Artisan Global Value Fund

QUARTERLY
Commentary

Investor Class: ARTGX | Advisor Class: APDGX | Institutional Class: APHGX

As of 30 September 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 September 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTGX	**5.18**	**17.18**	**19.95**	**8.69**	**12.31**	—	**8.30**
Advisor Class: APDGX	**5.24**	**17.35**	**20.16**	**8.82**	**12.39**	—	**8.34**
Institutional Class: APHGX	**5.23**	**17.38**	**20.23**	**8.93**	**12.58**	—	**8.43**
MSCI All Country World Index	5.18	17.25	18.65	7.43	10.20	—	3.82

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. Institutional Class performance is that of the Investor Class from 10 December 2007 through the inception of the Institutional Class on 17 July 2012, and actual Institutional Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Institutional Class for the period prior to the Class's inception, and Institutional Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTGX	APDGX	APHGX
Semi-Annual Report 31 Mar 2017[1,2]	1.24	1.10	1.02
Prospectus 30 Sep 2016[3]	1.29	1.17	1.05

[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

Global stock markets were up just over 5% in the third quarter, continuing a global bull market that has pushed equity returns above 17% year to date. (All returns in USD unless stated otherwise.) Non-US developed markets trailed US stocks in local currency but outpaced in USD. Emerging markets had another great quarter—up just short of 8% in Q3 and up nearly 28% year to date.

Perhaps there are good reasons for the market's optimism. For example, global economic conditions are pretty good. GDP is growing everywhere (save Venezuela). The deflation scare looks to have disappeared as consumer prices globally are running up 1.5% to 2.0%. And governments continue to provide stimulus, both in terms of managed low interest rates and deficit spending. Short-term interest rates and, in most countries, long-term interest rates remain below inflation, budget deficits are common in every major economy except Germany, and debt monetization continues in the UK, the EU and Japan. Chinese loan growth at 13% is so aggressive that the IMF issued a warning and S&P downgraded the country's sovereign rating. Governments are doing more than their part.

Or perhaps, equities are simply a logical choice given low interest rates. After all, Warren Buffett recently said that "valuations make sense with interest rates where they are." Low interest rates make bonds and real estate low-yielding choices, narrow spreads on junk bonds make risk-taking unpalatable, and bitcoin is, well, bitcoin. With few choices available, investable wealth is pouring into the stock market. Risk is on.

Portfolio Discussion

In dollar terms, approximately 84% of the portfolio's invested capital posted positive returns during the quarter. Eleven securities representing more than 21% of the invested capital posted gains of more than 10%. Only one meaningfully sized holding fell more than 10%.

The three largest contributors to return during Q3 were Baidu, Telefonica Brasil and Samsung Electronics. Perhaps it is no coincidence that all three are domiciled in emerging markets. However, at least in the case of Samsung and Baidu, we believe their share-price appreciation had more to do with fundamentals rather than a simple revaluation. Telefonica's business fundamentals are just fine and have been for some time—the share-price move likely just reflects a general rebound in the Brazilian stock market.

The share prices of both Baidu and Samsung are up over 50% this year, and in aggregate, they have accounted for approximately 20% of the portfolio's return year to date.

Baidu is China's largest search engine, akin to Google in the US. However, the competitive and regulatory structure in China is not as stable as in the US. As a result, Baidu has faced a number of competitive and regulatory challenges over the last 18 months. On the competition front, Baidu faces significant direct competition for online advertising revenue from both giants (like Tencent and Alibaba) and well-funded start-ups (often funded by those same giants). In addition, in 2016 Baidu was ordered to comply with government-imposed restrictions on the type and quantity of advertising it is allowed to present as search results.

The news flow for Baidu was terrible. It poured investments into improving its products and changing search results to meet new regulatory standards, interrupting growth as margins (and profitability) plummeted. Consequently, Baidu's share price declined 13% in 2016. However, over the last few quarters, Baidu has started resolving these issues through an overhaul in the management team and a more focused strategy. The Q2 2017 earnings release highlighted the company's success: Reported revenue grew 10% while operating profit grew 41% year over year. The share price reacted positively, increasing 38% in Q3. Year to date, the share price is up 51%.

Samsung Electronics remains the portfolio's largest position. As we have written in prior letters, the company continues to benefit from strong demand for memory and logic semiconductors. More recently, in Samsung's second-largest business of selling handsets, the company successfully launched the next iteration of its smartphones—the S8 and the Note 8. The share price increased 8% in Q3.

On the down side, Medtronic's share price fell 11% in Q3—though it is important to note that Medtronic is still *up* 11% for the year. Medtronic, the world's largest manufacturer of medical devices, is highly diversified by product line, therapeutic area and by geography, with its main product lines including implantable cardiology devices, surgical instruments, hospital equipment and other restorative therapies. The company generally grows along with surgical procedures and the incidence of heart disease. We believe Medtronic deserves to trade at a premium valuation given its steady growth, high operating profitability and good cash flow generation—and at today's price, the shares appear modestly undervalued. In Q2, Medtronic reported low single-digit sales growth; however, expectations among some shareholders were higher, and as a result the shares sold down.

Though small positions, the share-price movements of Kia Motors and Hyundai Motors did have a negative impact, albeit modest, on performance—Kia's share price fell 17% while Hyundai's share price was down 9% in Q3. We think of these two companies in combination because Hyundai is the controlling shareholder of Kia, and both companies are controlled by the Chung family. Both are successful, global auto manufacturers with strong market positions in Korea—and those domestic profit streams have been used to grow the businesses successfully outside of Korea. Over the last 12 months, the operating profitability of both companies has been hurt by weak demand in the US and China. Yet, both companies are asset- and cash-rich, and both trade at a significant discount to any rational measure of the value of their assets and businesses. In fact, Kia's market value

reflects only the value of the cash and investments on its balance sheet—shareholders are getting the entire core automobile business for free.

During Q3, we fully exited Unilever as share prices reached our estimate of intrinsic value. Also during Q3, we increased our holding in shares of Yahoo Japan, an investment we initiated late in Q2, and we made a new investment in the shares of Advance Auto Parts.

Yahoo Japan is a leading technology company in Japan. The group's web properties attract more than 50 million unique users daily. The company's most prominent product is the Yahoo landing page, which has some of Japan's best content, including a news and entertainment feed along with practical necessities such as train schedules and maps. Yahoo Japan also operates the largest auction website (the eBay of Japan) and one of Japan's largest e-commerce websites.

Yahoo Japan is a complex investment. The company operates in several business lines and has multiple competitors in each. Additionally, because Yahoo is a first-generation Internet company, there is a necessity to transition customers, users and technology from the PC-era to the mobile-era. As part of the investment case, it is important to recognize that both e-commerce and online advertising in Japan are underpenetrated compared to the rest of the world. We believe as Japan's economy modernizes, Yahoo Japan and its major competitors will benefit as advertising and retail purchasing move online.

Yahoo Japan's complex ownership structure is also a significant part of the investment case. One of Yahoo Japan's largest shareholders (35% of shares outstanding) is a US-listed holding company called Altaba. Part of Altaba's strategy is a tax-efficient divestiture of its Yahoo Japan ownership. The repurchase of Altaba's shares by Yahoo Japan itself looks to be one of the most efficient solutions in helping Altaba achieve its objective. Yahoo Japan currently reports over $5 billion of cash on its balance sheet. That cash today produces no income. Though Yahoo Japan is unlikely to repurchase Altaba's entire $10 billion stake, we believe a share repurchase at this price can add a significant bump to the company's intrinsic value.

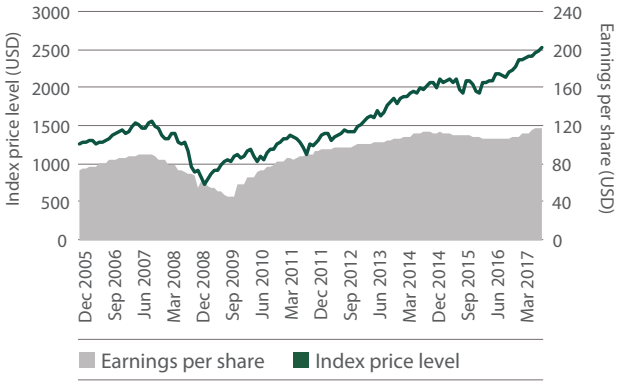
Advance Auto Parts (Advance) is one of the largest, aftermarket auto-parts retailers in the US. Advance operates in an attractive market that exhibits stable demand, steady growth and the opportunity to take share from fragmented local retailers. Within this backdrop, Advance has been a perennial underperformer, with margins, cash flow and returns significantly below its peers. While there are some structural differences among the industry's leading companies, including mix, geography and store costs, we believe that much of the profitability gap can be closed with better execution. A new management team from outside the industry is in the process of implementing a plan that we believe will significantly improve profitability.

In addition to the challenges related to the turnaround, the industry's outlook is clouded by the threat of competition from Amazon. We believe this risk is overstated due to the high service levels required by customers—especially by commercial customers which represent ~60% of Advance's revenues. The combination of a messy (but achievable) turnaround and the threat of Amazon allowed us to acquire the shares at a discounted multiple of what we estimate to be normalized earnings.

Risk On

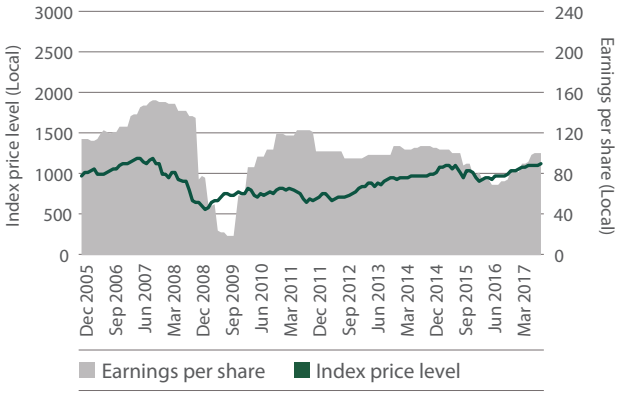
In Exhibits 1 and 2, we show the movement in price levels and earnings per share for the S&P 500® and the MSCI EAFE Indices. As you can see, price increases over the last few years have outpaced earnings growth. For example, from year-end 2013 through June 30, 2017, the S&P 500® Index's trailing 12-month earnings per share have grown 9% while the index's price level is up 31%. Similarly, over that same time period, the MSCI EAFE Index's earnings per share are down 7% yet the index price is up 15% (in local currency).

Exhibit 1: S&P 500® Index—Price Level vs Earnings Per Share



Source: Bloomberg, S&P 500® Index price level and trailing 12-month earnings.[1]

Exhibit 2: MSCI EAFE Index—Price Level vs Earnings Per Share



Source: Bloomberg, MSCI EAFE Index price level and trailing 12-month earnings.[1]

The inescapable conclusion is this: Investors are attributing value through higher P/E ratios faster than companies are actually growing value through earnings generation. In itself, this is not necessarily irrational—but it depends on the starting point. If P/E multiples are expanding from a low base or if multiples are expanding in anticipation of rapidly growing or rapidly recovering earnings, then the pricing mechanism is functioning as it should. But neither of these appears to be the case. P/E ratios are currently at or above long-term averages, and earnings are well through the recovery phase of the crisis—and have been for some time. Investors are either complacent, optimistic or simply don't know what else to do with their money. (Perhaps all three combined.) We can't help but conclude that the market is somewhere between fair and overvalued—as is the portfolio.

Of course, P/E multiples wax and wane over time, and investors cheer expanding multiples and rising equity markets. As value investors focused on capital preservation as well as capital appreciation, we cannot help but become wary as multiples expand and risk increases. The higher the market moves and the higher P/Es expand, the more risk averse we become. Conversely, when markets fall and multiples contract, we get more interested and more excited about prospective returns.

It requires a cognitive defect to be unhappy when things are going so well. Your portfolio managers have suffered many years with this defect, so there is little difference in our behavior today than there was 15 years ago when the first of our clients and shareholders arrived. As a result, cash is high in our portfolios, and we continue to be very productive in finding securities to sell and less productive in finding securities to buy.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

[1]Past performance is not indicative of future results.

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. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. 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 Sep 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 Sep 2017: Samsung Electronics Co Ltd 4.6%, Baidu Inc 3.6%, Telefonica Brasil SA 3.0%, Medtronic PLC 2.6%, Compass Group PLC 0.3%, Hyundai Motor Co 0.2%, Kia Motors Corp 0.7%, Yahoo Japan Corp 1.5%, Advance Auto Parts Inc 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.

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Price-to-Earnings Ratio (P/E Ratio) measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock.

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