



Artisan Developing World Fund

QUARTERLY
Commentary

Investor Class: ARTYX | Advisor Class: APDYX

As of 31 December 2016



Portfolio Management
Lewis S. Kaufman, CFA

Dear Fellow Shareholder:

Artisan Developing World Fund returned -6.66% for the quarter ended December 31, 2016, versus -4.16% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Donald Trump's victory in the US Presidential elections shocked markets and pundits alike, and led to a sharp reversal in the low interest rate environment globally. As investors began to contemplate higher growth and inflation in the United States, emerging markets assets came under renewed and disproportionate pressure, principally for two reasons. First, higher US interest rates typically translate into weaker emerging markets currencies, which can result in tighter monetary policy and lost purchasing power. This dynamic is visible in the decline the MSCI Emerging Markets Currency Index, which fell 2.89% after rising 6.56% the first nine months of the year. Second, Trump's rhetoric on trade is distinctly protectionist, which has implications for emerging markets like China and Mexico that count the United States as a major trade partner. Unsurprisingly, China and Mexico both underperformed during the quarter, declining 7.07% and 7.88% respectively. Another key development was the continued rebound in oil prices, as the Saudi-led production cuts between OPEC and non-OPEC members drove a 15.82% increase in Brent crude during the quarter. Oil and commodity-sensitive countries benefitted from the reflationary potential of a Trump presidency and higher resources prices, with Russia (+18.56%) and Brazil (+2.05%) notable outperformers during the quarter. Oil importers such as India (-7.99%) and Turkey (-13.72%) struggled, while India also suffered from the surprise introduction of the Modi government's "demonetization" scheme which sucked liquidity (and likely growth) out of the system in the name of structural reform.

Contributors and Detractors

Top contributors to performance for the quarter included Russian grocer Magnit, Chinese spirits leader Kweichow Moutai, global luxury goods house LVMH, Saudi Arabian travel company Al Tayyar, and Russian Internet search provider Yandex. Magnit rebounded despite continued sluggishness in same store sales, as investors began to contemplate the benefits of a stronger ruble and higher oil prices. Moutai rose due to the growth in advance orders of the company's core baijiu offering (baijiu is a Chinese spirit which has been popular in the country for centuries), which ultimately should drive higher ex-factory prices and revenues. LVMH rose due to a surprisingly good same store sales figure in its core fashion and leather goods business, bolstered by Chinese demand. Al Tayyar recovered from depressed levels, as firmer oil prices and perhaps better visibility into government payment of receivables supported shares. Yandex rose reflecting the improvement in oil prices, and the prospect for improved market share in the company's core Internet search business.

Key detractors from performance for the quarter included pan-Asian life insurer AIA, Indian bank HDFC Bank, Chinese e-commerce leader Alibaba, global social media giant Facebook, and Mexican media and broadcasting conglomerate Grupo Televisa. AIA fell as investors feared tighter restrictions on capital movement from the mainland to Hong Kong, including new restrictions on UnionPay usage; AIA continues to be a proxy for fears about capital controls and a weaker renminbi, despite resilient fundamentals and the substantial value of business in force. HDFC was pressured by India's surprise demonetization scheme which is likely to constrain economic growth in the near term, and by the rise in oil prices which impacts India as an oil importer. Alibaba declined from inflated levels despite beating earnings expectations, perhaps reflecting fears about China's economic health as well as general pressures on valuations of higher-multiple stocks given the interest rate backdrop. Facebook succumbed to some of these same pressures, as well as to commentary about constraints on ad loads (the number of ads that can be served in a certain period of time) and cost pressures as the company continues to invest in its business. Televisa came under pressure due to fears about the new US administration, which were exacerbated by Televisa's post-election comments on a lack of visibility into its depressed advertising and content business.

Market Outlook

As we survey the current market environment, many investors seem to be allocating capital on the basis of a single set of related assumptions: US economic growth will accelerate on the back of infrastructure spending and tax cuts, inflation will pick up, Fed policy will tighten substantially, and US interest rate differentials will widen versus the rest of the world. These assumptions have impacted not only the demand for emerging markets assets, but other assets as well including high-multiple stocks, income-producing assets, US municipal bonds, and the yen and euro. The demand for emerging markets assets in particular has also been negatively impacted by the fear that Trump's protectionist rhetoric will hamper relations with key US trading partners. As we analyze these various factors, we can certainly make a case that, for example, Trump may disappoint investors in his ability to push policy through the house and senate. It is also possible that US growth disappoints, or that European growth and inflation surprise to the upside, or that incoming Fed governors prove more dovish than the new dot plot suggests. While any of these scenarios could challenge the pervading market assumptions, we do not wish to allocate capital on the basis of one view or the other. Rather, we believe the only certainty in the current market environment is uncertainty and continued volatility, and our entire investment framework is constructed to endure disparate scenarios. In particular, we focus on business value compounders with the staying power to invest and compound value through cycles, and we deemphasize currencies that are dependent on foreign capital because such currencies are likely to be volatile as portfolio investment ebbs and flows.

We thank you for your trust and confidence.

Investment Process

We seek to capitalize on opportunities in developing world economies by investing in companies that compound business value over a market cycle, while mitigating the volatility of returns.

Investment Results (%)

	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Average Annual Total Returns	Inception ²
As of 31 December 2016								
Investor Class: ARTYX	-6.66	11.74	11.74	—	—	—	—	-1.26
Advisor Class: APDYX	-6.58	12.02	12.02	—	—	—	—	-1.02
MSCI Emerging Markets Index	-4.16	11.19	11.19	—	—	—	—	-4.60

Source: Artisan Partners/MSCI. ¹Returns for periods less than one year are not annualized. ²Fund inception: 29 June 2015.

Expense Ratios (% Gross/Net)	ARTYX	APDYX
Annual Report 30 Sep 2016	1.52/1.50 ¹	1.25/—
Prospectus 30 Sep 2015 ²	1.67/1.50 ¹	1.29/—

¹Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2018. ²Includes 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.

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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.

This summary represents the views of the portfolio managers as of 31 Dec 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 Dec 2016: Magnit PJSC 4.5%; AIA Group Ltd 4.3%; HDFC Bank Ltd 4.2%; Facebook Inc 4.0%; Alibaba Group Holding Ltd 3.7%; Grupo Televisa SAB 3.2%; Kweichow Moutai Co Ltd 2.6%; Yandex NV 2.5%; LVMH Moet Hennessy Louis Vuitton SE 1.0%; Al Tayyar Travel Group Holding Co P-Cert 0.7%. 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.

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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.

The MSCI Emerging Markets (EM) Currency Index will track the performance of twenty-five emerging-market currencies relative to the US Dollar.

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