Artisan Global Value Fund

QUARTERLY
Commentary

Investor Class: ARTGX | Advisor Class: APDGX

As of 31 March 2017

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Team Overview

Our team has worked together for many years and has implemented a consistent and disciplined investment process. Our team is organized by geographic regions, but within those regions we are generalists who look across all industries. We believe this model enables our analysts to become broad thinkers and gain critical insight across all economic sectors.

Portfolio Management

Daniel J. O'Keefe
Portfolio Manager (Lead)

N. David Samra
Portfolio Manager

Investment Results (%)

As of 31 March 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTGX	**5.77**	**5.77**	**14.72**	**5.24**	**11.03**	—	**7.58**
Advisor Class: APDGX	**5.78**	**5.78**	**14.86**	**5.32**	**11.08**	—	**7.60**
MSCI All Country World Index	6.91	6.91	15.04	5.08	8.37	—	3.00

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 10 December 2007. Advisor Class performance is that of the Investor Class from 10 December 2007 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.

Expense Ratios	ARTGX	APDGX
Annual Report 30 Sep 2016[1]	1.26	1.14
Prospectus 30 Sep 2016[2]	1.29	1.17

[1]Excluding Acquired Fund Fees & Expenses as described in the prospectus. [2]See prospectus for more information.

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.

Market Overview

The aggressive, post-presidential bull run continued in Q1 2017. Equity markets globally were up by 6.9% (all returns in USD unless otherwise stated). Lower-quality and longer-duration assets, such as emerging markets stocks and bonds and long-dated junk bonds, performed best during the quarter. Emerging markets equities were up 11.4%, while developed market equities were up 7.2%. The dollar weakened against almost all major foreign currencies. Notably, short-term interest rates globally have ticked up off the bottom, while in several countries they became less negative.

Portfolio Discussion

All but six securities in the portfolio increased during the quarter. The three largest contributors to returns were Samsung Electronics, Oracle and Medtronic.

Samsung Electronics is the portfolio's largest holding. This titan of technology has been a bit of a curate's egg for investors over the past year. On the one hand, its 2016 smartphone launch literally flamed out as the battery was prone to spontaneously combust. More recently, Samsung's vice chairman—the founding family's heir apparent—was arrested on corruption charges. He currently sits in prison on charges of bribing the government. None of this is good for Samsung's brand. On the other hand, we investors in Samsung have two very important factors in our favor: 1) a cheap valuation and 2) an absolute boom in profits. The company's largest business is the manufacture of semiconductors, mostly memory chips. Samsung is the market leader and enjoys significant capital, technological and scale advantages. That business is currently benefiting from strong memory chip demand combined with disciplined pricing. The company also recently released its latest smartphone, the Galaxy S8, to very good reviews. (Let's hope this one does not need a fire extinguisher.) Most importantly, preliminary first-quarter profits for the group as a whole were up 50% year over year. The share price has reacted favorably, up 15% during Q1 in local terms, while Korean won appreciation tacked on another 9%.

Oracle is a long-standing holding of ours, and we have written on numerous occasions about the company's business-model transition. In short, Oracle is transitioning a portion of its on-premise, license-based software model into an annuitized, cloud-based revenue model. The cloud model is more attractive economically and, more importantly, better suits the needs of many of Oracle's customers. Oracle's willingness to disrupt its current model in order to best serve its customers is a mindset that few entrenched, market-dominant players are willing to adopt. That said, Oracle's earnings have been flat for several years, reflecting investments made to facilitate the transition, as well as the new annuity model's differences in phasing expenses and revenues. In the most recent quarter, there was encouraging evidence that the transition is gaining traction and that the earnings headwinds may be abating. The stock rose 16% in Q1.

Medtronic, the world's largest pure-play medical-device manufacturer, was one of the portfolio's worst performers in 2016's second half and has been one of the best so far this year. In 2016, the company's revenue growth was below some investors' expectations due to timing of product launches. In the most recent quarter, Medtronic reported better revenue trends which assuaged concerns that the business model was somehow broken. The stock rose 14% in Q1.

The worst-performing equities were Tesco, Imperial Oil and Qualcomm.

Tesco is the UK's largest grocery store chain. Over the last several years, the company has been attempting to improve its profitability and defend its business from lower-cost, aggressive competitors. The company's initial efforts under the prior CEO were not successful, and as a result, this has not been a good investment thus far. In fact, at this point we face a permanent loss of capital, though we believe the shares are worth significantly more than where they trade today.

Over the last two years, new CEO Dave Lewis has begun the process of significantly improving the company's cost and competitive position. Efforts at lowering sourcing costs on specific products used by discount chains to drive traffic, then passing those lower costs on to Tesco shoppers, have caused a tectonic shift in the competitive dynamic. As the company continues using its purchasing scale and evolving the current strategy through its portfolio of products, we believe the result will be continued volume growth, market-share gains and a more normal level of operating profitability.

Unfortunately, during Q1, Mr. Lewis decided to diversify the company by announcing the acquisition of Booker, a food distributor. Booker is a much smaller business, reporting approximately £5,000mn of revenue and £150mn of operating profit compared to Tesco's £54,000mn of revenue and a depressed £1,000mn of operating profit. Yet, the transaction value of £3,700mn represents just under 25% of Tesco's market value. Management has decided to spend 25% of the company's value purchasing a much smaller company in a largely unrelated business.

Though we agree with Mr. Lewis that Booker is a good company and has been very well run, at the current moment, we believe Tesco's priorities for its time and capital should remain on the core UK grocery business. We also believe the price paid for Booker (more than 25X forward earnings) leaves little in the way of value that could accrue to Tesco's shareholders.

We have privately discussed our views on the acquisition with the board and management. We should note that, in an unusual set of circumstances, a board member (whom we hold in high regard) decided to resign—apparently in direct opposition to this transaction. We believe that a significant group of other shareholders also look unfavorably at the transaction, with the best evidence being the 10% local-currency share-price decline during the quarter. We continue to maintain an active dialogue with management and have made our views public in an effort to encourage other shareholders to do the same.

The share price of Imperial Oil, Exxon's Canadian oil sands subsidiary, declined 13% (local currency) during the quarter. There was no significant news on the company. The share price likely fell along with the quarter's oil price declines.

Qualcomm's shares declined 11% in Q1. The company was the target of three legal actions: one from the Korean regulatory authorities, one from the US FTC and one from Apple—one of its largest customers. The FTC complaint accuses Qualcomm of using its "monopoly" power in mobile chipsets to extract higher-than-appropriate licensing fees. Effectively, it argues that Qualcomm will withhold supply of its chipsets unless OEM phone manufacturers agree to elevated royalty

rates. We find the allegations puzzling for a number of reasons. Perhaps most notably: Qualcomm does not have a monopoly in chipsets and has in fact been losing share in chipsets for some time now. We would note that one of the FTC commissioners (Maureen Ohlhausen) issued a strongly worded dissent on this case, stating that the FTC's enforcement action is "based on a flawed legal theory that lacks economic and evidentiary support that was brought on the eve of a new presidential administration and that by its mere issuance will undermine US intellectual property rights in Asia and worldwide." We would note that Ms. Ohlhausen was appointed acting chairman of the FTC by President Trump in January. We believe the suits from Apple and Korea are similarly flawed and motivated by commercial interests—lower costs in Apple's case and Korean protectionism vis-à-vis Korean national champion, Samsung. We believe all these cases ultimately will be rejected on the merits.

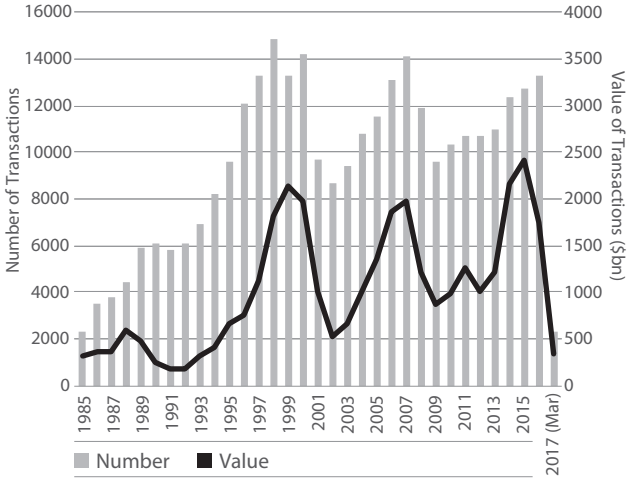
Good Visibility

An elevated tolerance for risk is probably the best way to describe the attitude of investors and money managers today. Perhaps there is good reason for it. First, we have a new US administration that is openly in favor of, rather than hostile to, commerce. Additionally, the US economy continues to grow at a moderate rate; Europe looks like it is recovering; interest rates, though off the bottom, still remain low and in most cases below inflation; China continues to muddle along; and the stock market is going up. In fact, with the current bull market in its ninth year, this is the second-longest winning streak in history. (The longest bull market ran 13 years, from 1987 to 2000—we all know how that ended.) We would also note that, broadly speaking, valuations do not look excessively high (nor do they look attractive), and there are no areas of the stock market that we could identify as a significant bubble.

Claims of "good visibility" echo in the C-suite and on company roadshows when management confidence runs high. We are hearing it frequently now. Management teams have confidence in the short-term outlook for their businesses and, as a result, are more willing to invest. Of course, visibility is never better at one point than at another: The future is always equally uncertain. Visibility may seem better at a point in time, but only because the recent past has been positive. It is a bit akin to driving while looking in the rear-view mirror rather than through the windshield. The unfortunate psychological flaw here is that extrapolating a positive and recent past into the future usually comes when high-return investments are scarce. Everyone else is feeling confident, too, and therefore asset values reflect that. Nonetheless, most management teams move along the visibility curve as the underlying economic environment improves and the stock market provides supportive valuations.

You can see this behavior in Exhibit 1. M&A activity levels usually perk up late in an economic expansion and toward the end of a bull market. Perhaps this time is different, and certainly, economic trends can run on for much longer than one would expect. But the music is playing, and more people are on the dance floor.

Exhibit 1: Mergers & Acquisition—United States



Source: Thomson Financial, Institute for Mergers, Acquisitions and Alliances (IMAA) analysis, as of 31 Mar 2017.

Generally speaking, these trends work in our favor. As value investors, it is our job to identify businesses trading at a large discount to intrinsic value. Because we are also focused on good businesses with strong market positions, it is not unexpected that others in the industry recognize the same attractive economics that we do. In fact, over the vast majority of the portfolio's existence, there has been in each year an offer to buy a portfolio company. In 2017, we have received outside offers for both Unilever and Amec Foster Wheeler. These offers generally both recognize the undervaluation of the businesses and pay the owners for synergies that can be earned (real or perceived) by the acquirer. On the other hand, corporate activity can create ambitions that we believe are value destructive or misdirected, as in the case of Tesco discussed previously.

We won't take a view on "visibility," either positive or negative, but we would observe that the prospects for future returns seem modest at this point. Of course, we never know what is going to happen in the stock market in the near term. Our reluctance to dance on the floor comes from a sober view of discounts available both in our portfolios and generally speaking in the marketplace. A more robust environment for the enterprising value investor comes when corporate titans generally are in fear of allocating capital and valuations are depressed. That fear usually coincides with reluctance on the part of most investors to take advantage of attractive pricing. And that reluctance to invest is almost nowhere to be found today.

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. Value securities may underperform other asset types during a given period.

MSCI All Country World Index measures the performance of developed and 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 Mar 2017. 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. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Mar 2017: Samsung Electronics Co Ltd 4.7%, Oracle Corp 3.4%, Medtronic PLC 3.1%, Tesco PLC 2.2%, Imperial Oil Ltd 1.4%, QUALCOMM Inc 2.9%, Amec Foster Wheeler 0.8%, Unilever NV 0.3%, Unilever PLC 0.1%. 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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