Artisan International Small Cap Fund

QUARTERLY
Commentary

Investor Class: ARTJX | Institutional Class: APHJX

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

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: ARTJX	**6.94**	**33.35**	**33.35**	**8.85**	**7.96**	**3.95**	**12.17**
Institutional Class: APHJX	**7.05**	**33.61**	**33.61**	**8.98**	**8.03**	**3.98**	**12.19**
MSCI EAFE Small Cap Index	6.05	33.01	33.01	14.20	12.85	5.77	10.99
MSCI EAFE Index	4.23	25.03	25.03	7.80	7.90	1.94	6.57

Source: Artisan Partners/MSCI. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 21 December 2001. Institutional Class performance is that of the Investor Class from 21 December 2001 through the inception of the Institutional Class on 12 April 2016, 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	ARTJX	APHJX
Annual Report 30 Sep 2017	1.57	1.37
Prospectus 30 Sep 2016[1]	1.52	1.35

[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

International small-cap 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 did 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, strength was broad-based with positive returns across all sectors. Leading the way were technology, materials and telecom. Lagging with low-single digit gains were the health care and financials sectors. 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 and modestly outperformed the MSCI EAFE Small Cap Index in Q4 and 2017. The portfolio's full-year performance benefited from solid stock selection. Our technology stocks were standouts, though our financials, telecom and real estate holdings also contributed strongly to returns.

We were pleased to see our efforts to reposition the portfolio in 2016's second half for what we believed would be the next wave of growth pay 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.

Our top three contributors for 2017, as well as for Q4, were Wirecard, InterXion and Advanced Accelerator Applications (AAAP). Wirecard, a global payments processing company, is experiencing rapid organic growth on the accelerated shift toward digital payments and is well positioned, in our view, for the secular growth in e-commerce and mobile transactions. Representing our "big data" long-term growth theme was InterXion, a European data center company. Rising global data traffic levels (fueled by the Internet of Things), growth in cloud computing and the cost-saving advantages afforded by outsourcing data-storage needs are driving demand for data center colocation services.

AAAP is a French radiopharmaceutical company that produces radioactive drugs used to diagnose and treat cancer, among other diseases. Lutathera, the company's new drug for treating neuroendocrine tumors (NETs), received final EU approval in September and is also expected to receive FDA approval. Our thesis was based on our expectation that Lutathera's impressive clinical results indicated a high probability of regulatory approval. In addition, we believed the market was underappreciating the opportunity for the drug to treat all types of NETs, beyond the specific type studied in clinical trials. In Q4, Swiss drug company Novartis agreed to buy AAAP for $3.9 billion—a 47% premium to AAAP's stock price before media reports of M&A interest.

Notable 2017 detractors were Ginko International and AA. 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. We sold Ginko in Q4 in favor of better opportunities. AA is the UK's leading roadside assistance service. Investors were caught by surprise in early August when AA announced the removal of Chairman Bob McKenzie due to a personal issue, which was not related to the business. The company also reduced its outlook for full-year earnings as the first six months of the year were negatively impacted by volatility in work-load patterns with June and July seeing significant spikes in demand. We believe the

stock price weakness was overdone. The company has a stable and cash flow-positive business model—roughly three-quarters of its earnings derive from roadside assistance contracts, which historically generated 50% margins and renewal rates of roughly 80%. We remain investors.

For Q4, Dignity and SGL Carbon were our biggest detractors. Dignity is one of the leading providers of funeral services in the UK. Recent business performance has been steady; however, management's warning of an increasingly competitive environment led to a selloff in the stock. The stock tends to be volatile around earnings releases, but we don't see any fundamental change in the company's defensive and highly cash-generative profile. SGL Carbon is a German graphite and carbon fiber supplier. The stock has pulled back following its sharp advance through September (+70% YTD). We continue to believe the company is well positioned to benefit from the shift toward electric vehicles and related adoption of lightweight materials.

Portfolio Positioning

We identified a handful of new investment opportunities this quarter, including Aedas Homes, LIFULL and RaySearch Laboratories.

- Aedas Homes is a Spanish homebuilder. The company spent the past few years opportunistically amassing a large portfolio of high-quality land in Spain's top five regions as measured by housing demand. The company is now turning toward monetizing its investments through construction and delivery of new homes. With the Spanish housing market in the early stages of recovery, we believe the company should benefit from strong tailwinds as it executes its business plan.
- LIFULL is a provider of real estate information services primarily in Japan. We believe LIFULL has a long runway for earnings growth due to the infancy of online real estate advertising in Japan. As comparison, less than 40% of advertising spend on real estate is done online in Japan versus more than 80% in the US. Additionally, we believe the company can drive significant margin improvement to a level more in line with that of the industry.
- RaySearch Laboratories is a provider of best-in-class radiation treatment planning software used at cancer centers to optimize radiation treatment plans. The company's RayStation treatment planning software is differentiated from competitors due to its substantial speed advantage. It performs optimization calculations in about 2 minutes versus 20 to 60 minutes for competitors. The system's faster speed allows staff to make changes to treatment plans in real-time when observing how radiation dosing affects the tumor and surrounding organs. This can lead to more effective treatments and better outcomes. RayStation is currently installed in approximately 380 cancer centers for a 5% market share, but we see that increasing markedly due to its competitive advantages.

In addition to the aforementioned sale of Ginko, we also sold Gerresheimer and NKT. Gerresheimer is a manufacturer of packaging for the pharmaceutical and life sciences industries. Sales have slumped due to decreased demand from pharma customers. With poor visibility into a turnaround, we sold Gerresheimer in favor of better opportunities. In Q4, NKT, a power cable supplier, split into two companies—Nilfisk and NKT. Nilfisk specializes in professional cleaning equipment. We continue to own Nilfisk, but sold the parent company as shares approached our target valuation.

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 Small Cap Index measures the performance of small-cap companies in developed markets, excluding the US and Canada. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. 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 Fund's total net assets as of 31 Dec 2017: Wirecard AG 4.7%; InterXion Holding NV 6.9%; Advanced Accelerator Applications SA 5.1%; AA PLC 1.0%; Dignity PLC 0.5%; SGL Carbon SE 1.3%; Aedas Homes SAU 2.3%; LIFULL Co Ltd 1.7%; RaySearch Laboratories AB 2.4%; Nilfisk Holding A/S 1.2%. 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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