



# Artisan Sustainable Emerging Markets Fund

MONTHLY  
Commentary

Investor Class: ARTZX

As of 31 October 2019

## Commentary

Our portfolio has outperformed the MSCI EM Index QTD. Global markets have started Q4 on a fairly positive note. Apparent progress on an initial US-China trade deal and interest rate cuts by multiple emerging markets (EM) and developed markets (DM) central banks have helped offset the negative impact of political events in Hong Kong and Latin America. So far this quarter, EM stocks have fared better than DM stocks, including the US. China and Taiwan have been the benchmark's top contributors, and Saudi Arabia and Chile have been the leading detractors.

Among our top relative contributors QTD are MediaTek and Reliance Industries. Taiwan-based MediaTek is the largest fabless semiconductor design house outside the US. The schedule for its 5G chipset rollout is following US competitor Qualcomm more closely than it had during the 4G cycle. MediaTek's 5G chipset has received strong demand from Chinese handset makers, as they seek to reduce supplier risk. In addition, the company expects to complete its 5G chip verification with US and EU telecommunication companies next year, as well as roll out its 5G chips to non-smartphone devices. As a result, both MediaTek's revenue and earnings are showing strong upward trends.

India-based Reliance Industries was originally a petrochemical and refining company, but it has found new avenues for sustainable growth through its digital and retail businesses. Shares of Reliance have fared even better than the general QTD rise in Indian stocks, aided by progress on deleveraging, higher refining margins and the growth of its digital and retail operations. Reliance is reaping the rewards of heavy investments in recent years, and we maintain our conviction across its business segments.

Among our leading relative detractors QTD are Zhuzhou CRCC Times Electric and MercadoLibre. Zhuzhou provides and integrates train-borne electrical systems for China's railway industry. In October, the company reported weaker-than-expected quarterly results, due in part to a slowdown in investment spending this year. We believe conditions will turn more favorable in 2020. China's completion of additional high-speed railway lines will likely lead China Railway to start a procurement process for more trains before the end of 2019. In addition, Zhuzhou is the only domestic maker of insulated gate bipolar transistors (IGBT), and we believe the market has assigned little value to this business. Furthermore, the company's diversification into higher margin end-markets—including electric vehicles and deep-sea robots—should help it stay relatively resistant to rail-industry cyclicity.

Argentina-based MercadoLibre is Latin America's leading online commerce platform, including e-commerce and online financial technology (fintech) products. Political turmoil in Argentina has driven shares of MercadoLibre lower QTD. However, business in Brazil, its largest market, is showing impressive growth with further upside potential. E-commerce and fintech are still at a very early stage in Latin America. The company is focused on improving market penetration through increased investment in its online payment business and a managed logistics network to improve shipping efficiency. We believe MercadoLibre's investments will enhance its online ecosystem, help it gain market share and improve prospects for long-term sustainable earnings.

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.

## Investment Results (%)

As of 31 October 2019	Average Annual Total Returns								Linked Inception <sup>2</sup>
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception	
Investor Class: ARTZX	4.40	4.40	13.18	14.11	8.44	5.29	3.00	-0.04	4.59
Linked Institutional and Investor Class <sup>1</sup>									4.59
MSCI Emerging Markets Index	4.22	4.22	10.35	11.86	7.36	2.93	3.78	1.14	5.51

  

As of 30 September 2019	Average Annual Total Returns								Linked Inception <sup>2</sup>
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception	
Investor Class: ARTZX	1.53	-3.18	8.40	1.91	6.98	4.64	2.30	-0.42	4.28
Linked Institutional and Investor Class <sup>1</sup>									4.28
MSCI Emerging Markets Index	1.91	-4.25	5.89	-2.02	5.97	2.33	3.37	0.78	5.22

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.

## Portfolio Details

Net Asset Value (NAV)	\$15.89	
ARTZX Inception	2 June 2008	
Expense Ratios	Gross	Net <sup>1</sup>
Semi-Annual Report 31 Mar 2019 <sup>2,3</sup>	1.87%	1.35%
Prospectus 30 Sep 2018 <sup>3</sup>	1.78%	1.35%

<sup>1</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2020. <sup>2</sup>Unaudited, annualized for the six-month period. <sup>3</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Samsung Electronics Co Ltd (Korea)	6.7
Alibaba Group Holding Ltd (China)	6.2
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	5.9
Reliance Industries Ltd (India)	3.0
Sino Biopharmaceutical Ltd (China)	2.4
ICICI Bank Ltd (India)	2.3
MediaTek Inc (Taiwan)	2.3
LUKOIL PJSC (Russia)	2.2
Sunny Friend Environmental Technology Co Ltd (Taiwan)	2.0
Itau Unibanco Holding SA (Brazil)	1.9
<b>TOTAL</b>	<b>34.8%</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	3.8	11.1
Consumer Discretionary	21.5	13.3
Consumer Staples	2.1	6.7
Energy	8.1	7.9
Financials	20.1	24.7
Health Care	8.0	2.8
Industrials	9.3	5.3
Information Technology	18.0	15.5
Materials	6.2	7.1
Real Estate	1.8	2.9
Utilities	1.1	2.8
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/MSCI. Cash and cash equivalents represented 2.7% of the total portfolio. <sup>1</sup>MSCI Emerging Markets Index.

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

REGION	Fund	MSCI EM <sup>1</sup>
<b>EMERGING ASIA</b>	<b>61.7</b>	<b>72.8</b>
China	21.1	31.9
Korea	12.3	12.2
Taiwan	11.9	11.9
India	10.9	9.0
Indonesia	4.3	2.0
Thailand	0.8	2.7
Malaysia	0.4	2.0
<b>EUROPE, MIDDLE EAST AND AFRICA</b>	<b>18.2</b>	<b>15.2</b>
Russia	8.7	4.1
South Africa	4.1	4.7
Greece	2.1	0.3
Turkey	1.7	0.5
Czech Republic	0.9	0.1
Georgia	0.6	—
<b>LATIN AMERICA</b>	<b>17.4</b>	<b>12.0</b>
Brazil	9.6	7.7
Argentina	2.0	0.2
Chile	1.4	0.9
Peru	1.4	0.4
Panama	1.2	—
Colombia	1.2	0.4
Mexico	0.7	2.5
<b>DEVELOPED MARKETS</b>	<b>2.7</b>	<b>—</b>
Hong Kong	1.8	—
Netherlands	0.9	—
<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	28

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 2019: MercadoLibre Inc 1.5%; Zhuzhou CRRC Times Electric Co Ltd 1.2%. 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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