Artisan International Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTJX

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
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: ARTJX	**5.17**	**-3.94**	**2.50**	**0.93**	**10.87**	**5.87**	**11.82**
MSCI EAFE Small Cap Index	8.64	5.19	12.33	5.08	11.07	4.39	10.05
MSCI EAFE Index	6.43	1.73	6.52	0.48	7.39	1.82	5.59

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

Expense Ratios	
Semi-Annual Report 31 Mar 2016[1]	1.52%
Prospectus 30 Sep 2015	1.52%

[1]Unaudited, annualized for the six month period.

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.

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. Globally, small-cap stocks outpaced large and mid caps, with European small caps bouncing nicely after a challenging Q2. The more economically sensitive sectors (e.g., technology and materials) 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 consumer staples and utilities sectors trailed.

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 Small Cap Index. Our above-benchmark exposure to recently unloved areas of the market—particularly consumer nondurables—worked against us. Stock-specific factors also held back results. Among our larger Q3 detractors were European linen and rental uniform company Elis, Taiwanese contact lens maker Ginko and Greek toy store chain operator Jumbo.

Over the past year, business in Elis's major market of France has slowed in light of declining hotel occupancy rates following terrorist attacks in Paris and Nice. We believe the slowdown is now priced into company shares. Longer-term, we still believe Elis is well positioned to capture secular growth in outsourcing among hotel, restaurant, nursing home and other industry customers.

Ginko's margins recently compressed, in part because the company is rapidly expanding its sales presence online, where contact lenses are subject to heavier price discounting. Over time, we believe the lower marketing spend associated with online sales should help counteract the impact of lower prices. Despite the setback, we're still attracted to Ginko's market-share dominance in the fast-growing Chinese market, where the contact lens penetration rate is significantly underpenetrated vis-à-vis developed markets. We see a compelling sustainable growth opportunity as rising wealth in China generates higher demand for contact lenses and upgrades to disposable dailies.

In light of challenging consumer conditions in Greece, we fully exited our position in Jumbo in August.

Conversely, our top individual Q3 contributors included global payment processing company Wirecard, European cellular towers company Cellnex and German business equipment provider Takkt. Wirecard fundamentals remain strong, with transaction-driven revenue up sharply. Through a series of recent acquisitions, Wirecard is bolstering its position in high-growth emerging Asian markets. The company has also improved its disclosure, helping to allay earlier-year concerns over financial transparency. Ultimately, we see Wirecard as one of the best-positioned companies to participate in the secular growth of e-commerce globally.

Cellnex is benefiting from industry consolidation afforded by a current abundance of low-rate debt. Using debt financing, the company recently agreed to purchase a towers portfolio in the Netherlands and the UK that will meaningfully expand its footprint while further bolstering its free cash flow position. Generally, we continue to find the steady cash flow generation of cellular towers companies attractive. Their long-term contracts with mobile operators provide solid earnings visibility—a particularly attractive quality in a low-growth market environment where pricing power is scarce.

Takkt recovered from a sharp selloff in June following the Brexit vote. Fundamentals remain solid as the company continues growing organically and through accretive acquisitions. We continue to find Takkt's non-capital intensive business model and exceptional free cash flow generation attractive, and we see additional upside opportunity through market share gains in fragmented European markets.

Portfolio Positioning

New opportunities we identified this quarter included the following:

- *AA* is the UK's leading roadside assistance service with twice as many service units as its closest competitor. The company's scale is a particular advantage in a high-barrier industry where customers tend to demand fast service above pricing and other considerations. We're attracted to AA's highly stable and profitable business model. Roughly three quarters of its earnings derive from roadside assistance contracts—a business historically

generating 50% margins with typical renewal rates of roughly 80%. We took advantage of an attractive entry point after AA's former leadership mismanaged the company's 2014 IPO guidance and underinvested in basic operations. Under new management, we believe company shares are capable of re-rating.

- *Enav* is the exclusive provider of air traffic control services in Italy (and the fifth-largest provider in Europe), owning and operating 43 control towers and 4 air traffic centers. The formerly fully state-owned company listed publicly in July and operates under a multi-year government contract. Enav generates roughly 75% of revenues from fees paid by airlines operating the 4,500 average daily flights crossing the Italian airspace, and the remaining revenues from takeoff and landing management. We're attracted to the company's highly predictable and stable cash flow generation. We also believe Enav can leverage its monopoly status to capitalize on an expected increase in global air traffic growth.
- *Euronext* is a pan-European stock exchange. The company operates a leading cash equity trading business in France, Netherlands, Belgium and Portugal; though its diverse revenue stream also includes a wide range of non-transactional services such as market data and indices. We generally see exchanges as large beneficiaries of a post-financial-crisis era regulatory push for more transparent on-exchange trading, as opposed to riskier over-the-counter trading. Euronext currently trades at a discount to peers, providing an attractive entry point. In time, we believe the company's efforts to cut costs and further diversify its product offerings should trigger a share re-rating.

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 within 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 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 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 Fund's total net assets as of 30 Sep 2016: Elis SA 3.3%; Ginko International Co Ltd 4.4%; Wirecard AG 7.9%; Cellnex Telecom SA 2.9%; Takkt AG 3.9%; AA PLC 2.9%; Enav SpA 2.2%; Euronext NV 1.5%. 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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