Artisan Thematic Fund

QUARTERLY
Commentary

Investor Class: ARTTX

As of 31 December 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. Research analysts are sector specialists with deep knowledge of their coverage areas. Our process blends a collaborative team mentality with individual accountability.

Portfolio Management

Christopher Smith
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[1,2]
Investor Class: ARTTX	**10.23**	**30.07**	—	—	—	—	**30.07**
S&P 500® Index	6.64	14.19	—	—	—	—	14.19

Source: Artisan Partners/S&P. [1]Returns for periods less than one year are not annualized. [2]Fund inception: 24 April 2017.

Expense Ratios	Gross	Net[1]
Annual Report 30 Sep 2017[2]	2.70%	1.52%
Prospectus 5 Mar 2017[3,4]	1.56%	1.50%

[1]Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2019. [2]For the period from commencement of operations 24 Apr 2017 through 30 Sep 2017. [3]Includes estimated expenses for the current fiscal year. [4]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 reflects agreements to limit the 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 performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future. The Fund's returns may vary greatly over shorter periods due to the limited operating period since inception.

Introduction to Artisan Thematic Fund

As the Fund was newly launched this year, we'd like to take this opportunity to reiterate 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-driven. 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 variables. Further, we focus on inflections because these changes 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.

At this stage, we want to assess whether thematic inflection points can be quantified in a company's business model. 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 and expected outcome scenario analysis. We also look for increasing return on invested capital, as this has a tendency to drive multiple expansion. Finally, we perform a discounted cash flow valuation for each company, which serves as an important comparison to our expected outcome analysis. 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 open dialogue and iterative discussions among the portfolio manager, risk manager and all analysts. As we look 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 and shock specific inputs or factors to understand how individual positions and the portfolio as a whole would likely be impacted during periods of broader market duress. 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.

Performance Discussion

Our portfolio's strong QTD and since-inception (April 24, 2017) performance was driven by positive contributions from all of our current themes. Our video games theme was a top contributor over both periods. As we wrote in our Q2 letter, video game distribution has recently entered a significant inflection point as it shifts rapidly to digital formats (i.e., PC, mobile and Internet-connected consoles). Digital formats offer superior economics in the form of higher margins, expanded monetization opportunities and more predictable revenue streams. We believe the street has underestimated this shift's impact. In our view, video game publishers with proven abilities to generate iconic intellectual property are best positioned to benefit. Multiple holdings in this theme made solid contributions to our QTD and since-inception gains. As we have written about Take-Two Interactive and Tencent in prior letters, we will focus here on NetEase and Nintendo.

NetEase is a major Chinese gaming and e-commerce company. Early in 2017, the company's mobile revenue growth had been slowing against tough comps from its 2016 launch of two hit games. At the time of our initial purchase, we recognized an opportunity to acquire an attractively valued company that we believed would benefit from the industry's structural growth as well as several upcoming internal catalysts in 2017's second half. Throughout 2017, NetEase's structural inflection became more apparent as it proved its ability to monetize its existing mobile gaming titles in China, as well as successfully expand its highly popular *Survival* game genre across international markets. Two *Survival* offshoots—*Rules of Survival* and *Knives Out*—ranked among the top global downloads within days of their November 2017 launches, further underscoring the ongoing monetization opportunity.

The inflection for Japanese gaming company Nintendo was tied to the Q1 2017 launch of its Switch™ gaming console. The Switch™ is unique due to its hybrid nature (as a home console and a stand-alone portable gaming system) which broadens its appeal. Earlier in 2017, we believed Switch™ sales would outpace consensus estimates. Our thesis proved true, as Switch™ sales are already pacing with the firm's prior Wii™ launch. We also believed the street was underestimating the operating leverage potential from Switch's™ roll-out, primarily because we believed Switch™ software sales would be more profitable than estimated. Early reads on software sales, along with favorable critic reviews of Nintendo's software titles (*The Legend of*

Zelda, *Super Mario Odyssey* and *Mario Kart*), suggest robust ongoing software sales on Switch™, which are highly accretive to the company's reported margins. We see Nintendo's efforts to broaden the distribution of its iconic game titles via smartphone, theme-park licensing deals and movie deals as additional catalysts.

Lamb Weston (turnaround theme) was also a top QTD and since-inception contributor. Lamb Weston is a leading producer of frozen potato products, with the number-one market share in North America and number-two market share globally. A spin-out from ConAgra Foods in November 2016, the 67-year-old Idaho-based company competes with just a handful of private and family-owned suppliers. Because the industry was not well followed historically, Lamb Weston was misunderstood at the time of the spin-out, and the market assumed the company would generate commodity-like returns. However, our detailed review of industry dynamics led us to believe otherwise.

A combination of heavy supply constraints and elevated global demand has afforded Lamb Weston significant pricing power. The company operates in an oligopoly with high barriers to entry, partly given the difficulties of achieving scale. Further, because the Pacific Northwest offers ideal climate conditions for potato farming and easy access to Pacific ports, North American suppliers have maintained a global pricing advantage. At the same time, growing popularity of quick-service restaurants—particularly across emerging markets—has supported heightened global demand. Altogether, we estimate the industry is running at approximately 95% capacity, and Lamb Weston is the only participant with any meaningful capacity additions coming online in the near term. Given this backdrop, we believed that Lamb Weston would be able to take strong price increases through 2017 and 2018, which would lead to accelerating top-line growth, combined with margin and ROIC expansion. As this fundamental thesis unfolded in 2017, Lamb Weston's multiple was able to expand to a premium relative to other branded staples companies.

Our infrastructure theme was a lesser contributor for the quarter and since inception. The theme is based on the need for increased public spending to update the US's aging transportation infrastructure and public water systems. At the federal level, the December 2015 FAST Act provides over $300 billion in transportation funding through 2020—the first law in over a decade to provide long-term funding for transportation infrastructure. Complementing federal initiates are multiple state initiatives to improve highways systems, evidenced in part by California's gas tax changes, which are expected to fund road repairs.

Two of this theme's holdings in 2017, Vulcan Materials and Martin Marietta, produce construction aggregates (i.e., crushed sand, stone and gravel). Construction aggregates are essential to most construction projects with no substitute available, and they are expensive to transport, effectively creating regional monopolies. These factors give aggregates producers valuable pricing power. Further, the producers' high fixed-cost bases, combined with their ability to consistently increase prices, yield high incremental margins, typically above 60%. During 2017, volumes, and thus incremental margins, were weaker than expected, partly tied to unexpected construction slowdowns brought on by extreme weather (e.g., heavy rainfall early in the year and hurricanes in Texas and Florida this Summer). As earnings had to be revised lower throughout the year, the stocks underperformed. Partly offsetting our inception-to-date losses in aggregates was a positive inception-to-date contribution from water infrastructure company Xylem. At the time of our purchase, we believed the market misunderstood Xylem's earnings potential, comparing it to a standard capital equipment company. However, we believed the company would experience above-industry growth given its emphasis on forward-looking smart-meter technology. We exited our position on strength as our thesis was reflected in the company's share price faster than we expected.

Portfolio Positioning[1]

As of 31 December 2017, the portfolio consisted of seven themes, with each theme including between two and five companies. The largest three themes by weight were defense (27%), data monetization (18%) and turnaround (15%). At quarter end, we held 30 companies with the largest five holdings comprising 39% of the portfolio's net assets. US companies comprised 97% of net assets and the weighted average market cap of the portfolio was $86 billion[2].

Portfolio Exposure by Current Theme[1]

Themes	% of net assets
Defense	27.0
Data Monetization	17.7
Turnaround	15.4
Broadband	14.7
Balance Sheet Financials	11.7
Software	3.5
Video Games	2.3
Idiosyncratic Positions	11.4
TOTAL	**103.8%**

Source: Artisan Partners. Theme classifications are at the sole discretion of the team. Themes and constituents are as of the date indicated and subject to change. Idiosyncratic positions are issuers held outside of a theme. [1]% of net assets represents the portfolio's exposures based on the economic value of investments and options are delta-adjusted. Cash and cash equivalents represented 2.2% of net assets. Statistics shown exclude ETFs and ETF options, which represented -1.0% and -3.6% of net assets, respectively. [2]Weighted average market cap excludes cash and equivalents, ETFs and ETF options.

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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.

This commentary represents the views of the manager as of 31 Dec 2017and do not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

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For the purpose of determining the Fund's holdings, exposures are delta-adjusted at the issuer level and may include multiple securities of the same issuer. The holdings mentioned above comprise the following percentages of the portfolio net assets as of 31 Dec 2017 : NetEase Inc 0.9%; Nintendo Co Ltd 1.5%; Lamb Weston Holdings Inc 3.9%. 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.

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. All options positions are displayed on a delta-adjusted 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.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Contribution to return (Contribution) is derived from a holdings-based methodology, which does not account for the performance impact of securities that are bought and sold on the same day or IPO investments and may materially vary from the Funds' returns. Attribution and Contribution are not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

Theme classifications are at the sole discretion of the team. Themes and constituents are as of the date indicated and are subject to change. Certain holdings have been reclassified subsequent to initial investment, which has impacted theme performance during the period. Portfolio sector classifications are defined by the investment team based on Bloomberg Industry Classification System (BICS).

Market Cap is the aggregate value of all of a company's outstanding equity securities. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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.

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