Artisan International Fund

QUARTERLY
Commentary

Investor Class: ARTIX | Advisor Class: APDIX | Institutional Class: APHIX

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
Associate Portfolio Manager

Andrew J. Euretig
Associate 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: ARTIX	**3.95**	**31.02**	**31.02**	**4.40**	**7.12**	**2.56**	**9.22**
Advisor Class: APDIX	**3.96**	**31.12**	**31.12**	**4.56**	**7.22**	**2.61**	**9.24**
Institutional Class: APHIX	**3.98**	**31.24**	**31.24**	**4.64**	**7.37**	**2.80**	**9.44**
MSCI EAFE Index	4.23	25.03	25.03	7.80	7.90	1.94	5.12
MSCI All Country World ex USA Index[3]	5.00	27.19	27.19	7.83	6.80	1.84	5.62

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 28 December 1995. Advisor Class performance is that of the Investor Class from 28 December 1995 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 28 December 1995 through the inception of the Institutional Class on 1 July 1997, 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. [3]Performance represents the MSCI ACWI ex USA (Gross) Index from inception to 31 Dec 2000 and the MSCI ACWI ex USA (Net) Index from 1 Jan 2001 forward.

Expense Ratios	ARTIX	APDIX	APHIX
Annual Report 30 Sep 2017	1.18	1.04	0.96
Prospectus 30 Sep 2016[1]	1.19	1.01	0.95

[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.

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 energy and materials stocks, driven by an improved backdrop for commodities prices. 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 EAFE Index for the full year, but slightly trailed the index in Q4. The portfolio's full-year performance was driven by solid stock selection, particularly among our technology and financials holdings, though strength was relatively broad-based, as most of our holdings experienced sizable gains. Generally, only a handful of smaller positions contributed negatively.

We were pleased to see that 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, Wirecard and Amazon.com were examples within our e-commerce theme. These companies are experiencing exceptional growth rates as commerce increasingly shifts to the Internet. Though fast growing, the global e-commerce market still only represents 10% of total worldwide retail sales. Opportunities around e-commerce extend to companies across the value chain, including shipping and logistics, benefiting companies such as Deutsche Post—another top full-year performer. Wirecard, a payments-processing company, is also benefiting from the secular shift from paper transactions to cashless forms of payment, which we believe has a long growth runway.

Our semiconductor-related holdings—Samsung Electronics, Taiwan Semiconductor and ASML—were standouts 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).

Other top contributors in 2017 included, Linde, one of the world's largest industrial gas providers, Canadian Pacific Railway, a North American transcontinental railway, and several of our financial services holdings: Deutsche Boerse, Europe's largest exchanges operator; AIA, a leading insurance provider in the Asia-Pacific region; Allianz, a diversified insurance and asset management company; and ING, a Netherlands-based diversified financial services provider.

Many of our top full-year contributors were also top contributors in Q4—namely Wirecard, Linde, AIA, Deutsche Boerse, Amazon.com and Canadian Pacific Railway. Among our other top Q4 contributors were metals companies Sumitomo Metal Mining and Glencore related to one of our newer themes—electric vehicles. The shift toward electric vehicles is fueling increased demand for key metals used in electric vehicle batteries, including copper, lithium, nickel, manganese and cobalt. We also had strong performances in Q4 from Chinese Internet holdings NetEase and Tencent thanks to their video gaming platforms driving results. NetEase—one of our weaker performers in Q3—rebounded this quarter as a number of its new game debuts have been huge successes. Tencent reported its fastest top-line growth in seven years, driven by its gaming business, particularly mobile gaming.

As mentioned previously, few holdings significantly detracted from full-year results, and those that did tended to be smaller positions with minimal impacts. Tenaris and Vallourec were two examples. Both companies supply steel products mainly to the oil and gas industry.

Coming into 2017, their combined weighting in the portfolio was approximately 1%. We sold Tenaris in Q2 and Vallourec in Q4 in favor of better opportunities. The companies experienced solid year-over-year growth, but the stocks, like many of their energy-sector peers, declined during the first three quarters of 2017.

Our biggest Q4 detractors were ConvaTec Group and Aon. ConvaTec is a manufacturer of medical products and technologies in the areas of wound and skin care, ostomy care, continence and critical care as well as infusion devices. Quarterly sales growth disappointed, largely because of supply disruptions related to shifting production from the US to the Dominican Republic. The poor execution raises questions about management, but recent manufacturing issues appear fixable, in our view.

Aon is a global provider of risk management, insurance and reinsurance brokerage. The stock was up more than 35% YTD before its recent pullback and is still one of our stronger performers for 2017. Slowing organic growth in the company's commercial risk business was due to a revenue-timing issue and challenging year-over-year comparisons. Nonetheless, free cash flow generation remained attractive and restructuring savings continued to drive margin improvement.

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, Rohm and Mitsubishi UFJ Financial Group.

- 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.

- Rohm is a Japanese analog semiconductor company that we believe should benefit from expansion of factory automation, increasing use of semiconductors in automotive applications and growth from a broad base of consumer devices, such as smartphones and video game consoles.

- Mitsubishi UFJ Financial Group is Japan's largest financial group, providing commercial banking, trust banking, international finance and asset management services. Besides an attractive valuation, we believe the firm should benefit from improving economic and market conditions that should allow central banks in Europe, Japan and the US to exit gradually from excessive monetary easing.

Our largest sales this quarter were Taiwan Semiconductor, Swatch Group and Zodiac Aerospace. We sold Taiwan Semiconductor, a producer of integrated circuits and wafer semiconductor devices, as shares approached our target valuation. We exited our position in watch manufacturer Swatch in favor of other opportunities. Zodiac Aerospace, a manufacturer of aircraft equipment and systems, was acquired by Safran, a French aerospace company.

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.

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

MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. 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 comprised the following percentages of the International Fund's total net assets as of 31 Dec 2017: Alibaba Group Holding Ltd 3.2%; Wirecard AG 3.5%; Amazon.com Inc 1.7%; Deutsche Post AG 2.5%; Samsung Electronics Co Ltd 2.2%; ASML Holding NV 1.5%; Linde AG 4.9%; Canadian Pacific Railway Ltd 2.6%; Deutsche Boerse AG 4.9%; AIA Group Ltd 2.8%; Allianz SE 3.7%; ING Groep NV 3.5%; Sumitomo Metal Mining Co Ltd 1.4%; Glencore PLC 1.9%; NetEase Inc 1.4%; Tencent Holdings Ltd 1.0%; ConvaTec Group PLC 1.1%; Aon PLC 1.9%; Airbus SE 1.5%; Rohm Co Ltd 1.0%; Mitsubishi UFJ Financial Group Inc 1.0%. 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.

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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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