



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 March 2018

## Commentary

The year opened with markedly increased volatility, resulting in many indices' first negative quarter in several years. Emerging markets were largely the exception in Q1, closing in the black. Despite tumultuous geopolitical backdrops, Brazil and Russia were among EMs' top performing countries. China, though positive, trailed as investors weighed ongoing protectionist banter and recent political changes ensconcing Premier Xi Jinping in a more absolutist role. Conversely, India was among the bottom performers in Q1 as it faces ongoing challenges with its banking sector.

Our portfolio outperformed the MSCI Emerging Markets Index in Q1. Among our top relative contributors were Foschini and Samsung Biologics. Samsung Biologics' ability to manufacture biopharmaceuticals efficiently at scale generates above-industry margins. Further, the company has a solid pipeline of marketable biosimilars within its Samsung Bioepis subsidiary. In Q1, Samsung Bioepis launched the first biologic version of Roche's breast cancer therapy Herceptin® in the UK—a positive first step to bringing more biologics to market. We believe Samsung Biologics is well-positioned to become a market leader with sustainable growth opportunities in an industry with high barriers to entry.

Foschini, which operates a chain of retail clothing stores, is executing well against an improving political backdrop in South Africa, which has stabilized the rand and is in turn lifting disposable incomes and taming inflation. This favorable combination has contributed to attractive sales growth for Foschini. The company is also effectively capitalizing on recent investments in manufacturing and logistics to take market share from domestic competitors. While the international environment remains highly competitive, which could pressure Foschini's margins in the future, we believe the company remains well-positioned relative to domestic peers and maintain our conviction in the growth opportunity ahead.

Among our bottom relative contributors were Zhuzhou and Kajaria Ceramics. Shares of Zhuzhou were pressured as investors were disappointed by slower locomotive sales growth as well as higher R&D expenses, which weighed on margins. However, with a replacement cycle likely ahead, we anticipate sales to resume their attractive growth rates. Despite the near-term setback, 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 generating faster sales growth as the broad economic growth in India drives demand for higher quality construction materials. 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 & services tax (GST) along with improved means of enforcing it—position Kajaria well relative to its smaller, unorganized competitors.

We will provide further color on these and other top and bottom relative contributors in our forthcoming quarterly commentary.

## Portfolio Details

Net Asset Value (NAV)	\$17.20	
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)	6.8
Alibaba Group Holding Ltd (China)	5.6
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.4
Naspers Ltd (South Africa)	2.6
Sino Biopharmaceutical Ltd (China)	2.6
Sberbank of Russia PJSC (Russia)	2.3
Grupo Supervielle SA (Argentina)	2.0
Reliance Industries Ltd (India)	1.9
Noah Holdings Ltd (China)	1.8
Zhuzhou CRRC Times Electric Co Ltd (China)	1.8
<b>TOTAL</b>	<b>32.9%</b>

Source: Artisan Partners. Portfolio country classifications are defined by the investment team.

## Sector Diversification (% of total portfolio equities)

	Fund	MSCI EM <sup>1</sup>
Consumer Discretionary	13.9	9.5
Consumer Staples	1.6	6.5
Energy	7.3	7.2
Financials	22.3	24.0
Health Care	9.4	2.8
Industrials	8.3	5.2
Information Technology	27.1	27.7
Materials	5.7	7.3
Real Estate	0.9	2.8
Telecommunication Services	2.4	4.6
Utilities	1.0	2.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.0% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 31 March 2018	Average Annual Total Returns								
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception	Linked Inception <sup>2</sup>
Investor Class: ARTZX	-0.06	2.44	2.44	28.17	13.24	6.76	—	0.66	
Linked Institutional and Investor Class <sup>1</sup>							1.69		5.84
MSCI Emerging Markets Index	-1.86	1.42	1.42	24.93	8.81	4.99	3.02	2.08	6.94

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>59.3</b>	<b>72.9</b>
China	22.4	30.0
Korea	14.6	15.1
Taiwan	10.8	11.7
India	6.3	8.1
Indonesia	3.7	2.0
Malaysia	0.8	2.5
Thailand	0.7	2.4
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>21.9</b>	<b>14.7</b>
Russia	6.9	3.6
South Africa	5.5	6.8
Turkey	2.9	1.0
Poland	1.7	1.2
Kenya	1.1	—
Czech Republic	1.0	0.2
Greece	0.9	0.3
United Arab Emirates	0.9	0.6
Georgia	0.9	—
<b>LATIN AMERICA</b>	<b>17.0</b>	<b>12.5</b>
Brazil	8.9	7.5
Argentina	3.3	—
Chile	2.2	1.2
Peru	1.7	0.4
Mexico	0.9	2.9
<b>DEVELOPED MARKETS</b>	<b>1.8</b>	<b>—</b>
Hong Kong	1.3	—
Switzerland	0.6	—
<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. Portfolio country classifications are defined by the investment team and may differ substantially from MSCI classifications; Index country classifications reflect MSCI methodology. For the portfolio's country breakdown according to MSCI methodology, refer to the Fund's most recent N-Q filing at [www.sec.gov](http://www.sec.gov).

## 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 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: Kajaria Ceramics Ltd 0.7%; Samsung Biologics Co Ltd 1.7%; The Foschini Group Ltd 1.8%. 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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