



# Artisan International Fund

MONTHLY  
Commentary

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

## Commentary

Non-US equities declined in May driven by weakness in Europe, where signs of slowing economic growth are mounting after the sharp acceleration experienced in 2016 and 2017. Returns were particularly weak in Italy as a months-long political crisis—following its inconclusive election—came to a head when an unlikely coalition of extremes selected a euro-sceptic as its economic minister. Government bond yields spiked and Italian financials sold off on the risk of a repeat vote—seen as a potential referendum on Italy's membership in the euro zone. After a 48-hour period of uncertainty, markets calmed on signs that an election would be avoided with the two anti-establishment parties ultimately agreeing to form a coalition government.

For the QTD period, non-US equities rose in local terms; however, the US dollar's strong rebound dented USD-based returns. By sector, energy led the way, while financials were weakest. QTD, our portfolio trailed the MSCI EAFE Index, though it remains ahead YTD. The largest source of relative weakness was the energy sector, driven by Petrobras, a Brazilian oil and gas company, as well as our below-benchmark sector weighting.

In May, Petrobras became embroiled in Brazil's supply crisis brought on by a trucker strike protesting soaring diesel prices. With airports closing, and food and fuel shortages threatening to bring the economy to a standstill, Petrobras was directed by the government to cut fuel prices. Days later, the company's CEO, Pedro Parente, resigned. Parente had led the company's turnaround since mid-2016, shifting its strategy toward free-market policies and away from government interests. Although the overall financial impact from the new pricing mechanism (including tax breaks and reimbursements it will receive from the government) should be nominal, in our view, headline risk will exist for the next few months as the company's pricing policy is now a political issue heading into Brazil's general election in October. Our position size was 2%-3% at month-end.

Our top contributors QTD were Wirecard and Linde. Wirecard, a payments processor, continues to deliver robust organic growth, driven by transactions volumes as momentum in e-commerce growth shows no signs of slowing. The company recently inked agreements with French bank Crédit Agricole to provide e-commerce and acquiring services in France and other European countries and with Mizuho Bank to provide acquiring and issuing services to the bank's corporate clients in Asia.

With respect to Linde—an industrial gas provider—the main focus remains its merger with Praxair, which appears on track for completion in the second half of 2018. The proposed merger would provide over \$1 billion in cost synergies. However, if the merger falls through, we see limited downside as Linde looks significantly undervalued on a standalone basis.

## Investment Results (%)

As of 31 May 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	-2.22	-0.99	-0.69	10.16	1.84	5.21	2.90	9.00
Advisor Class: APDIX	-2.22	-0.96	-0.60	10.31	2.00	5.33	2.95	9.03
MSCI EAFE Index	-2.25	-0.02	-1.55	7.97	4.33	5.93	2.10	4.95
MSCI All Country World ex USA Index <sup>1</sup>	-2.31	-0.75	-1.92	9.67	4.74	5.46	1.86	5.42

As of 31 March 2018

Investor Class: ARTIX	-1.21	0.30	0.30	20.58	3.07	5.94	3.84	9.12
Advisor Class: APDIX	-1.18	0.36	0.36	20.73	3.24	6.05	3.89	9.15
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)	\$33.10	\$33.05
Inception	28 Dec 1995	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2018 <sup>1</sup>	1.18%	1.03%
Prospectus 30 Sep 2017 <sup>2</sup>	1.18%	1.04%

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Deutsche Boerse AG (Germany)	5.7
Linde AG (Germany)	5.2
Wirecard AG (Germany)	5.0
Allianz SE (Germany)	3.4
Airbus SE (France)	3.2
Medtronic PLC (United States)	3.0
AIA Group Ltd (Hong Kong)	3.0
ING Groep NV (Netherlands)	3.0
Deutsche Post AG (Germany)	2.8
Nestle SA (Switzerland)	2.8
<b>TOTAL</b>	<b>37.2%</b>

Source: Artisan Partners/FactSet (MSCI).

## Sector Diversification (% of total portfolio equities)

	Fund	EAFE <sup>1</sup>
Consumer Discretionary	2.6	12.6
Consumer Staples	9.4	11.0
Energy	2.9	5.9
Financials	34.0	20.0
Health Care	6.2	10.3
Industrials	20.2	14.6
Information Technology	13.8	6.7
Materials	11.0	8.3
Real Estate	0.0	3.6
Telecommunication Services	0.0	3.7
Utilities	0.0	3.2
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 4.6% of the total portfolio. <sup>1</sup>MSCI EAFE Index.

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

REGION	Fund	EAFE <sup>1</sup>
<b>EUROPE</b>	<b>69.4</b>	<b>62.7</b>
Germany	27.8	9.5
United Kingdom	12.2	18.0
France	8.3	11.0
Netherlands	7.8	3.6
Italy	5.1	2.3
Switzerland	5.1	7.5
Ireland	2.3	0.5
Denmark	0.7	1.7
<b>EMERGING MARKETS</b>	<b>11.5</b>	<b>—</b>
China	4.8	—
Brazil	3.1	—
India	1.8	—
Russia	1.2	—
Indonesia	0.6	—
<b>AMERICAS</b>	<b>10.4</b>	<b>—</b>
United States	7.9	—
Canada	2.4	—
<b>PACIFIC BASIN</b>	<b>8.8</b>	<b>36.8</b>
Japan	5.5	24.8
Hong Kong	3.3	3.7
<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 May 2018: Petroleo Brasileiro SA 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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