



# Artisan International Fund

MONTHLY  
Commentary

Investor Class: ARTIX | Advisor Class: APDIX As of 31 March 2018

## Commentary

After a continued melt-up in global equities in the early weeks of 2018, a lengthy period of historically low volatility abruptly ended in late January. The initial selloff was triggered by a pick-up in wage gains in the US, which added to existing concerns about rising Treasury yields, potential global inflationary pressures and the direction of monetary policy under new Fed leadership. These worries eased in March, although volatility remained elevated as headlines swirled over the specter of trade wars, turnover in the Trump White House, and threat of increased regulation (US) and taxation (Europe) of mega-cap Internet technology companies (i.e., FAANGs). In Q1, there were 10 days when the MSCI EAFE Index gained or lost 1% or more, in contrast to just 9 for all of 2017.

Most major developed markets indices finished lower for the quarter. Emerging markets managed a small gain. All sectors aside from utilities, technology and consumer discretionary were negative. US dollar weakness continued to be a meaningful performance driver with returns for USD-based investors augmented by a stronger euro and yen versus the dollar.

Our portfolio outperformed the MSCI EAFE Index in Q1, driven by positive stock selection. Deutsche Boerse and Nintendo were among our top contributors. Deutsche Boerse is the largest exchanges operator in Europe and owner of Eurex, Europe's largest derivatives trading and clearing platform. The company began the year with a new CEO who is well-regarded by investors for his close relationships with German regulators and politicians from his tenure at UniCredit's German unit. In addition to strong structural growth drivers—such as the regulatory push to on-exchange trading—cyclical headwinds are turning to tailwinds with the reemergence of market volatility as bond yields normalize and central bank tapering comes into focus.

Japanese video game giant Nintendo sold over 7 million Switch units in its recent quarter, significantly above expectations. Launched in March 2017, Switch has had the fastest start ever for a Nintendo hardware system. Switch is also driving strong sales of the company's higher margin software.

On the down side, shares of Chinese Internet company NetEase declined following solid, late-2017 gains. The company's recent video game releases have seen early success—regularly topping the charts for most downloads and demonstrating NetEase's strong development capabilities. With solid franchises and a strong pipeline, we continue to believe the company is well-positioned to benefit from the secular trend in mobile gaming.

## Investment Results (%)

| As of 31 March 2018                              | MTD          | QTD         | YTD         | 1 Yr         | 3 Yr        | 5 Yr        | 10 Yr       | Inception   |
|--|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| <b>Investor Class: ARTIX</b>                     | <b>-1.21</b> | <b>0.30</b> | <b>0.30</b> | <b>20.58</b> | <b>3.07</b> | <b>5.94</b> | <b>3.84</b> | <b>9.12</b> |
| <b>Advisor Class: APDIX</b>                      | <b>-1.18</b> | <b>0.36</b> | <b>0.36</b> | <b>20.73</b> | <b>3.24</b> | <b>6.05</b> | <b>3.89</b> | <b>9.15</b> |
| MSCI EAFE Index                                  | -1.80        | -1.53       | -1.53       | 14.80        | 5.55        | 6.50        | 2.74        | 4.99        |
| MSCI All Country World ex USA Index <sup>1</sup> | -1.76        | -1.18       | -1.18       | 16.53        | 6.18        | 5.89        | 2.70        | 5.49        |

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</sup>Performance 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. Class inception: Investor (28 December 1995); Advisor (1 April 2015). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different 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)               | \$33.43     | \$33.37    |
| Inception                           | 28 Dec 1995 | 1 Apr 2015 |
| Expense Ratios                      |             |            |
| Annual Report 30 Sep 2017           | 1.18%       | 1.04%      |
| Prospectus 30 Sep 2017 <sup>1</sup> | 1.18%       | 1.04%      |

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

|                                |              |
|--------------------------------|--------------|
| Deutsche Boerse AG (Germany)   | 5.7          |
| Linde AG (Germany)             | 4.6          |
| Wirecard AG (Germany)          | 3.8          |
| Allianz SE (Germany)           | 3.7          |
| ING Groep NV (Netherlands)     | 3.4          |
| Nestle SA (Switzerland)        | 3.0          |
| Deutsche Post AG (Germany)     | 3.0          |
| Airbus SE (France)             | 2.9          |
| AIA Group Ltd (Hong Kong)      | 2.7          |
| Ryanair Holdings PLC (Ireland) | 2.5          |
| <b>TOTAL</b>                   | <b>35.3%</b> |

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

|                            | Fund          | EAFE <sup>1</sup> |
|----------------------------|---------------|-------------------|
| Consumer Discretionary     | 3.3           | 12.6              |
| Consumer Staples           | 11.5          | 11.1              |
| Energy                     | 1.7           | 5.3               |
| Financials                 | 35.4          | 21.1              |
| Health Care                | 5.4           | 10.1              |
| Industrials                | 19.6          | 14.6              |
| Information Technology     | 11.6          | 6.5               |
| Materials                  | 10.3          | 8.0               |
| Real Estate                | 0.0           | 3.5               |
| Telecommunication Services | 1.2           | 3.8               |
| Utilities                  | 0.0           | 3.3               |
| <b>TOTAL</b>               | <b>100.0%</b> | <b>100.0%</b>     |

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 4.5% of the total portfolio. <sup>1</sup>MSCI EAFE Index.

## Average Annual Total Returns

|  | 1 Yr  | 3 Yr | 5 Yr | 10 Yr | Inception |
|--|-------|------|------|-------|-----------|
| Investor Class: ARTIX                            | 20.58 | 3.07 | 5.94 | 3.84  | 9.12      |
| Advisor Class: APDIX                             | 20.73 | 3.24 | 6.05 | 3.89  | 9.15      |
| MSCI EAFE Index                                  | 14.80 | 5.55 | 6.50 | 2.74  | 4.99      |
| MSCI All Country World ex USA Index <sup>1</sup> | 16.53 | 6.18 | 5.89 | 2.70  | 5.49      |

## Region/Country Allocation (% of total portfolio equities)

| REGION                  | Fund          | EAFE <sup>1</sup> |
|-------------------------|---------------|-------------------|
| <b>EUROPE</b>           | <b>68.4</b>   | <b>63.4</b>       |
| Germany                 | 27.2          | 9.7               |
| United Kingdom          | 11.0          | 17.3              |
| Netherlands             | 8.4           | 3.7               |
| France                  | 7.8           | 10.9              |
| Italy                   | 5.9           | 2.5               |
| Switzerland             | 4.6           | 7.8               |
| Ireland                 | 2.7           | 0.5               |
| Denmark                 | 0.6           | 1.8               |
| Spain                   | 0.2           | 3.2               |
| <b>PACIFIC BASIN</b>    | <b>10.8</b>   | <b>36.2</b>       |
| Japan                   | 7.7           | 24.5              |
| Hong Kong               | 3.0           | 3.6               |
| <b>AMERICAS</b>         | <b>10.8</b>   | <b>—</b>          |
| United States           | 8.7           | —                 |
| Canada                  | 2.2           | —                 |
| <b>EMERGING MARKETS</b> | <b>10.0</b>   | <b>—</b>          |
| China                   | 3.9           | —                 |
| Brazil                  | 2.4           | —                 |
| India                   | 1.8           | —                 |
| Russia                  | 1.2           | —                 |
| Indonesia               | 0.7           | —                 |
| <b>MIDDLE EAST</b>      | <b>—</b>      | <b>0.5</b>        |
| <b>TOTAL</b>            | <b>100.0%</b> | <b>100.0%</b>     |

Source: Artisan Partners/FactSet (MSCI). <sup>1</sup>MSCI 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                 | 37                             |
| <b>Associate Portfolio Managers</b> |                                |
| Charles-Henri Hamker                | 28                             |
| Andrew J. Euretig                   | 14                             |

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 2018: NetEase Inc 1.2%; Nintendo Co Ltd 1.9%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. Totals may not sum due to rounding.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

The Global Industry Classification Standard (GICS<sup>®</sup>) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

Country exposure percentages reflect country designations as classified by MSCI as of the date shown. Securities not classified by MSCI reflect country designations as of the date the report was generated. Sector exposure percentages reflect sector designations as currently classified by GICS.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2018 Artisan Partners. All rights reserved.

