Artisan Developing World Fund

QUARTERLY Commentary

Investor Class: ARTYX | Advisor Class: APDYX | Institutional Class: APHYX

As of 30 June 2018

Portfolio Management

Lewis S. Kaufman, CFA

Dear Fellow Shareholder:

Artisan Developing World Fund recently celebrated its three-year anniversary. While markets have ebbed and flowed over that period, our process has continued to emphasize a core set of investment principles: domestic demand rather than domicile, a desire to limit capital impairment, business models as value drivers, a repeatable currency framework and the importance of multinationals in a portfolio context. Each of these principles is not necessarily unique to us. Collectively, they result in a portfolio that is organic in thought, and that provides a framework for navigating whatever the future might have in store. Ultimately, in an asset class that is often thought of in transactional or asset-allocation terms, we believe our process gives us an opportunity to achieve a compounding outcome. We will continue to evolve around our core set of principles.

Market Backdrop

Artisan Developing World Fund (Investor Class) returned -7.50% for the quarter ended June 30, 2018, versus -7.96% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 22.55% cumulatively, versus 17.75% for the MSCI Emerging Markets Index. The deteriorating external environment (MSCI EM Currency Index: -5.50%) and escalating trade tensions were the two key drivers of negative returns this quarter. Currency weakness reflected higher interest rates in the US, economic and political slippage in Europe, global trade tensions and policy easing in China. Several developing countries raised interest rates to stabilize their currencies or anchor inflation expectations during the quarter, including Argentina, Turkey, Indonesia and Mexico. Brazil was the worst performer among major emerging markets (-26.39%), as a trucker strike and the resulting renewed fuel price subsidies underscore domestic political pressures ahead of the fall elections. Eastern European markets struggled (Hungary: -14.40%, Poland: -11.63%) as reduced fiscal transfers to Hungary and Poland in the next budget become more likely, and as a fragile Italian government coalition highlighted latent political risks across the continent. Mainland Chinese markets also declined (-13.25%) as investors began to question whether Chinese policy makers might allow a substantially weaker renminbi to soften the potential growth impact of a trade war. Southeast Asian markets also declined during the quarter due to domestic (Malaysian elections) and external (dollar strength, trade tension) factors, with Malaysia (-11.44%), Indonesia (-12.54%) and Thailand (-15.00%) all weakening. Russian markets proved relatively resilient (-6.04%) as the threat of heightened sanctions began to recede, and as oil prices rose. It is worth noting that though trade tensions have been initiated in the US, and though monetary policy continues to tighten faster in the US than in most countries, the S&P 500® Index substantially outperformed most emerging and international market gauges during the quarter.

Contributors and Detractors

Top contributors to performance for the quarter included Chinese airport operator Shanghai International, Indian bank HDFC Bank, social media platform Facebook, Chinese Internet search engine Baidu and Chinese hotel operator Huazhu Group (which recently changed its name from China Lodging). Shanghai Airports reported strong non-aeronautical revenue despite government restrictions on passenger airline movements due to international passenger mix, and benefited from optimism about the terms of the company's pending duty-free concession renewal. HDFC Bank rose due to accelerated bad asset recognition in the banking sector, which pressured capital adequacy ratios for troubled state and private sector lenders and should accelerate HDFC's market share gains. Facebook rose as it took tangible steps to shore up privacy policies and regain user confidence, and as it experienced continued operating momentum on its Instagram platform. Baidu reported a second consecutive quarter of operating momentum as core search growth reaccelerated, perhaps due to synergy with its burgeoning newsfeed business. China Lodging rose as it experienced better price realization trends, while continuing to execute on its expansion program.

Key detractors from performance for the quarter included Argentine banks Grupo Financiero Galicia and Grupo Supervielle, Brazilian merchant acquirer Cielo, Brazilian drug maker Hypera and Macau casino operator Galaxy Entertainment. Galicia and Supervielle both suffered from a significant deterioration in external conditions which pressured the peso, led to increasing inflation expectations, caused the central bank to raise interest rates significantly and culminated in budget cuts and an IMF backstop. While operating conditions remain stable for Galicia given its strong deposit franchise which should allow profits to remain resilient in the face of interest rate increases, Supervielle reported a deterioration in asset quality which could worsen given the external environment. Cielo declined as a recovery in payment volumes spurred by lower interest rates has not translated into profit growth, due to continued deterioration in the competitive environment for merchant acquirers and persistent cyclical pressures. Hypera declined due to the fallout from alleged payments by former company executives made in a possible effort to achieve preferential operating conditions, which could result in fines or other penalties. Galaxy Entertainment declined as Macau experienced gross gaming revenue (GGR) deceleration, and due to concerns about whether the weaker renminbi could spur the government to stem capital flight from the mainland.

Market Outlook

The market backdrop remains tenuous, as recent renminbi weakness has only compounded existing concerns about trade tensions. At the heart of these concerns is the health of the economic and political relationship between the US and China. It is perhaps valid that China currently benefits from a relatively favorable tariff regime, and that China has yet to meet all of its original WTO commitments. Whether or not these issues could be resolved within the context of the existing institutional framework (e.g., WTO, multilateral negotiations, etc.), current US trade initiatives targeting China seem to be premised on one idea: because Chinese exports to the US significantly exceed US exports to China, China has more to lose. However, broader measures of trade including US business interests in China suggest that a "proportionate" Chinese response outside of just tariffs is quite possible and potentially quite damaging to US interests. For example, in the past, the government has encouraged the boycott of certain foreign brands within China. Presumably, the US government knows this. Thus, the current US administration may have another goal in mind. One possibility is that it views cessation of intellectual property transfer as a strategic priority and is using the tariff regime as a negotiating tactic. Perhaps China's assistance in denuclearization of the Korean peninsula is the ultimate goal. Another possibility is that the administration is simply posturing ahead of the midterm elections in an effort to appeal to its base. These all represent benign interpretations. Alternatively, perhaps it means exactly what it says, in which case trade tensions can escalate. Notably, the European Union, Canada and Mexico (all traditional US allies) have all been targets of recent US trade policy.

It is important to note in assessing the trade tensions that China's current account surplus continues to narrow, reflecting a surge in both outbound tourism and imported goods. While China's export share has held steady and while the deterioration in external accounts reflects strong domestic demand rather than lost competitiveness, a dwindling current account surplus makes China more vulnerable to capital flight. Notably, China did not participate in global currency weakness against the dollar until late June. This changed when the PBOC lowered reserve rate requirements (RRR) for banks, likely to counter the economic impact of the trade war, and allowed for a weaker "fix" against the US dollar. Apart from causing global FX instability, this move also could jeopardize the country's recent debt trajectory which had recently stabilized. Specifically, dollar outflows drain money supply and must be offset with domestic credit expansion. Continued capital market reforms including the gradual opening of the domestic bond and stock markets can mitigate these effects, but ultimately it is probably not premature to conceive of China as a current account deficit country within five years—with or without trade tensions.

For market participants, the reality is that trade actions even in their current moderate form have real economic consequences. One obvious such example is a tightening of financial conditions, as visible in higher interest rates in several developing countries. However, the potential for more lasting impact is palpable. For example, we have already seen significantly higher steel prices in the US, which are likely to lead to higher prices for some US consumer goods. Targeted tariff increases in key industries including autos may have a similar effect, if they come to fruition. Trade uncertainty is also likely to delay or alter investment decisions and business confidence in the United States, and perhaps globally. The reality is the acceleration in global growth that was so evident last year is increasingly likely to reverse if the current trade tensions do not subside soon. It is also worth noting that as current institutional norms are breached, there are implications well beyond trade, including in the geopolitical sphere.

We thank you for your trust and confidence.

Investment Process

We seek to capitalize on low-penetration opportunities by investing in companies that compound business value over a market cycle, while implementing a forward-looking construct for managing risk.

Investment Results (%)

			Average Annual Total Returns				
As of 30 June 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**-7.50**	**-7.14**	**3.04**	**7.01**	—	—	**7.15**
Advisor Class: APDYX	**-7.48**	**-7.04**	**3.22**	**7.23**	—	—	**7.36**
Institutional Class: APHYX	**-7.47**	**-7.03**	**3.27**	**7.33**	—	—	**7.47**
MSCI Emerging Markets Index	-7.96	-6.66	8.20	5.60	—	—	6.07

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Fund inception: 29 June 2015.

Expense Ratios	ARTYX	APDYX	APHYX
Semi-Annual Report 31 Mar 2018[1]	1.34	1.16	1.08
Prospectus 30 Sep 2017[2]	1.40	1.21	1.12

[1]Unaudited, annualized for the six-month period. [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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

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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. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. 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.

MSCI Emerging Markets Index measures the performance of emerging markets. The MSCI Emerging Markets (EM) Currency Index will track the performance of twenty-five emerging-market currencies relative to the US Dollar. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All country returns are based on MSCI country indices. 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 30 Jun 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. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 30 Jun 2018: Shanghai International Airport Co Ltd 3.0%, HDFC Bank Ltd 4.3%, Facebook Inc 1.0%, Baidu Inc 2.3%, Huazhu Group Ltd 1.2%, Grupo Financiero Galicia SA 2.2%, Galaxy Entertainment Group Ltd 3.3%, Hypera SA 1.7%. 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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