Sep 2017 <sup>2</sup>	2.15%	1.35%

<sup>1</sup>Reflects a contractual expense limitation agreement in effect through 31 Jan 2019.  
<sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	6.4
Alibaba Group Holding Ltd (China)	5.6
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.3
Naspers Ltd (South Africa)	2.9
Sino Biopharmaceutical Ltd (China)	2.6
Sberbank of Russia PJSC (Russia)	2.5
Grupo Supervielle SA (Argentina)	2.1
Reliance Industries Ltd (India)	2.0
Baidu Inc (China)	2.0
Noah Holdings Ltd (China)	1.8
<b>TOTAL</b>	<b>33.3%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	13.7	9.9
Consumer Staples	2.2	6.3
Energy	7.1	7.2
Financials	23.8	24.3
Health Care	8.6	2.8
Industrials	8.1	5.2
Information Technology	26.6	27.4
Materials	6.0	7.5
Real Estate	0.8	2.7
Telecommunication Services	2.3	4.6
Utilities	0.7	2.3
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.2% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 28 February 2018	Average Annual Total Returns								Inception	Linked Inception <sup>2</sup>
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr			
Investor Class: ARTZX	-4.07	2.50	2.50	31.96	12.61	6.26	—	0.68		
Linked Institutional and Investor Class <sup>1</sup>							1.35		5.89	
MSCI Emerging Markets Index	-4.61	3.34	3.34	30.51	8.97	5.02	2.65	2.30	7.16	
As of 31 December 2017										
Investor Class: ARTZX	4.68	8.33	39.95	39.95	12.52	5.33	—	0.43		
Linked Institutional and Investor Class <sup>1</sup>							0.74		5.75	
MSCI Emerging Markets Index	3.59	7.44	37.28	37.28	9.10	4.35	1.68	1.99	6.96	

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</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>2</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>57.2</b>	<b>72.5</b>
China	20.8	30.3
Korea	14.0	14.5
Taiwan	10.4	11.4
India	6.6	8.2
Indonesia	3.7	2.2
Malaysia	0.9	2.4
Thailand	0.7	2.4
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>22.2</b>	<b>15.1</b>
Russia	8.0	3.7
South Africa	6.6	7.1
Turkey	2.0	1.1
Poland	1.5	1.3
Kenya	1.2	—
Czech Republic	1.0	0.2
Greece	1.0	0.3
United Arab Emirates	0.8	0.6
<b>LATIN AMERICA</b>	<b>16.4</b>	<b>12.4</b>
Brazil	8.8	7.5
Argentina	3.2	—
Chile	2.1	1.2
Peru	1.5	0.4
Mexico	0.9	2.8
<b>DEVELOPED MARKETS</b>	<b>4.2</b>	<b>—</b>
United Kingdom	2.0	—
Hong Kong	1.3	—
Switzerland	0.6	—
United States	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 26

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 MSCI Emerging Markets (EM) Currency Index will track the performance of twenty-five emerging-market currencies relative to the US Dollar. 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 28 Feb 2018: Kajaria Ceramics Ltd 0.7%; Samsung Biologics Co Ltd 1.6%; The Foschini Group Ltd 1.7%; Zhuzhou CRRC Times Electric Co Ltd 1.7%. 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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