Artisan Global Equity Fund

QUARTERLY
Commentary

Investor Class: ARTHX | Institutional Class: APHHX

As of 31 December 2017

Investment Process

We seek to invest in companies, within our preferred themes, with sustainable growth characteristics at attractive valuations that do not fully reflect their long-term potential.

Themes

We identify long-term secular growth trends with the objective of investing in companies that have meaningful exposure to these trends. Our fundamental analysis focuses on those industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of any structural change and/or trend.

Sustainable Growth

We apply a fundamental approach to identifying the long-term, sustainable growth characteristics of potential investments. We seek high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team.

Valuation

We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

Team Overview

Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

Portfolio Management

Mark L. Yockey, CFA
Portfolio Manager

Charles-Henri Hamker
Portfolio Manager

Andrew J. Euretig
Portfolio Manager

Investment Results (%)

As of 31 December 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTHX	**5.54**	**31.34**	**31.34**	**9.24**	**11.79**	—	**12.30**
Institutional Class: APHHX	**5.62**	**31.60**	**31.60**	**9.44**	**11.92**	—	**12.38**
MSCI All Country World Index	5.73	23.97	23.97	9.30	10.80	—	9.09

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 29 March 2010. Institutional Class performance is that of the Investor Class from 29 March 2010 through the inception of the Institutional Class on 15 October 2015, 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	ARTHX	APHHX
Annual Report 30 Sep 2017	1.40	1.16
Prospectus 30 Sep 2016[1]	1.40	1.13

[1]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.

Investing Environment

Global equities experienced broad-based gains in 2017, supported by accommodative monetary policies, better-than-expected worldwide economic conditions and solid earnings momentum. With central banks generally on the sidelines amid a stable inflation and interest rate environment, market volatility declined to near-record lows as most broad-based indices regularly turned in new highs. The rally got an extra lift late in the year on the passage of US tax cuts, which are expected to further underpin corporate profitability for US companies.

As they have for the year, emerging markets led most broad indices in Q4. Among developed markets, Japan was a standout, supported by October's snap election which produced a clear majority for Prime Minister Abe's ruling coalition.

Xi Jinping, the head of China's ruling communist party, secured a second five-year term in October and became the most powerful Chinese leader since Mao Zedong when the party leadership voted to enshrine his ideology in its constitution. His trillion dollar One Belt, One Road Initiative to re-create the Silk Road—an intercontinental trade and infrastructure network—was also added to the constitution. That move underlined the importance of One Belt, One Road to Xi's long-term vision for China's economic role as a trade partner and reinforced the market's positive outlook for global infrastructure investment.

While most economic headlines were positive in 2017, the British economy faltered as Brexit uncertainty was a substantial drag. The UK economy grew at its slowest pace since 2013, while UK inflation hit 3%—its highest level in five years. In December, EU leaders ruled that sufficient progress had been made in the first phase of Brexit talks, allowing negotiations to move on to phase two—centered on discussions over the transition period once the UK leaves the EU and trade arrangements.

By sector, Q4 returns were led by technology, consumer discretionary and materials stocks, although most sectors participated in the strength. The exceptions were health care, utilities and telecom—sectors with lesser exposure to the economic cycle. For 2017, returns were led by technology stocks on the sector's robust earnings growth.

Though monetary policy remains accommodative, the world's major central banks continued setting the stage for normalization. The Federal Reserve held to its gradual pace of monetary tightening—raising its benchmark rate by 25 basis points for the third time in 2017. Likewise, the BOE raised interest rates for the first time in a decade but emphasized that future increases would be modest. For its part, the ECB announced it would scale back monthly asset purchases beginning in January 2018 but extended its QE program by nine months. In contrast, the BOJ left its policy unchanged, maintaining its interest rate targets.

Performance Discussion

Our portfolio produced strong absolute returns in Q4 and 2017. On a relative basis, the portfolio meaningfully beat the MSCI AC World Index for the full year and performed in line with the index in Q4. The portfolio's full-year performance was driven by solid stock selection. Our technology stocks were standouts, though overall, strength was relatively broad-based, as most of our holdings experienced sizable gains.

We were pleased to see that our efforts to reposition the portfolio in 2016's second half for what we believed would be the next wave of growth paid off in 2017. Rather than trying to second-guess the market, we stayed true to our investment discipline—focusing on identifying high-quality companies with sustainable growth prospects positioned to benefit from long-term growth trends. Those characteristics were rewarded in 2017.

A large number of our biggest 2017 winners are benefiting from our identified global growth themes. Alibaba, Amazon.com, Alphabet (parent company of Google) and Facebook were examples within our e-commerce theme. These companies are experiencing exceptional growth rates as commerce and content consumption increasingly shift to the Internet. Though fast growing, the global e-commerce market still only represents 10% of total worldwide retail sales. Similarly, payments companies Wirecard and Mastercard are experiencing rapid organic growth on the accelerated shift toward digital payments and are well positioned, in our view, for the secular growth in e-commerce and mobile transactions. Taiwan Semiconductor was a standout within our Internet of things (IoT) theme. Semiconductor demand is rising steeply on the rapid growth in network-connected devices across both consumer and business applications (e.g., mobile, servers, PCs, video game consoles, smart home, wearables and autos). Representing our "big data" theme were InterXion, a European data center company, and Amazon.com, which provides on-demand cloud computing platforms through its Amazon Web Services subsidiary. Rising global data traffic levels (fueled by IoT), growth in cloud computing and the cost-saving advantages afforded by outsourcing data-storage needs are driving demand for data center colocation services.

Many of our top full-year contributors were also top contributors in Q4—namely Wirecard, InterXion, Alphabet and Amazon.com. Among our other top Q4 contributors were Kose, Lamb Weston and NetEase. Kose, a Japanese cosmetics company, posted strong sales growth across all markets (Japan, North America and Asia), though North America led, driven by Kose's Tarte brand. Lamb Weston is a market leader in US frozen potato/french fry production and supply to restaurants and food service distributors. Demand for frozen potato products has been strong, while pricing has benefited from tight manufacturing capacity. Lamb Weston is the only producer expected to add new capacity this year, which we believe will further drive volume growth and market-share gains. Chinese Internet holding NetEase—one of our weaker performers in Q3—rebounded this quarter as a number of its new video game debuts have been huge successes.

Notable 2017 detractors were Ginko International and Vallourec. Ginko, a Taiwanese contact lens maker, has contended with increasing competition from online sellers and new Chinese brands, which have pressured prices and hurt volumes. Vallourec is a supplier of steel products mainly to the oil and gas industry. The company experienced solid year-over-year growth, but the stock, like many of its energy-sector peers, declined during the first three quarters of 2017. We sold Ginko and Vallourec in Q4 in favor of better opportunities.

For Q4, biotechnology company Celgene was our biggest decliner. Celgene focuses on therapies to treat cancer and immune-inflammatory related diseases. Celgene announced it was halting a late-stage program for its drug to treat Crohn's disease. Though the company has multiple late-stage programs, the news put a damper on sentiment and adds more pressure on the company to deliver positive clinical results in upcoming trials. Growth over the next three years still looks attractive, but progress on diversifying revenues by growing its solid tumor oncology and immunology & inflammation businesses ahead of generics phasing in (starting in 2023) will bear greater scrutiny given recent disappointments. We remain investors.

Positioning

Our portfolio positioning at year end remained relatively unchanged from the prior quarter due to relatively light purchase and sales activity in Q4. Our biggest new positions were Airbus, ASM International and DaVita.

- Airbus is an aircraft manufacturer operating in the world's largest duopoly with Boeing. The present backdrop for air travel demand is very positive. In 2017, airline traffic growth was the strongest since 2011, contributing to demand for new, more fuel-efficient aircraft. Airbus currently has a 9-year, 6,000+ plane backlog. Top-line growth should be compelling, but we are particularly attracted to its cash flow growth potential over the next few years. As Airbus meaningfully ramps production of the A320 and A350 aircraft, volume increases should also lead to declining unit costs, while capital expenditures should fall as investment eases in program ramp-ups. As the company becomes more cash generative, we believe management will step up its return of cash to shareholders, either through dividends or buybacks.

- ASM International is a Netherlands-based supplier of semiconductor equipment. Within wafer processing, ASM focuses on deposition equipment, which involves tools for coating an ultra-thin film of chemicals—a few atomic layers at a time—onto the silicon wafer. ASM is the market-share leader in single-wafer atomic layer deposition (ALD), a technology seeing rapid adoption in semiconductor manufacturing as ALD tools are required for increasingly complex chip designs—smaller, more difficult node architectures. While overall deposition spending has been stable as a percentage of total semi-cap equipment spending, ALD has increased its penetration within deposition from 2% in 2010 to 9% in 2016, resulting in the ALD market growing at a 29% cumulative annual rate over the same period.

- DaVita is the second-largest provider of dialysis services in the US for patients suffering from chronic kidney failure or end-stage renal disease (ESRD). The two largest operators in the US market—DaVita and Fresenius—are a duopoly. They are low-cost providers since their size enables them to purchase drugs at large discounts. The dialysis market has been growing reliably in recent decades driven by the rising incidence of obesity, diabetes and hypertension; aging populations; and increased life expectancies among ESRD patients. Demand for DaVita's services is almost perfectly inelastic as there are no available substitutes aside from the 18k-19k transplants per year. As a result, we believe the company can sustainably grow sales at a 5% annual rate regardless of economic conditions.

In addition to aforementioned sales of Ginko and Vallourec, we also sold Taiwan Semiconductor, Autodesk and Korea Aerospace Industries (KAI) during the quarter. We exited Taiwan Semiconductor, a producer of integrated circuits and wafer semiconductor devices, as shares approached our target valuation. We moved on from Autodesk, a design software company, due to disappointing net new subscription additions and concerns about increased sales execution risk around a new restructuring plan. KAI, the sole supplier of aerospace systems to the Korean government, was sold in favor of other opportunities.

Outlook

Looking back at 2017, better worldwide growth and stable inflation provided an ideal market environment for equities. Fears about rising populism receded as European elections were won by establishment candidates, while markets mostly shrugged off rising tensions between the US and North Korea.

Entering 2018, the broad economic backdrop remains quite healthy. Europe and Japan are getting stronger. The US continues to produce solid growth. China has, thus far, carefully managed a slowdown. Likewise, the outlook for corporate earnings growth remains attractive. Still, with expectations reflecting increased optimism, we would not be surprised if volatility were to pick up from near-record low levels.

While valuations have risen over the past year, we are still finding sustainable growth opportunities that are reasonably priced against our conservative earnings estimates. As always, we will maintain our focus on sustainable growth, placing a high amount of conviction behind companies we believe offer sustainable competitive advantages, strong management teams and reasonable valuations.

Business Update

Maya Bittar and Greg Brash, analysts on the Artisan Partners Global Equity Team, are no longer employed by Artisan Partners effective January 5, 2018. Maya focused on luxury goods companies, specialty retailers in the US and pharmaceuticals companies. Greg covered medical device companies. We thank Maya and Greg for their contributions to the team over the years and wish them well in their next chapters. Coverage of existing holdings has been assumed by other team members.

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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. 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.

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 Dec 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 31 Dec 2017: Alibaba Group Holding Ltd 1.1%; Amazon.com Inc 1.9%; Alphabet Inc 4.5%; Facebook Inc 3.1%; Wirecard AG 4.2%; Mastercard Inc 2.3%; InterXion Holding NV 3.0%; Kose Corp 2.1%; Lamb Weston Holdings Inc 1.7%; NetEase Inc 2.0%; Celgene Corp 2.3%; Airbus SE 1.3%; ASM International NV 3.0%; DaVita Inc 1.6%. 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.

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.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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