Artisan International Value Fund

QUARTERLY
Commentary

Investor Class: ARTKX | Advisor Class: APDKX | Institutional Class: APHKX

As of 31 March 2018

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


N. David Samra
Portfolio Manager (Lead)


Daniel J. O'Keefe
Portfolio Manager

Investment Results (%)

			Average Annual Total Returns				
As of 31 March 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTKX	**-3.18**	**-3.18**	**12.46**	**6.23**	**8.43**	**7.97**	**12.91**
Advisor Class: APDKX	**-3.14**	**-3.14**	**12.61**	**6.41**	**8.54**	**8.02**	**12.95**
Institutional Class: APHKX	**-3.12**	**-3.12**	**12.70**	**6.47**	**8.67**	**8.19**	**13.08**
MSCI EAFE Index	-1.53	-1.53	14.80	5.55	6.50	2.74	8.18
MSCI All Country World ex USA Index	-1.18	-1.18	16.53	6.18	5.89	2.70	8.83

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (23 September 2002); Advisor (1 April 2015); Institutional (1 October 2006). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTKX	APDKX	APHKX
Annual Report 30 Sep 2017[1]	1.19	1.04	0.97
Prospectus 30 Sep 2017[2]	1.24	1.09	1.02

[1]Excludes Acquired Fund Fees & Expenses as described in the prospectus. [2]See prospectus for further details.

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.

Market Overview: The Return of Volatility

When trends take hold and accelerate, people tend to expect that they will continue. The longer they go on, the greater the confidence the trends will sustain. This behavioral bias has many monikers: The bandwagon effect, group think and herd mentality come to mind. Here we'll discuss how herding behavior drove a dangerous correlation between the stock market and financial products that trade on volatility.

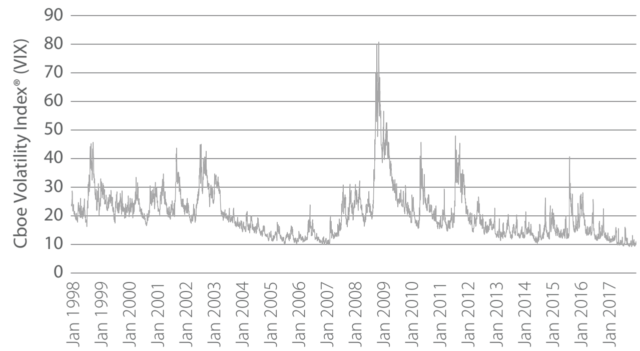
Volatility is many things, but in this case the definition is quite specific: It is the movement of a stock price relative to an index (preferably an appropriate one). For example, if IBM's shares were to move in lock-step with the index, in very simple terms, IBM would have volatility of 1, i.e., a beta of 1.

Volatility can also be a business opportunity. In 1993, the Chicago Board Options Exchange (CBOE)—then a standalone, for-profit publicly traded business that is now owned by Cboe Global Markets—introduced the CBOE Volatility Index, commonly known as the VIX. The VIX, now the most popular measure of the stock market's volatility, is constructed using the implied volatilities of a wide variety of S&P 500® Index options. In layman's terms, the VIX moves up if the S&P 500® Index is gyrating and moves down if the index is moving consistently in one direction. When there is great market turmoil, the VIX usually spikes, which is why the VIX is also called the "fear index."

Because of the VIX's success, the CBOE created more volatility indices, slicing and dicing the world of financial products in multiple layers. Volatility indices have been created for shorter duration index movements, longer duration index movements, individual stocks, sectors and currencies, among others. Just to add some punch, investors can buy or sell futures on the VIX itself, effectively allowing leveraged bets on volatility. Not to be outdone, asset managers and investment banks got into the game, inventing a host of volatility exchange-traded funds (ETFs) allowing individual investors to speculate on the VIX.

Exhibit 1 shows the VIX over 20 years through year-end 2017. The VIX falls when beta is low (i.e., stock prices are highly correlated and moving in one direction) and rises when beta is high (i.e., there is market turmoil). During this period, the VIX has been as low as 9.14 (in November 2017) and as high as 80.86 (amid the 2008 financial crisis). The 20-year average has been about 20.

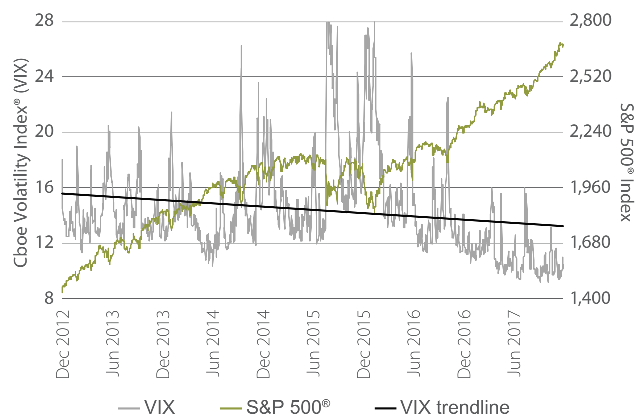
Exhibit 1: 20 Years of the VIX



Source: Bloomberg. The Cboe Volatility Index® from 31 Dec 1997 to 31 Dec 2017.
Past performance is not a reliable indicator of future results.

Exhibit 2 shows the S&P 500® Index versus the VIX over the last 5 years (through year-end 2017). Except for a blip in 2014 and brief periods in 2015, over the last 5 years, the VIX has been generally trending down. That VIX decline coincided with a more or less uninterrupted increase in the S&P 500®.

Exhibit 2: VIX vs. the S&P 500® Index



Source: Bloomberg. Cboe Volatility Index®, S&P 500® Index from 31 Dec 2012 to 31 Dec 2017.
Past performance is not a reliable indicator of future results.

We don't believe these trends are a coincidence. One can argue that the rising popularity of index ETFs drove the rise of the S&P 500® and simultaneously drove down stock market volatility as measured by the VIX. It's reported that investors have poured $5 trillion into US-listed ETFs over the past 5 years. That's quite a tailwind. Much of this flood of money has been funded by withdrawals from actively managed funds, which by and large buy securities based on individual merits rather than inclusion (perhaps arbitrarily) in an index. Money shifted from groups of individual securities, which are often uncorrelated with each other, into largely the same basket of securities that are highly correlated. The flows into ETFs, in effect, drove down the beta of all stocks in the S&P 500® because its constituent stocks are largely being bought in the same amounts every day, decreasing their relative fluctuations.

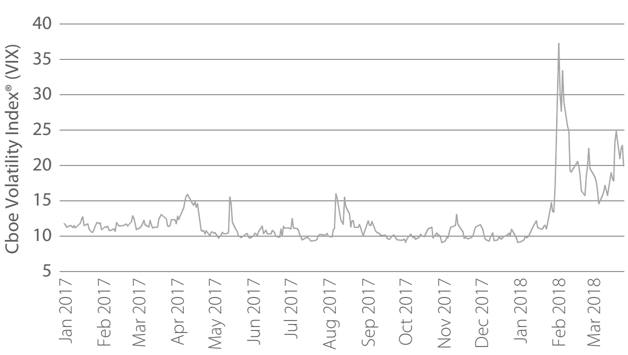
Five years is a long time. The index kept rising. Volatility—and the VIX—kept falling. ETFs kept outperforming active managers. Confidence that these trends would continue got stronger and stronger. This encouraged the creation of more financial products that bet on one-way volatility. The bets got bigger and more leveraged as confidence grew.

And then, it stopped.

In February, the stock market wobbled when Facebook hit a storm of controversy over its privacy policies. Then fear of trade wars and other geopolitical tensions arose. (Exhibit 3 shows the VIX's February spike.) Though the S&P 500® took losses (as did related ETFs), the biggest losers were securities that were short volatility (i.e., products built on bets that volatility—or the VIX—would continue declining), including ProShares Short VIX Short-Term Futures ETF, VelocityShares Daily Inverse VIX Short-Term ETN and the REX VolMaxx Short VIX Weekly Futures Strategy ETF. (Sound exotic, don't they? Just think how sophisticated your advisor sounds when she presents these securities for your purchase.)

In one day (February 5, 2018) the Velocity Shares Daily Inverse VIX Short-Term ETN dropped from 99 down to 7.35—a 93% loss! Credit Suisse was this security's sponsor, and we expect it has a few private-banking clients who are unhappy with their returns. Credit Suisse announced it will no longer offer this product, and the quote currently indicates the product is liquidated.

Exhibit 3: The Return of Volatility



Source: Bloomberg. Cboe Volatility Index® from 31 Dec 2016 to 31 Mar 2018.
Past performance is not a reliable indicator of future results.

Exhibit 3 shows the VIX through 2017 into Q1 2018. It demonstrates the sharp volatility reversal and that volatility remains elevated. Cementing the link between volatility and ETF flows, we note that Blackrock, the largest ETF manager, reported Q1 ETF flows were down 46% over 2017. After years of booming ETF flows and plunging volatility, ETF flows slowed and volatility spiked.

The return of volatility is warmly received here in the halls of the Global Value team. The stock market's consistent increase over the last few years has made it difficult for us to find and subsequently build large positions in new securities at disciplined prices. Pricing of fundamentals for almost all securities in that market environment reflected optimism, rather than the experienced pessimism that pervades our culture—and which is necessary to build a risk-managed portfolio. Now that some of that pessimism is back in the marketplace, the opportunity set widens a bit. Though stock indices have not budged much year to date, the volatility statistics help tell a story of a wider band of movements in the indices' underlying securities. We welcome the change.

In local currency, developed equity markets declined by over 4%. However, in USD, the MSCI EAFE Index was down 2%—losses were partially masked by the strengthening of major currencies against the dollar, including the euro (up 2.6%), the yen (up 5.9%) and the British pound (up 3.9%). US equities were down about 1% while emerging markets were up 1.3% in USD, driven by Brazil, Russia and China.

Portfolio Discussion

The portfolio's top contributors in Q1 were TE Connectivity (TEL), Groupe Bruxelles Lambert (GBL) and HCL Technologies (HCL). In each case local returns were modest.

We discussed TEL in depth in our Q4 letter. To recap, TEL is the worldwide leader in the manufacture of connectors—the majority of which are used in autos. The increased use of electronics in autos has driven solid demand for TEL's products, which has significantly improved the company's growth rate and operating profitability. The shares were up 6% in Q1 (USD).

GBL is a Brussels-based holding company controlled by famed European investor Albert Frère. GBL's largest investments are listed and include Pernod Ricard, LafargeHolcim, SGS, Imerys and adidas. A well-timed investment in the shares of adidas a few years ago has been a key driver of the underlying net asset value of GBL. That trend continued in Q1, with adidas's share price up 19% in euro, 22% in USD.

HCL is an India-based IT outsourcing business. Shares were impacted throughout 2017 by the US administration's negative view of IT outsourcing, which led many of HCL's US-based clients to delay or cancel projects. More recently, demand has begun returning to the Indian IT outsourcing companies, helping push HCL's share price up 9% in Indian rupee during Q1.

The portfolio's biggest detractors in Q1 were Panalpina Welttransport, ABB and RELX. Panalpina is a Swiss-based freight forwarder. The company is currently going through a long and expensive IT platform upgrade, which caused a temporary increase in operating costs and a sluggish earnings report for Q4 2017. Though the share price declined by 20% (in Swiss franc), we do not believe there has been a significant negative impact to the company's long-term earnings power or strategic value.

ABB also reported sluggish Q4 earnings, mainly due to write-downs associated with the company's exit from several contracting businesses. We believe these businesses are non-core to ABB, and management's actions remain in line with a welcome simplification of this conglomerate—we have privately and publicly called for this company to be split into constituent pieces. We believe recent changes to the board of directors will help accelerate the simplification process. The shares fell by 13% (in Swiss franc) during Q1.

RELX PLC is a UK-based professional publishing company. Though there was no fundamental reason for the 16% share-price decline (in GBP) during Q1, we believe the shares' valuation at the end of 2017 had run ahead of fundamentals.

During Q1, we sold the portfolio's positions in technology stocks Accenture and Tokyo Electron. The share prices of both have been meaningful drivers of returns over the last few years. However, valuations became elevated, and we sold those securities in favor of GlaxoSmithKline (GSK).

GSK is a UK-based medical conglomerate operating in three business lines, including pharmaceuticals, vaccines and consumer products. GSK has been struggling in its pharmaceuticals business for decades, mainly as a result of patent expirations, but also due to poor management and misdirected R&D spending. At today's valuation, we believe GSK's market value fails to recognize the value of the group's vaccines and consumer businesses. Both are highly profitable and have good growth prospects—and they are much more valuable than the multiple assigned to the combined group. Further, we believe the company's recently installed management team has created a step-change in R&D strategy that is likely to improve the group's pharmaceuticals business.

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. Value 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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. Cboe Volatility Index® (VIX) measures the market's expectation of 30-day volatility based on the implied volatilities of a wide range of S&P 500® Index options. 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 Mar 2018. 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 31 Mar 2018: TE Connectivity Ltd 3.1%, Groupe Bruxelles Lambert SA 2.7%, HCL Technologies Ltd 2.0%, LafargeHolcim Ltd 0.7%, Panalpina Welttransport Holding AG 1.9%, ABB Ltd 3.5%, RELX PLC 2.8%, GlaxoSmithKline PLC 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.

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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.

Beta is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **Exchange-traded notes (ETNs)** are a type of exchange-traded unsecured, unsubordinated debt security based on the performance of a market index minus applicable fees, with no period coupon payments distributed and no principal protections. **Exchange-traded funds (ETFs)** are a type of security that tracks an index, a commodity, bonds, or a basket of assets. Unlike mutual funds, ETFs and ETNs trade on exchanges throughout the day based on market prices. Discussion of Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs) is for illustrative purposes only and is not intended as a recommendation to purchase or sell shares of any individual security or security type. Investment in an ETF or ETN may result in a gain or a loss and the performance and risks of each individual product will vary.

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