Artisan Thematic Fund

QUARTERLY
Commentary

Investor Class: ARTTX

As of 30 June 2017

Investment Process

Our investment approach is based on thematic idea generation, a systematic framework for analyzing companies and proactive risk management. Utilizing this approach, we seek to construct a focused portfolio designed to maximize alpha while limiting downside risk over the long term.

Thematic Idea Generation

We believe a key element in alpha generation is finding areas where our views on industry fundamentals differ from consensus estimates. In this pursuit, we seek to identify inflections in multi-year trends which may be caused by changes in supply/demand dynamics, societal behavior, market conditions, technology, laws/regulations and business models, among other variables. We believe these inflections are often misunderstood by market participants, and can lead to powerful re-ratings of industries and companies. After identifying a theme, we develop a focused universe of companies to analyze more thoroughly.

Systematic Analytical Framework

We apply a systematic framework for analyzing companies across sectors and themes, creating a repeatable and methodical decision-making process. Our proprietary company models focus on multi-year earnings power differentiation, expected outcome scenario analysis, return on invested capital and discounted cash flow valuations. Visual outputs are then produced through our internally developed technology solutions, allowing us to consistently evaluate positions across the portfolio.

Proactive Risk Management

We incorporate risk management into all stages of our investment process. Metrics evaluated include crowding, correlation, volatility, stress tests, liquidity, factor analysis and macro drivers, all of which inform portfolio construction and position sizing. We also use various instruments, such as options, in an effort to magnify alpha and minimize downside.

Team Overview

The investment team applies the same approach to thematic idea generation and fundamental company analysis that Portfolio Manager Chris Smith has honed throughout his career. Team members are sector specialists with deep knowledge of their coverage areas. Our process blends a collaborative team mentality with individual accountability.

Portfolio Management

Christopher P. Smith
Portfolio Manager

Investment Results (%)

As of 30 June 2017	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1,2]
			Average Annual Total Returns				
Investor Class: ARTTX	**5.20**	—	—	—	—	—	**5.20**
S&P 500® Index	2.48	—	—	—	—	—	2.48

Source: Artisan Partners/S&P. [1]Returns for periods less than one year are not annualized. QTD figure represents performance from inception of the portfolio to the quarter end. [2]Fund inception: 24 April 2017.

Expense Ratios	Gross	Net[1]
Semi-Annual Report 31 Mar 2017	—	—
Prospectus 5 Mar 2017[2,3]	1.56%	1.50%

[1]Reflects a contractual Fund expense reimbursement agreement in effect through 30 Jun 2018. [2]Includes estimated expenses for the current fiscal year. [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. The Fund's investments in initial public offerings (IPOs) made a material contribution to the Fund's performance. IPO investments may not be available in the future. The portfolio's returns may vary greatly over shorter periods due to the limited operating period since inception.

Introduction to Artisan Thematic Fund

As this is the first of what will become regular quarterly updates, we'd like to take this opportunity to elaborate on the key elements of our investment approach—thematic idea generation, systematic analytical framework and proactive risk management.

We believe that in order to generate alpha, one must take a variant view from the street. Our thematic idea generation is central to developing that variant view and allows us to find more actionable ideas across sectors. However, it is important to note this approach is not macro or top-down. Our aim is to identify inflection points in multi-year trends and analyze large, total addressable markets (TAMs) where changes may be driven by technology, new business models, societal behavior, market conditions, new regulation and/or other shifts. Further, we focus on inflections because they are often misunderstood by market participants. If we can identify an inflection point that the street has missed or misunderstood, we believe that we can benefit as certain companies may experience a powerful re-rating, either at the industry or company-specific level. Selecting the right themes is the first step in effective portfolio construction.

Once we have identified themes we believe are inflecting, we focus on areas (industries or end markets) most exposed to those themes, and then create a focused universe of companies to analyze more thoroughly. Our goal here is to identify which companies provide the greatest opportunity for us to take a differentiated view on company fundamentals and valuation upside.

To make that determination, we utilize a systematic analytical framework designed to impart objectivity in our decision-making process. For every company we track, we build proprietary fundamental models focusing on multi-year earnings power differentiation, expected outcome scenario analysis, return on invested capital and discounted cash flow valuations. At this stage, we want to assess whether thematic inflection points can be quantified in a company's business model. Visual outputs are then produced through our internally developed technology solutions, plotting our risk-adjusted position sizes based on the deep fundamental work that we've done. Our visual analysis allows us to consistently evaluate positions across the portfolio, with a goal of understanding whether we have allocated capital to the areas with the greatest potential risk-adjusted upside. This standardized and rigorous approach allows for an open dialogue and iterative discussions among the portfolio manager, risk manager and all analysts. As the team looks to construct a focused portfolio of 20-35 positions, significant fundamental research hurdles must be overcome before a position is initiated. By systematically tracking company-specific inputs and overall portfolio metrics, we can better evaluate our decision-making process with the goal of creating better outcomes over time.

Another key process component is proactive risk management, which is designed to help ensure that all portfolio risks are intended. We specify "proactive" because risk management is incorporated into all stages of our investment process, and it informs portfolio construction and position sizing. Metrics evaluated include crowding and correlation to determine the amount of overlapping exposure with other managers' portfolios and within our own portfolio. We also run stress tests to understand how individual positions and the portfolio as a whole would likely be impacted during periods of broader market duress or by shocking specific inputs or factors. Additionally, we are factor-aware, and we consider liquidity and monitor a range of macro and technical drivers. We also use options strategies in an effort to magnify alpha and minimize downside.

Our investment process consisting of thematic idea generation, a systematic analytical framework (for both evaluating company fundamentals and constructing a portfolio using visual outputs) and proactive risk management provides us with the conviction to focus capital in our best ideas. We look forward to discussing the results of our process to date, and in the coming quarters.

Investing Environment

Despite a rather tepid end to the quarter, US and global markets were solidly positive in Q2. US investors' hopes for imminent tax reform, regulatory relief and infrastructure spending have faded as gridlock has consumed Washington, D.C., contributing to growth stocks' outperformance in Q2 and YTD as expectations for a reversion to cyclical leadership faded. As anticipated, the Fed raised its key rate 25bps in June and reiterated that the pace of tightening will be gradual.

On a sector basis, financials and consumer discretionary stocks led the way. The technology-based stocks commonly referred to as the FAANGs (Facebook, Amazon, Apple, Netflix and Google) turned in another solid quarter—though they gave back some of their gains toward the end of the quarter in sympathy with broader technology names. Only energy stocks were down in Q2, punished as oil prices fell below the $50 threshold toward the end of the quarter.

Performance Discussion

From our April 24th inception through the end of June, our portfolio outpaced the S&P 500® Index by a meaningful margin. Our video games theme was our largest contributor to return, with meaningful contributions from our software and data monetization themes as well. Our portfolio's top three contributors to return (and corresponding themes) were ServiceNow (software), Take-Two Interactive Software (video games) and Tencent (video games). Our bottom three contributors to return were CDK Global (software), Harris (defense) and adidas (turnaround).

ServiceNow, a software-as-a-service (Saas) company, is exposed to powerful secular growth trends in automation, efficiency, security and Internet of Things (IoT). The company's core IT service management (ITSM) software business has few competitors and high customer-switching costs, giving it a formidable advantage. ServiceNow has also been successfully expanding into several areas outside of its core ITSM business—also with few competitors—including software solutions for HR, security, customer service and IT operations management. These new areas more than double ServiceNow's total addressable market (TAM) and present a profitable growth opportunity as the company upsells new product functionality to its existing ITSM customers. As a result, we believe ServiceNow's operating leverage has reached an inflection point as the company can better monetize existing relationships while also reducing customer acquisition costs. We believe the company's margin expansion potential and increasing TAM are misunderstood, allowing us to apply a variant view in our growth estimates.

Take-Two Interactive Software and Tencent both fall under our video games theme. We see video games as a true secular growth industry. Globally, the video game market is larger than the music industry and more than double the box office market. Further, the industry is transforming. Video game distribution is shifting rapidly to digital formats (i.e., PC, mobile and Internet-connected console), driven by a confluence of factors, including faster broadband speeds, the decline of brick and mortar retail and expanded hardware-storage capacity. Digital distribution has superior economics to traditional retail distribution, including roughly 25% higher gross margins. It also offers higher user engagement, and thus expanded monetization opportunities and more stable, recurring revenues. We believe the street has underestimated the impact of this shift, and that video game publishers with proven abilities to generate iconic intellectual property are best positioned to benefit.

Take-Two Interactive Software—owner of the highly popular Grand Theft Auto and Red Dead Redemption—is a prime example of a company that can leverage an online monetization strategy to expand margins and generate significant free cash flow. As of late, the company has been benefiting from enhanced profitability on increased in-game spending.

Tencent, a Chinese company, is a digital goliath with the number-one global market share in video games. Share strength has come on the back of gaming revenue growth—both on PC and on mobile. The company also runs China's largest social media platforms and is rapidly expanding into payments and cloud services—all of which have significant monetization potential.

CDK is a global leader in technology and digital marketing solutions for the auto retail industry—a highly fragmented industry where CDK has a successful history of market-share gains. Until its late-2014 IPO, the company operated for 40 years as a division of payroll/HR services giant ADP. As a standalone company, CDK is now able to run a far more streamlined and productive business, shedding the highly inefficient cost structure and bureaucratic culture of its former parent. The company is not well covered by the street and we think consensus estimates underestimate the company's significant margin expansion potential afforded by a number of efficiency gains, such as shifting operations to lower-cost locations and eliminating management redundancies. We also believe CDK's resistance to auto-sector cyclicality is underappreciated. A relatively small amount of company revenues are directly tied to vehicle sales. Rather, CDK's IT products are mission-critical for auto dealerships' day-to-day operations, resulting in a sticky customer base supportive of highly recurring revenues and strong cash generation. During the quarter, company shares were weak on some heightened price competition at the lower end of the market. We see this issue as transitory and maintain our strong conviction in the longer term thesis.

Harris is a defense-industry contractor supplying sophisticated communications equipment such as tactical radios, electronic warfare and satellite sensors. Our defense theme is based on a recent inflection point in US defense spending. The US DoD budget grew in 2016 after seven years of declines and is currently at an all-time low relative to GDP. We believe we are in year one of a potentially decade-long reinvestment cycle focusing on modernizing high-end equipment and increasing readiness. Further, US defense contractors such as Harris operate in a consolidated industry with high barriers to entry. They also tend to have low capital requirements relative to other industrial companies, supporting their relatively high cash flow. Over the past couple of years, Harris has undertaken a restructuring—making strategic acquisitions, shedding non-core businesses and focusing on higher margin segments. However, thus far, we believe the positive impact of smart M&A and divestitures has been masked by a depressed tactical radio market, Harris' highest margin product. In May, the company reported declining backlogs for its legacy tactical radio products. Going forward, we anticipate the recovery from the trough in DoD spending should help accelerate radio sales, creating a positive mix impact.

Adidas is a holding in our turnaround theme. In recent years, market-share losses in North America caused adidas to fall behind its main rival Nike. However, last year the company tapped a new CEO, Kasper Rorsted—former head of German consumer goods business Henkel—and has since been making meaningful strides toward closing that gap. Much of the turnaround thus far owes to a refocus on fashion-forward products, such as the casual-sneaker line Superstar—an homage to 1980s rapper fashions. Skeptics see these newer fashions as fleeting fads, but we think the company's turnaround potential extends far beyond a few select brands. Notably, after investing heavily in product design, adidas has leapfrogged Nike on the innovation curve. Combined with the company's move to streamline and divest unprofitable businesses, we still see significant room for margin expansion.

Portfolio Positioning*

As of 30 June 2017, the portfolio consisted of 26 companies across 7 themes, with each theme comprising between 2 and 6 companies. The largest three themes by weight were software (24%), data monetization (18%) and defense (15%). The largest five holdings comprised 36.3% of portfolio net assets. US companies comprised 87.5% of portfolio net assets and the weighted average market cap of the portfolio was $67.6 billion[1].

Portfolio Exposure by Theme* (% of net assets)

Software	24.0
Data Monetization	17.9
Defense	14.8
Broadband	12.0
Video Games	10.9
Infrastructure	10.7
Turnaround	9.6
TOTAL	**99.9%**

Source: Artisan Partners/Bloomberg. Theme classifications determined by investment team.
*% of net assets represents the Fund's exposures based on the economic value of investments and options are delta-adjusted. Cash and cash equivalents represented 0.7% of net assets. Statistics shown exclude ETFs and ETF options, which represented 0% and -1.5% of net assets, respectively.

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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.

A non-diversified portfolio may invest a larger portion of assets in securities of a smaller number of issuers and performance of a single issuer may affect overall portfolio performance greater than in a diversified portfolio. Private placement and restricted securities are subject to strict restrictions on resale and may not be able to be easily sold and are more difficult to value. The use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. 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. 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.

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. The holdings mentioned above comprise the following percentages of the Fund's total net assets as of 30 Jun 2017: ServiceNow Inc 4.0%; Take-Two Interactive Software Inc 1.0%; Tencent Holdings Ltd 4.4%; CDK Global Inc 11.2%; Harris Corp 2.0%; adidas AG 2.5%; Facebook Inc 3.4%. 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.

All options positions are displayed on a delta-adjusted notional value basis. Delta adjustment is necessary to properly account for the sensitivity of options to changes in price of the underlying security as well as for making exposure comparisons to the underlying security (measuring options exposure as premium will understate the economic exposure and risk, while measuring exposure as notional value will overstate the economic exposure). Delta-adjusted exposure is a measure for the exposure on the equity market created by the options. This estimation of the equity exposure of a fund is only approximate. The delta-adjusted exposure changes over time and is a function of the size and the precise composition of the options portfolio.

Sectors classified by Bloomberg Industry Classification System.

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.

[1]Weighted average market cap excludes cash and cash equivalents, ETFs and ETF options.

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. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Market Cap** is the aggregate value of all of a company's outstanding equity securities. **Weighted Average** is the average of values weighted to the data set's composition. **Weighted Harmonic Average** is a calculation of weighted average commonly used for rates or ratios. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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