Artisan International Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTJX

As of 31 March 2016

Investment Process

We seek to invest in companies, within our preferred themes, with sustainable growth characteristics at attractive valuations that do not fully reflect their long-term potential.

Themes

We identify long-term secular growth trends with the objective of investing in companies that have meaningful exposure to these trends. Our fundamental analysis focuses on those industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of any structural change and/or trend.

Sustainable Growth

We apply a fundamental approach to identifying the long-term, sustainable growth characteristics of potential investments. We seek high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team.

Valuation

We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

Team Overview

Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

Portfolio Management

Mark L. Yockey, CFA
Portfolio Manager

Charles-Henri Hamker
Portfolio Manager

Investment Results (%)

As of 31 March 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTJX	**-6.09**	**-6.09**	**-0.48**	**3.67**	**5.80**	**5.58**	**12.08**
MSCI EAFE Small Cap Index	-0.60	-0.60	3.20	7.29	5.58	3.44	9.99
MSCI EAFE Index	-3.01	-3.01	-8.27	2.23	2.29	1.80	5.44

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Fund inception: 21 December 2001.

Expense Ratios	
Annual Report 30 Sep 2015	1.52%
Prospectus 30 Sep 2015	1.52%

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.

Artisan International Small Cap Fund

As of 31 March 2016

Investing Environment

The first quarter of 2016 was a tale of two halves. The volatility of late 2015 extended into the quarter's first half, with equities selling off on continued fears over China's slowing growth and slumping oil prices. Fear and uncertainty sent capital into the more defensive consumer staples and utilities sectors. By mid-February, the tide turned, and equities rallied through the end of March. Altogether, small cap stocks outpaced large and mid caps in Q1. Small-cap performance varied by region, with the US and emerging markets leading, Europe lagging and Japan landing squarely in the red.

Many of the quarter's performance trends reflected commodities prices, central bank activity and currency movements. In fact, global equities' mid-quarter turnaround almost directly mirrored a rally in oil prices, which received a reprieve from steep declines since mid-2014. Oil seemingly rose on the mere suggestion that some OPEC producers would consider limiting production (at already historically high levels), contingent on cooperation by their most resistant counterparts.

Despite positive momentum in the US labor market and a higher revision to GDP, the Fed delayed hiking the target interest rate, citing overseas economic and market risks. It also signaled a slower pace of rate normalization from what was previously expected. Prior to Q1, the expectation of US rate increases (combined with more accommodative measures outside of the US) had helped push the US dollar higher for roughly 18 months. But with the US remaining exceptionally accommodative, the dollar reversed course and depreciated in Q1, and capital flowed back into emerging markets in search of yield. Relative to the dollar, the newly appreciating yen and euro served as a headwind for exporters across Japan and Europe (ex-UK).

While US rates stayed put, much of the rest of the world moved (further) into negative rate territory. The ECB lowered its deposit rate from -0.3% to -0.4%. The Bank of Japan followed suit, cutting its benchmark interest rate below zero for the first time. The historically unprecedented move toward negative rates at such a massive scale has sparked speculation over central bankers' remaining ammunition for jumpstarting inflation. By late March, countries with negative short-term rates represented more than a quarter of global GDP, and countries with flat or negative y/y consumer prices represented nearly 40% of global GDP. Against a backdrop of falling deposit rates, financials stocks—particularly European banks—posted some of the quarter's worst losses.

Health care was another noticeable laggard in Q1. After outperforming in 2015, much of the health care sector pulled back on increased political scrutiny over prescription drug pricing, fueled by the US election campaign cycle.

Performance Discussion

The first quarter proved challenging for our portfolio as a handful of our highest-conviction holdings posted larger losses, including global payments company Wirecard and Taiwanese contact lens maker Ginko International. Each fell 25% in Q1 after rising 15% and 27%, respectively, in 2015 (all returns in USD).

Wirecard shares were recently pressured by allegations of criminal misconduct published by a previously unheard of research organization. The company subsequently issued a rebuttal and said it initiated legal proceedings. This is not the first time Wirecard has been targeted by a third party with suspicious motives, and each time in the past the company has come out ahead. We believe the recent allegations are unfounded, and maintain a high conviction in what has proved to be a long-term successful holding—company shares have more than tripled since our initial purchase (January 2007). In this case, we believe the share price reaction partly reflected some initial management missteps in navigating a fairly public smearing. However, management has since improved its disclosure and is now communicating more effectively—changes that we feel will help shares recover to the level that reflects our assessment of Wirecard's sustainable growth potential.

Ginko has been contending with heightened competition online. Despite the setback, we're still attracted to its market-share dominance in the fast-growing Chinese market, where the contact lens penetration rate is just 7%. We see a compelling sustainable growth opportunity as rising wealth in China generates higher demand for contact lenses and upgrades to disposable dailies. In turn, we have maintained our sizeable position.

The quarter also saw some setbacks for our holdings in the European towers industry, including cellular towers companies Cellnex and Infrastrutture Wireless Italiane (majority owned by Telecom Italia), and broadcast towers company EI Towers. We're attracted to these companies' high earnings visibility, owing to their long-term, inflation-linked contracts—a particularly compelling attribute in a slow-growth environment. At our initial purchase dates for each of these in 2015, we also recognized upside opportunity through M&A.

Leading into Q1, the expectation that Cellnex would purchase Telecom Italia's majority stake in Infrastrutture Wireless Italiane (Inwit) had helped push valuations higher for both companies. The deal was expected to create a dominant cellular tower company in Italy while unlocking substantial synergies, largely through the elimination of redundancies. However, that merger was recently challenged when EI Towers unexpectedly made a higher bid for a stake in Inwit. (Merger discussions are still in flux.) The prospect of an EI Towers/Inwit merger was not greeted enthusiastically by investors. That's partly because cellular and broadcast towers are two different kinds of infrastructure, and combining the two does not unlock the synergies afforded by combining two cellular towers portfolios. The industry in general lost some of its valuation premium on the disappointment.

On the up side, top individual Q1 contributors included consumer staples companies Royal Unibrew and Ebro Foods, and cable company Manitoba Telecom Services.

Beverage company Royal Unibrew posted strong sales growth, driven by market share gains and an improved mix toward higher-margin products. Further, the company launched a larger-than-expected share repurchase program. Rice and pasta company Ebro Foods is adapting well to changing consumer preferences, growing in specialty categories such as gluten-free pastas and faster-cooking microwave rice. We believe its recent acquisition of Celnat, a French company specializing in organic grains and cereals, should help to further align Ebro with changing demographics trends.

Manitoba is a Canadian provider of "quad play" services, including high-speed Internet, television, telephony and mobile services. We're fundamentally attracted to companies in the cable industry as we believe customers see their services as essential—even when times are tough, consumers are not likely to give up Internet access. Further, under the leadership of a new CEO, Manitoba has been working to better focus the company, shedding low-margin, non-core businesses and returning cash to shareholders.

Portfolio Positioning

In a market environment characterized by weak demand and low (or even falling) inflation, growth has been more difficult to find generally, and companies have been pressured to cut prices in order to compete for market share. Against this backdrop, we are particularly drawn to companies that are capable of raising prices without a meaningful impact on demand. Our process has typically led us to a number of companies in the consumer sectors that we believe benefit from their unique brand strength and offering of products that their customers find essential, giving them a more inelastic demand profile. Further, companies in this category are generally beneficiaries of lower commodities prices, which can translate into lower input costs for raw food and packaging. We've recently increased our positioning here—opening positions in UK-based soft drink maker Britvic and Scandinavian Tobacco Group, and adding to our position in confectionary company Cloetta.

We additionally opened a new position in Gerresheimer, a leading manufacturer of packaging for the pharmaceutical industry. We are attracted to the company's strong market positioning in a high-barrier industry with high switching costs—customers are required to file with regulators when switching vendors. After a period of underperformance, we see the company poised for a turnaround on a series of recent accretive M&A transactions.

New purchases were funded in part by sales of Cable & Wireless Communications, CAE, Beijing Enterprises Water Group and China Everbright International.

Outlook

Despite the modest rebound in recent weeks, commodity prices remain well off previous highs, as the past 18 or so months have delivered a fairly abrupt reversal of the commodities supercycle previously fueled by more than a decade of China's heavy infrastructure-led investment. While the Chinese government has clung to its GDP estimates of 6% or 7%, we think its economy is actually growing closer to 1% or 2%. As the world economy struggles to gain solid footing, we'd expect a continuation of the quarter's volatility in the months ahead.

The US economy remains a rare bright spot, demonstrating modest yet stable GDP growth, a strengthening labor market and generally resilient consumption trends. By contrast, much of the rest of the world has struggled with excess capacity, mounting debt burdens and low or falling inflation. In Europe, the Brexit threat has added to a climate of uncertainty, which will extend into the second quarter until June's UK referendum.

We believe the continued slow-growth environment favors a disciplined approach to bottom-up stock selection, and is one in which we can add value for our investors by pursuing our highest-conviction ideas, and avoiding areas we see vulnerable to cyclical headwinds. By total number of holdings, our portfolio today is the most concentrated it's ever been. We acknowledge that our conviction can sometimes translate into heightened shorter-term volatility. However, we believe our long-term track record reflects our ability to generate outsized returns over a full market cycle.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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 Small Cap Index measures the performance of small-cap companies in developed markets, excluding the US and Canada. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This summary represents the views of the portfolio managers as of 31 Mar 2016. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 31 Mar 2016: Britvic PLC 1.8%; Cellnex Telecom SAU 3.3%; Cloetta AB 3.6%; Ebro Foods SA 2.5%; Ei Towers SpA 3.4%; Gerresheimer AG 2.1%; Ginko International Co Ltd 4.2%; Infrastrutture Wireless Italiane SpA 3.8%; Manitoba Telecom Services Inc 2.7%; Royal Unibrew A/S 4.3%; Scandinavian Tobacco Group A/S 3.1%; Wirecard AG 5.7%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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