Artisan International Fund

QUARTERLY
Commentary

Investor Class: ARTIX | Advisor Class: APDIX

As of 30 September 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
Associate Portfolio Manager

Andrew J. Euretig
Associate Portfolio Manager

Investment Results (%)

As of 30 September 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTIX	**3.74**	**-1.32**	**5.39**	**0.30**	**10.07**	**3.58**	**8.84**
Advisor Class: APDIX	**3.78**	**-1.22**	**5.58**	**0.40**	**10.13**	**3.61**	**8.85**
MSCI EAFE Index[3]	6.43	1.73	6.52	0.48	7.39	1.82	4.34
MSCI All Country World ex USA Index[3,4]	6.91	5.82	9.26	0.18	6.04	2.16	4.81

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 28 December 1995. Advisor Class performance is that of the Investor Class from 28 December 1995 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected. [3]Inception 31 Dec 1995. [4]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.

Expense Ratios	ARTIX	APDIX
Semi-Annual Report 31 Mar 2016[1]	1.18	1.01
Prospectus 30 Sep 2015	1.17	1.02[2]

[1]Unaudited, annualized for the six month period. [2]Includes estimated expenses for the current fiscal year.

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.

Investing Environment

In the aftermath of June's Brexit vote, risk-on sentiment resumed in Q3 as UK economic activity held up better than expected and global central banks remained exceptionally accommodative. Steep July gains helped push international equities solidly higher in the quarter, even as gains tempered in August and September. The more economically sensitive sectors (e.g., technology and consumer discretionary) came out ahead. Banks—battered in the year's first half—also rallied strongly, though shares pulled back in late September on questions surrounding Deutsche Bank's balance sheet stability and the potential for systemic implications.

By contrast, the more defensive telecom, utilities and consumer staples sectors trailed. Health care lagged in light of ongoing scrutiny over drug pricing. Energy also underperformed despite a late-quarter rally sparked by OPEC's stated commitment to cut production (albeit modestly) for the first time since 2008. Details of the cut are expected to be hashed out in a November meeting.

While all major regions posted gains, emerging markets outpaced developed, widening their year-to-date lead. Chinese markets rallied as earlier-year fears over the country's slowing growth faded. Despite Brazil's ongoing recession, its markets rose sharply, perhaps reflecting relief over some modicum of political stability following the impeachment of Brazil's corruption scandal-plagued president, Dilma Rousseff.

Globally, central banks continued on the now-familiar path of dovishness, this time with the Bank of England (BOE) joining in. In August, the BOE cut its key interest rate and revived a government bond-buying program inactive since 2012. The US Fed again put off a rate increase at its September meeting despite some dissension among its ranks. For its part, the Bank of Japan (BOJ) announced an ever-more aggressive act of financial engineering. While central banks have typically targeted short-term government bond yields, the BOJ's new "yield control" policy puts the central bank in control of rate setting for bonds with longer maturities. The central bank will now buy assets in whatever quantity it takes to keep the Japanese 10-year yield at 0%, while also aiming to keep short-term rates negative, until inflation exceeds its 2% target. The move was largely reactionary after the Japanese 10-year yield turned negative in recent months. (Imagine paying the government to hold your money for 10 years!) The flattening of the yield curve (i.e., the narrowing spread between short-term and long-term bond yields) has placed a heavy burden on the profitability of Japan's banks, which make money when they can lend at higher rates than at which they borrow. The BOJ's latest—and seemingly desperate—maneuverings highlight global central bankers' ongoing struggles to inspire any meaningful lending growth—a main avenue for bolstering currently anemic inflation across most of the globe.

Performance Discussion

Our portfolio's positive QTD performance failed to keep pace with the MSCI EAFE Index. Our above-benchmark exposure to recently unloved areas of the market—particularly consumer nondurables—worked against us, as did our light exposure to banks. We continue to be highly selective with respect to banks, finding industry profitability challenged by negative interest rate policies, a lack of loan growth and onerous capital requirements. Rather, our financials exposure has focused more heavily on leading insurance industry companies unburdened by the capital and balance sheet issues faced by much of the banking industry.

In that regard, pan-Asian life insurer AIA was among our top QTD contributors. The company is a major beneficiary of population growth, urbanization and rising wealth in developing Asia—collectively creating a surge in demand for insurance and wealth protection products. At the same time, insurance penetration rates in markets such as China, India, Thailand and Malaysia still significantly trail those in the developed world—offering a long growth runway. When AIA—once a part of US-based AIG—listed publicly in 2010, mainland China was one of its smallest markets. Yet after explosive growth in recent years, China is now AIA's second-largest market, behind only Hong Kong, where mainlanders also often buy insurance. The company's success in the mainland is largely attributable to its brand strength, scale and regional distribution infrastructure. AIA has built top-notch agent training and education programs, resulting in exceptional agent productivity levels. These high-quality programs have afforded AIA a significant competitive advantage over local players—one we see continuing to support the company's growing presence in the high-growth Chinese market.

High-conviction holdings Linde and Liberty Global were also top QTD contributors. We've long been attracted to the sustainable competitive advantages of Germany-based industrial gases supplier Linde. The company is a leader within a consolidated industry where just four companies maintain an approximately 70% market share, and the technical and capital requirements to compete in the industry deter new entrants. Further, the company has strong bargaining power given that it provides an essential product for the operation of its end users, ranging from steel makers to hospitals. In exchange, certain customers enter into long-term (e.g.,15- to 20-year) take-or-pay contracts. As a result, Linde enjoys the benefits of high switching costs for its major customers, as well as predictability of cash flow.

During the quarter, Linde shares jumped on speculation of a merger with US-based peer Praxair. Although the companies announced they halted merger talks in September, soon after, Linde's CFO (a rumored opponent of the merger) unexpectedly departed, and its CEO said he would not seek a renewed term—raising expectations of revived merger talks. Combining the companies would unlock substantial synergies and further consolidate the existing oligopoly.

European media company Liberty Global recovered from June's Brexit-induced selling. As a testament to the company's superior network speeds and offering of a service its customers find essential, the company continues to add broadband subscribers and raise prices

in key markets—a particularly impressive feat in light of anemic inflation.

Conversely, larger QTD detractors included Japanese mobile operator NTT Docomo, IT outsourcer Cognizant Technology Solutions and Japan's Ono Pharmaceutical.

Docomo has contended with some price increases by competitor Softbank. We don't see any material threat and have maintained our strong conviction. We continue to see the Japanese telecom companies in a sweet spot for revenue and subscriber growth given more rational pricing competition and a more favorable regulatory environment. Further, the industry has recently emerged from a period of heavy investment in LTE networks. With this major capital expenditure behind them, these companies should be capable of generating stronger free cash flow. All together, these factors contribute to strong earnings visibility—a particularly attractive quality in a market environment characterized by uncertainty.

Cognizant is struggling with budget cuts across its financial industry customers and delayed discretionary spending by its health care customers in light of pending M&A. Given these headwinds, we trimmed our position throughout the quarter. In late September, shares again fell on questions surrounding its president's unexpected resignation. We are closely monitoring our remaining position.

We exited our position in Ono Pharmaceutical in late July as heightened government scrutiny and the potential for new regulatory headwinds related to drug pricing in Japan caused us to downgrade our growth outlook for the company. In retrospect, the timing was somewhat fortuitous. After our exit, shares fell sharply when the company's key immuno-oncology therapy (marketed in partnership with Bristol-Myers Squibb) faced a major setback in trials.

Portfolio Positioning

New opportunities we identified this quarter included the following:

- *Alibaba* is China's largest e-commerce company. We're attracted to the secular growth prospects in online and mobile commerce—particularly given China's still-low Internet penetration rate versus major developed markets.
- *China Mobile* is the market-share leader in China's highly consolidated mobile telecom market. We see the company poised to grow average revenue per user as customers increasingly migrate from 3G to 4G—a progression associated with higher data use.
- *Deutsche Post*, through its DHL division, is the global leader in express parcel delivery—an oligopoly whereby DHL, UPS and FedEx control roughly 88% of the market. We see the company as a major beneficiary of secular growth in e-commerce and commensurate demand for faster shipping times.
- *Rogers Communications* is Canada's largest wireless carrier as well as a provider of cable broadband and television. We're attracted to its market leadership in wireless, as well as its superior broadband network speeds vis-à-vis its telco competitors. After ceding some market share to competitors, the company is embarking on a promising turnaround trend under the leadership of its newer CEO (appointed in 2013).
- *ASML* is the market-share leader in the development of next-generation lithography equipment used to make semiconductor chips found in smartphones, tablets and other electronics. The company has a sustainable competitive advantage by virtue of the high barriers associated with the complexity of lithography, and steep investment required to develop new equipment.

On the sales side, apart from Ono, we also exited our position in British Airways owner International Consolidated Airlines, anticipating ongoing pressure from UK macro headwinds. Exercising our valuation discipline, we reduced our position in French dairy company Danone—taking profits after shares rose in response to the company's announced acquisition of US health food company WhiteWave Foods.

Outlook

Despite central bankers' best efforts, the persistently low-inflation macro backdrop continues to put downward pressure on prices, contributing to a general scarcity of top-line growth. In that regard, growth is still difficult to find—but not impossible. In certain cases, we're finding growth potential in companies capable of cutting costs in order to expand margins. We're also finding opportunities among companies benefiting from industry consolidation afforded by an abundance of low-rate debt financing. And as always, we're attracted to companies benefiting from long-term areas of secular growth, such as e-commerce, disruptive technologies and an expanding emerging markets middle class.

Heading into the fourth quarter, the outcomes of several highly anticipated events—chief among them, the Fed's December meeting, the US presidential election and a late-November OPEC meeting—are capable of influencing the direction of equity markets over the short term. Rather than attempting to trade around macro events, we remain focused on factors inside of our control: finding companies with sustainable competitive advantages exposed to long-term areas of secular growth trading at reasonable valuations.

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 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.

This summary represents the views of the portfolio managers as of 30 Sep 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 International Fund's total net assets as of 30 Sep 2016: AIA Group Ltd 3.7%; Linde AG 4.0%; Liberty Global PLC 4.8%; NTT DOCOMO Inc 2.8%; Cognizant Technology Solutions Corp 1.5%; Alibaba Group Holding Ltd 2.6%; China Mobile Ltd 1.3%; Deutsche Post AG 1.0%; Rogers Communications Inc 0.7%; ASML Holding NV 0.7%; Danone SA 2.0%. 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.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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