Artisan Global Value Fund

QUARTERLY
Commentary

Investor Class: ARTGX | Advisor Class: APDGX

As of 30 June 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 30 June 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTGX	**5.33**	**11.41**	**21.60**	**5.58**	**12.83**	—	**7.96**
Advisor Class: APDGX	**5.40**	**11.50**	**21.74**	**5.69**	**12.90**	—	**7.99**
MSCI All Country World Index	4.27	11.48	18.78	4.82	10.54	—	3.38

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
Semi-Annual Report 31 Mar 2017[1,2]	1.24	1.10
Prospectus 30 Sep 2016[3]	1.29	1.17

[1]Excluding Acquired Fund Fees & Expenses as described in the prospectus. [2]Unaudited, annualized for the six month period. [3]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

Another quarter, another increase in asset values. Ho-hum. We remember what falling prices look like, but the memory is dimming. The US market crept up another 3%. Europe did roughly the same, but when translated into US dollars, returns were solidly mid-single digits as the dollar weakened considerably against most European currencies. The euro strengthened 7% and pound sterling strengthened 4%—big moves in three months. Both currencies bounced off of multi-year lows, likely reflecting dimming expectations for resurging US economic growth. In addition, the European Central Bank has indicated it may slow its bond buying, which would be positive for the euro. Conversely, the US Federal Reserve is beginning to normalize monetary policy, raising interest rates after 10 years of extraordinary monetary easing. Extraordinary indeed, because rising interest rates normally mean a stronger currency, not a weaker one. And we note that the spread between UK and US 10-year government bond yields is at one of the widest levels in years.

Emerging markets enjoyed mid-single-digit gains as well. Even fixed income indices marched higher despite higher US interest rates. And then there is bitcoin—the anti-currency currency. It more than doubled in dollar value in just three months. That strikes a dissonant chord for us. Volatility as measured by the VIX Index is near its all-time pre-crisis lows. Stocks and bonds are rising together. The Fed is signaling a slow move toward a more normal monetary policy. And yet, one of the best performing asset classes globally (bitcoin) is a private, digital currency untied to any central bank, limited in its supply and arguably a hedge against the instability of a fragile monetary and economic system. It's a bit (no pun intended) like the establishment and the revolutionaries dancing together on the same floor.

Portfolio Discussion

All but eight portfolio stocks increased in value during the quarter (all returns in US dollar unless otherwise stated). The three largest contributors to return were Samsung Electronics, ING and Citigroup. However, ING only made the top three because of the euro's strong performance relative to the US dollar—though up 17.2% in USD, it was up 9.5% in local currency. The top three contributors in local currency were Samsung Electronics, Citigroup and Oracle.

Samsung has been our best performer for two consecutive quarters, and we don't have much new to add to our comments from the last quarter. To summarize: The stock is cheap at a mid-single-digit, unlevered PE; the memory business continues to grow in value as a result of a disciplined industry structure and strong demand; and the smartphone business is moving forward despite last year's unfortunate battery fiasco. The stock gained 13%, and Samsung remains our largest holding.

Citigroup gained 12% in the quarter in anticipation of a positive outcome from its comprehensive capital analysis and review (CCAR)—the annual stress-test exercise in which every bank must submit its dividend and share repurchase plans to the Fed. In the wake of the financial crisis, Citi has transformed itself from a sprawling, complex and overleveraged bank to a more simplified, focused and capital-rich entity. Despite the transformation—and despite excess capital on its balance sheet to which it adds every year through strong earnings—Citi has struggled to win regulatory approval to return significant capital to its shareholders. The last two years showed improvements in its CCAR results, and investors expected this year's result might be another step-wise improvement. That expectation proved well founded—at June's end, Citi's capital plan was approved by the Fed without objection. As a result, Citi doubled its dividend per share from $0.16 to $0.32. Over the following year, Citi expects to return a total of $18.9bn to shareholders, including dividends and share repurchases. This significant capital return is more than 10% of Citi's market cap. It is also greater than Citi's $14.8bn net income in 2016. This means Citi is now returning all of its net income to shareholders as well as drawing down the excess cash it holds (for which it has no attractive alternative use). The return of excess capital has always been at the core of our thesis on the stock. The fact that the majority of the capital return is coming in the form of share repurchases at below book value is icing on the cake.

This year's CCAR results are significant beyond our holding in Citi. CCAR results were positive for most US financial institutions and mark a significant departure from just a few years ago. For almost a decade after the crisis, regulators and politicians took a hostile attitude toward banks. Capital levels never seemed high enough. Profits were bled out to fund a seemingly never-ending stream of fines and legal settlements. It now appears that a truce may have settled in with regulators. We hope that the allocation of capital is now firmly out of the political and into the economic realm. This is a welcome development not only for bank shareholders like us, but for the economy in general.

Oracle gained 13% this quarter, making the top three for two quarters running. What we said last quarter still stands, with recent results providing yet more evidence. In short, we noted that Oracle's transition from primarily a license-driven software model to a more annuity-driven, recurring-revenue cloud model was starting to take hold. For years, investors had been concerned that Oracle's market position would be weaker in a cloud-driven model. Years of transition-related margin pressure bred continual investor skepticism. However, in the most recent results, gross margins took a notable step upward as the cloud business finally reached a scale and maturity allowing it to begin leveraging recent investments. The company is calling for further progress on margins over the next several quarters, and the stock price reacted favorably.

Our worst performing stocks in Q2 were Cisco, Tesco and Telefonica Brasil. Cisco declined 7% this quarter, with the quarterly earnings report highlighting Cisco's issues. On one hand, the company does an outstanding job controlling costs, maintaining or expanding margins, and returning capital to shareholders. The balance sheet is bullet-proof with net cash. On the other hand, the company struggles to generate organic growth. The earnings release showed revenue was

basically flat with continued pressure in its core routing business. Meanwhile, management guidance calls for further declines. However, margins this year are likely to be at an all-time high due to restructuring actions and the benefit of acquisition integration. Stagnation in the core routing business is a function of several factors, including a pause in investment as corporate customers manage cloud investments versus core networking investments and the long-lived nature of Cisco's hardware products, which allows customers to defer upgrades and replacements. The stock remains cheap at about 11X unlevered earnings, but organic growth will have to pick up in order for Cisco to get much of a bump in its multiple.

Tesco declined 9% in local currency but only 6% in dollars as the pound sterling appreciated. The company actually reported good earnings in April. Comparable store sales were positive for the second half of Tesco's fiscal 2017, as well as for the full year, marking its first full year of positive comparable store sale growth in seven years as the volume-led recovery appears to be gaining traction. Margins also showed progress, both in the core UK operation as well as at the group level. Free cash flow was strong, and the balance sheet is improving.

We can only speculate on why Tesco's share price remains weak. It could be a function of investor disapproval of the Booker transaction (we share said disapproval—as discussed in our Q1 letter) as well as general fatigue with the turnaround's very slow and grinding nature. There is no hockey-stick recovery—it will take years for Tesco's margins to normalize. At any rate, we are pleased to see the business returning to health, and the valuation is attractive, assuming margins continue recovering.

Telefonica Brasil (VIV) declined 5% this quarter, but this was more of a Brazil issue than a VIV issue. Brazil's current president, Michel Temer, who assumed power as a result of the former president's impeachment on corruption charges, has himself now been accused of corruption. That a Brazilian president might be corrupt is not in itself all that newsworthy: Brazil's political system and its politicians are among the most rotten and corrupt of any major economy. The disappointment stems from the fact that Temer himself was focused on reforms aimed at driving out the systems and structures that foment this corruption and hobble Brazil's ability to achieve its economic potential.

VIV, however, continues performing well despite Brazil's political and economic morass. Revenues are growing slightly, and costs are coming down. VIV dominates the mobile market and is outgrowing its competitors while maintaining industry-leading margins. The cost control is notable given Brazil's inflationary pressures. The balance sheet is pristine, with net debt a fraction of annual operating profit—a notable contrast to most telecom companies globally which on average carry leverage levels that are multiples of their cash flow. The stock remains cheap, and we added to our holding on recent weakness.

We neither added nor exited any meaningful positions during the quarter. Valuations remain stubbornly reasonable, making it difficult to find attractive new investments. Our cash levels remain elevated.

Happy Birthday, iPhone

There is nothing permanent except change

-Heraclitus

Heraclitus, known as the philosopher of change, lived around 500 BC. He famously said that no man can ever step in the same river twice—the always-moving water is never the same water, and the man evolving through life never the same man. Were Heraclitus alive today, he might have been the perfect guest to blow out the candles at iPhone's recent 10-year birthday celebration and, perhaps more importantly, offer a few words of reflection on that favorite subject of his. To say that the iPhone has changed the world might be the understatement of the decade.

In just 10 years, one product (and its "me-too" variants) has revolutionized modern life, created new industries, destroyed others and conjured around $700bn of incremental market value for a single company. Does anyone even remember the Motorola Razr? When you think about how long it took to build the Great Wall of China (2,000 years), the US interstate highway system (35 years), a national rail system (about 100 years), develop an affordable continental and intercontinental aviation industry (100 years), and electrify half the homes in the US (50 years), the scale and pace of the economic and behavioral change brought by the smartphone is staggering. Facebook didn't exist 15 years ago—today it has more than 2 billion users, enabled heavily of course by the smartphone. (That's another $500bn of market value, by the way.) The list of high-profile, now-behemoth tech companies that have emerged from nowhere over the past 5 to 10 years comes easily to mind: Facebook, Alphabet née Google, Tencent, Baidu, Alibaba, etc. Amazon, too, if you tack on just a few more years.

But it is the less high-profile changes that are arguably more impressive and cumulatively more significant, especially for investors such as us who invest across a wide range of industries. Consider the evolution of the banking industry in those 10 years. In 2006, the pro-forma retail banking branch footprint of Lloyds and HBOS (which merged in 2006 to form the current Lloyds Banking Group) was 3,300. Today Lloyds—the largest bank in the UK—has only about 1,900 branches, and the number is set to fall further. Lloyds employs about 75,000 people today, roughly half the 2006 level. Royal Bank of Scotland, the UK's second largest bank, is on a similar trajectory. We used to apply for mortgages, make deposits, fill out change-of-address forms and open accounts inside a bank branch. Today it is done through a smartphone app or online in a browser. This is what pundits mean when they say we are living through another industrial revolution. The industrial revolution of the 1700s and 1800s was about the transition from an agrarian economy to a manufacturing, wage-earning economy. Today it is about the substitution of software

for human labor. In just a few years (if not sooner!), it is unlikely an actual human will take your order at McDonald's. You will just swipe on a tablet.

The word of the day, then, is *disruption*, which is just the businessperson's way of saying change—change for the worse for the disruptee, and the kind of change that might arrive in large denominations for the disruptor. We reflect on this today not only because of the iPhone's 10-year anniversary, but because disruption has spread through our research activities like a bottle of ink toppled into a pool of clear water: It seems to touch almost every area we wade into. This struck us mid-forehead when we were recently researching—of all things—the cigarette industry.

Yes, disruption is knocking on the door of an industry that has prospered for years—hundreds of them—with just paper, shreds of tobacco and that seminal technological advance of thousands of years ago, fire. The largest and most valuable cigarette maker in the world—Phillip Morris—has invented a new smart device that, instead of burning cigarette tobacco, heats the tobacco to just below burning temperature, creating smoke that supposedly has far fewer carcinogens than traditional cigarette smoke. Philip Morris believes this invention may lead to the extinction of the traditional cigarette business. The product has launched in a just few countries, but in Japan, it's already gained as much as 10% market share within just a year of its national rollout.

We can easily compile a list of industries we follow or have recently researched that are being disrupted on some level:

- Retailers by Amazon and e-commerce generally
- Transportation by Uber and Lyft
- Advertising agencies by Google and Facebook, among others
- TV, radio and print media by Google, Facebook and others
- Shopping malls as retail store counts drop due to e-commerce
- Cigarettes
- Automakers by electric cars and the prospect of self-driving cars
- Manufacturers of razors and razor blades
- Fashion brands
- Industrial supply distributors
- Payments businesses by Internet-enabled peer-to-peer models

That's just a handful, but the point is clear. The ground under the feet of many businesses is shifting, and that makes business analysis and valuation about as interesting as it's been in our careers. In some cases, technology is enabling winner-take-all or winner-take-most outcomes. Apple is perhaps the perfect example of that. The phone businesses of Motorola, Nokia, Sony Ericsson and Blackberry have been erased. But most situations are not as clear cut.

Banking is again an interesting example. Putting aside cash and checks, which are used less and less, money exists in electronic form. That makes it almost the perfect target for a digital business model. As consumers and borrowers increasingly transact online and through apps, and as the marginal cost of moving money electronically is about zero, the financial services industry would seem ripe for disruption by some technology start-up not encumbered by legacy costs, infrastructure and inertia. Then again, technology also offers tremendous opportunity for incumbent players. Banks now see into their customers' day-to-day financial activities in a way that no institutions ever have. They know how much you pay for utilities, mobile phone service, insurance, groceries, etc., and they know who you are transacting with. That insight is valuable. It could fundamentally change the nature of the relationship between banks and consumers. Banks could perhaps tailor advice based on your spending habits, telling you where you could save on insurance, utilities and other commoditized services. They could perhaps act as a broker by partnering with providers to target certain consumers. Could this result in revenue streams that don't exist today? And if they continue reducing their operating costs as the industry digitizes, they may actually gain competitive advantages, rather than succumb to disruption. But if they don't figure it out, there is the risk that some start-up in some garage somewhere will.

Most of the businesses and industries we look at today are more like the banking model than the zero-sum Apple/mobile phone model. In other words, the analysis is murky, complicated and full of as many opportunities as threats. We already discussed some issues around our bank holdings, Lloyds and RBS. A few others examples to ponder: Any consumer-facing business, such as Unilever which sells food and Richemont which sells luxury goods, is seeing its model evolve—in how it communicates with customers, but also in how it sells. Advertising campaigns used to be via print and TV. Now they are through print, TV, social media and search advertising. Products used to be sold entirely through controlled retail channels. In the case of Unilever, for example, the manufacturer/retailer/consumer relationship is evolving. Dollar Shave Club and Harry's Razors are two start-ups that are demonstrating that you don't need a retailer to sell razors and razor blades to consumers—you just go direct. Unilever recently bought Dollar Shave Club to learn how this evolving channel might develop. Could Unilever eventually bypass retailers and sell its food and personal care items directly to consumers? That's an opportunity, or if someone else figures out how to do it with competing brands, a threat. We could go through numerous other examples in the portfolio, but in the interest of space and time, we will simply emphasize that these angles bounce off our holdings in multiple ways.

In the political and social realm, these changes are often viewed entirely negatively. That's understandable if you are a bank teller or a taxi driver. The constant debate about income inequality is maybe really about the taxi driver heading to the unemployment line while the software engineer heads to the Ferrari dealer for a new toy. It is not surprising that politicians would call for checks on the (thus far,

unstoppable) forces of creative destruction. But even technology luminaries such as Bill Gates and Elon Musk have suggested government intervention in order to moderate the perceived threat to social cohesion posed by technological change. Elon Musk has called artificial intelligence the "biggest risk that we face as a civilization." Of course, he controls Tesla, the largest pure-play electric car maker which is actively engaged in creating self-driving cars using artificial intelligence. (He's not the first entrepreneur to have ever tried making the government complicit in limiting competition to his advantage—nor will he be the last.)

In this sense, what's old is new again. At every major economic transition in our history, there are warnings about the future and what we are likely to lose. There are certainly always losers. The horse-drawn buggy makers yielded to the automakers. Typewriter manufacturers were displaced by the personal computer. Passenger ships gave way to commercial aviation. Reading Elon Musk's recent warnings on the dangers of artificial intelligence, we couldn't help but think of the remarks of another visionary, Charles Lindbergh, given more than 70 years ago on the anniversary of the first manned flight at Kitty Hawk.

Lindbergh was the first man to fly from New York to Paris—a flight that gave birth to the commercial aviation industry. He was conflicted in his praise of the industry to which he gave life, marveling at what it had already achieved and would achieve in the future. But he also feared for what mankind might lose: "It is for this reason I say that the Kitty Hawk plane stirs conflicting emotions within me. As it symbolizes our progress, it also symbolizes qualities of life we have left behind and which, to be successful in a deeper sense, we must retrieve … If we are to be finally successful, we must measure scientific accomplishments by their effect on man himself."

If Lindbergh were alive today, he might see he had little reason to worry. The industry he loved and also feared undoubtedly changed the world for the better, adding to human prosperity in measurable and immeasurable ways. Nobody misses the horse and buggy when you can fly Southwest to see your family at Thanksgiving for $75 each way. And the jobs that have been lost have been more than replaced by a larger, more productive new industry. We hope that in 70 years, Bill Gates' and Elon Musk's fears about today's technological advances will be regarded in much the same way. It's an interesting time to be alive, and a fascinating time to be an investor.

Happy birthday, iPhone, indeed.

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 Chicago Board Options Exchange SPX Volatility Index (VIX) measures expected volatility based on the weighted average for a range of options on the S&P 500® Index. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 Jun 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 30 Jun 2017: Samsung Electronics Co Ltd 5.0%, ING Groep NV 2.8%, Citigroup Inc 3.9%, Oracle Corp 3.6%, Cisco Systems Inc 1.8%, Tesco PLC 2.0%, Telefonica Brasil SA 2.6%, Alphabet Inc 1.2%, Baidu Inc 3.2%, Lloyds Banking Group PLC 2.4%, Royal Bank of Scotland Group PLC 2.8%, Unilever NV 0.3%, Unilever PLC 0.1%, Cie Financiere Richemont SA 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.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages. This material does not constitute investment advice.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Artisan Partners excludes outliers when calculating portfolio characteristics. If information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio statistics.

Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Unlevered price-to-earnings ratio (unlevered PE)** is a valuation ratio of a company's current share price compared to its per-share earnings after subtracting debt.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

A R T I S A N  P A R T N E R S

7/24/2017 A17595L_vR