



# Artisan Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 October 2018

## Commentary

Our portfolio outperformed the MSCI EM Index to start Q4, as global equity markets stumbled mightily in October. Not a single sector in the index is positive QTD, with cyclicals like consumer discretionary hardest hit, while defensive sectors like utilities suffered least. On a total return basis, Brazil and Qatar are the only positive QTD performers in the index. Our above-benchmark exposure to Brazil has boosted relative returns, as evidenced by the fact that four of our top-five QTD individual relative contributors are Brazilian. Broadly speaking, investors seem pleased with the conservative Jair Bolsonaro's election to the Brazilian presidency. Mexico, Korea, Colombia, Taiwan, China and South Africa all had negative double-digit returns. Of our bottom five individual relative contributors, four are domiciled in these underperforming countries, and in each instance we maintain favorable views on the holdings, regardless of a single month's macro headwinds.

Ex-index positions are notably positive relative contributors QTD, including Linx, Brazil's leading retail management software company, and Brazilian travel services firm CVC Brasil Operadora e Agencia de Viagens. In October, Linx provided details on its Linx Pay platform, which is dedicated to growing the company's payments and processing business. If effectively executed, Linx Pay should meaningfully expand revenues. We capitalized on the stock's resulting sharp rally to pare our exposure as it approached our target price.

Against a solid QTD backdrop for utilities, Cemig, Brazil's largest integrated utility company, has benefited from its recent focus on cost reductions and is among our top QTD relative contributors. We have trimmed our position as share-price strength has driven it near our target price.

Another top contributor, ICICI Bank, India's largest private-sector bank, recently completed a CEO transition—and early results have been positive. We remain attracted to its healthy balance sheet and strong capital position. We also like ICICI's increased focus on profitability and balance-sheet growth, which it has effected by consolidating its loan book. We believe ICICI can effectively capitalize on India's growing banking sector in the period ahead.

Conversely, Alibaba, China's largest e-commerce platform, has been a relative detractor QTD as macro uncertainties, new investment spend and concerns over its new Taobao app weighed on the share price.

Another relative detractor QTD is Reliance Industries, an Indian petrochemical and refining company, which faces a 2020 deadline for new regulatory regime compliance. Despite recent share-price weakness, we maintain our conviction in its best-in-class refining assets as well as the growth potential for its petrochemical business.

Taiwan-based E Ink Holdings Inc, the world-leading Thin-Film Transfer and ePaper provider, along with South Korean biopharma firms Medy-Tox and Samsung Biologics are also notable QTD relative detractors.

Volatility is to be expected in emerging markets—it's a natural part of what we believe is a superior growth opportunity over longer periods. As such, we will maintain our disciplined process and closely monitor positions—including on-the-ground visits—to adjust valuations and position size as we believe appropriate.

## Portfolio Details

Net Asset Value (NAV)	\$14.06	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Semi-Annual Report 31 Mar 2018 <sup>2,3</sup>	1.77%	1.46%
Prospectus 30 Sep 2017 <sup>3</sup>	2.15%	1.35%

<sup>1</sup>Reflects a contractual expense limitation agreement in effect through 31 Jan 2019. <sup>2</sup>Unaudited, annualized for the six-month period and reflects a change in the Fund's management fee and expense limit, 1.50% lowered to 1.35%, effective 21 Feb 2018. <sup>3</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	6.3
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.8
Alibaba Group Holding Ltd (China)	5.2
Zhuzhou CRRC Times Electric Co Ltd (China)	2.4
Reliance Industries Ltd (India)	2.4
Naspers Ltd (South Africa)	2.3
LUKOIL PJSC (Russia)	2.2
Sberbank of Russia PJSC (Russia)	2.1
Vale SA (Brazil)	2.1
ICICI Bank Ltd (India)	2.0
<b>TOTAL</b>	<b>33.0%</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>
Communication Services	9.1	13.4
Consumer Discretionary	14.5	10.2
Consumer Staples	1.7	6.5
Energy	8.1	8.7
Financials	21.2	24.5
Health Care	8.6	2.9
Industrials	9.5	5.4
Information Technology	17.0	15.1
Materials	7.0	7.8
Real Estate	1.4	2.9
Utilities	1.8	2.6
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.8% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

## Investment Results (%)

As of 31 October 2018	Average Annual Total Returns								Linked Inception <sup>2</sup>
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception	
Investor Class: ARTZX	-6.76	-6.76	-16.26	-12.60	8.93	2.11	6.63	-1.30	
Linked Institutional and Investor Class <sup>1</sup>									3.85
MSCI Emerging Markets Index	-8.71	-8.71	-15.72	-12.52	6.52	0.78	7.84	0.17	5.01
As of 30 September 2018									Linked Inception <sup>2</sup>
Investor Class: ARTZX	-1.05	-2.77	-10.18	-2.70	15.66	4.72	3.87	-0.64	
Linked Institutional and Investor Class <sup>1</sup>									4.47
MSCI Emerging Markets Index	-0.53	-1.09	-7.68	-0.81	12.36	3.61	5.40	1.06	5.83

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>60.5</b>	<b>72.7</b>
China	22.2	30.0
Korea	13.4	14.0
Taiwan	10.4	11.8
India	8.2	8.7
Indonesia	4.2	2.1
Thailand	0.9	2.5
Malaysia	0.6	2.5
Vietnam	0.5	—
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>20.6</b>	<b>14.5</b>
Russia	8.0	3.9
South Africa	4.7	5.9
Turkey	2.3	0.7
Greece	1.9	0.3
Czech Republic	1.0	0.2
United Arab Emirates	1.0	0.7
Georgia	0.7	—
Poland	0.6	1.2
Nigeria	0.4	—
<b>LATIN AMERICA</b>	<b>17.4</b>	<b>12.8</b>
Brazil	9.4	8.0
Argentina	2.0	—
Chile	1.9	1.1
Peru	1.8	0.4
Mexico	1.0	2.9
Colombia	0.7	0.4
Panama	0.7	—
<b>DEVELOPED MARKETS</b>	<b>1.5</b>	<b>—</b>
Hong Kong	1.5	—
<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 portfolio holdings at [www.sec.gov](http://www.sec.gov).

## Team Leadership



Portfolio Manager	Years of Investment Experience
Maria Negrete-Gruson, CFA	27

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 Oct 2018: Cia Energetica de Minas Gerais 1.1%; CVC Brasil Operadora e Agencia de Viagens SA 0.9%; E Ink Holdings Inc 1.2%; Linx SA 1.0%; Medy-Tox Inc 1.0%; Samsung Biologics Co Ltd 1.6%. 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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Sector exposure percentages reflect sector designations as currently classified by GICS.

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