Artisan International Fund

QUARTERLY
Commentary

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

As of 30 September 2018

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

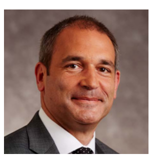
We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

Team Overview

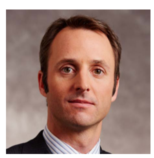
Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

Portfolio Management

Mark L. Yockey, CFA
Portfolio Manager



Charles-Henri Hamker
Associate Portfolio Manager



Andrew J. Euretig
Associate Portfolio Manager

Investment Results (%)

			Average Annual Total Returns				
As of 30 September 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTIX	**2.86**	**0.48**	**4.45**	**8.30**	**3.99**	**6.64**	**8.92**
Advisor Class: APDIX	**2.89**	**0.60**	**4.58**	**8.46**	**4.11**	**6.70**	**8.95**
Institutional Class: APHIX	**2.90**	**0.66**	**4.67**	**8.54**	**4.23**	**6.88**	**9.14**
MSCI EAFE Index	1.35	-1.43	2.74	9.23	4.42	5.38	4.88
MSCI All Country World ex USA Index[1]	0.71	-3.09	1.76	9.97	4.12	5.18	5.28

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (28 December 1995); Advisor (1 April 2015); Institutional (1 July 1997). 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. [1]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
Semi-Annual Report 31 Mar 2018[1]	1.18	1.03	0.95
Prospectus 30 Sep 2017[2]	1.18	1.04	0.96

[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.

Investing Environment

Global equities advanced in Q3, lifted by US equities' surge to fresh all-time highs and best quarterly gain since 2013 (based on the S&P 500® Index). Non-US equities generated positive returns in Q3 but failed to keep pace with their US peers. Strong earnings growth and continued global expansion supported share-price gains generally, although there were notable pockets of weakness geographically. Chinese stocks finished down as an escalating trade war with the US and signs of slowing growth took their toll. Additionally, Turkey was a key flashpoint as the country's longstanding economic imbalances and lack of an adequate policy response culminated in a plunging Turkish lira and stock market.

Trade tensions have been an important driver of markets this year as the US has sought to redefine its trade relations with much of the world. Those concerns were partially allayed in Q3 as the US cut deals with several major trade partners, namely the European Union, Mexico and Canada. And though President Trump's administration has called the new deals transformative, most aspects of the previous agreements remain intact. Markets more than anything dislike uncertainty. Consequently, the resolution of these trade disputes and lack of material revisions were clearly positive for market sentiment. However, the bigger risk remains US-China as the outlook on that front continued to deteriorate. In September, the US announced $200bn in additional tariffs, bringing the total thus far to more than $250bn with the US threatening additional tariffs if China retaliates. The acrimony spilled over into the military sphere in September with a near-collision between two warships in the South China Sea. It's increasingly evident both sides are prepared for a protracted standoff—perhaps one over several years.

After a synchronized global expansion in 2017, the story of 2018 has been the US economy's divergence from the rest of the world. Whereas US GDP growth accelerated to above 4% in Q2—fueled by tax reform, reduced regulation and increased government spending—growth rates in Europe, Japan and China have mostly stagnated. The rising trend in oil prices, the US dollar and interest rates has contributed to tightening financial conditions globally while also contributing to currency dislocations in emerging markets (e.g., Turkey).

As has been the case economically, so too have monetary policies diverged. The Federal Reserve hiked its benchmark rate for a third time this year in September, citing strong economic fundamentals, while the ECB, BOJ and BOE stood pat. In China, policymakers' efforts to mitigate the trade war's threat are ongoing. In early October after the quarter concluded, the central bank cut the bank reserve requirement ratio by an additional 100 basis points. By pumping additional liquidity, Chinese policymakers are also allowing the country's currency to weaken, which is supportive to Chinese exports.

By sector, returns were led by health care, communication services and energy. Rate-sensitive sectors with higher dividend yields, such as utilities, real estate and consumer staples, were laggards amid rising interest rates.

Performance Discussion

Our portfolio outpaced the MSCI EAFE Index in Q3 and remains ahead YTD. Outperformance was driven by stock selection among our technology and health care holdings. Individual standouts in these sectors were Wirecard and Medtronic. Wirecard, a payments processor, is delivering robust organic growth, as transaction volumes rise on the back of momentum in mobile and e-commerce. The new business pipeline is also quite strong. Even after strong stock price appreciation over the past 12 months, Wirecard's valuation remains reasonable against our long-term earnings estimates.

Medtronic, one of the largest medical devices companies, is benefiting from several new product cycles driving top-line growth, including the MiniMed™ 670G automated insulin delivery system used to treat diabetes. We believe Medtronic should be able to generate attractive rates of growth over the next few years and remain attracted to its diversified product set—particularly in the key areas of cardiac and vascular, minimally invasive therapies, diabetes and neurovascular & neurosurgery.

Other standouts were aircraft manufacturer Airbus and Canadian Pacific Railway (CP). Both Airbus and CP operate within duopoly market structures. Companies within consolidating or consolidated industries are especially appealing to us because they typically have the sustainable growth characteristics we seek in our investments. Said differently, consolidated industries tend to have greater economies of scale, stronger pricing power, higher margins, better asset efficiency and above-average returns. Moreover, the barriers to entry into the aircraft OEM and Canadian rail markets are overwhelming. Businesses with durable competitive advantages, such as these, are more likely, in our view, to produced sustainable earnings growth over the long run.

Airbus and Boeing account for more than 90% of commercial aircraft-unit backlog globally. Air-travel demand has been very positive. Airline traffic has been growing in the high single-digits in each of the past three years, contributing to solid demand for new, more fuel-efficient aircraft. Airbus currently has a decade-long, 6,000+ plane order backlog. Top-line growth should be compelling, but we are particularly attracted to the company's 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 continued steady growth in dividends or a meaningful share buyback.

CP is a holding in our infrastructure theme that benefits from increased infrastructure spending in the US and Canada. CP and Canadian National Railway—a new purchase in Q3 which we will discuss further—are Canada's dominant freight railway systems. Since 2013, CP has restructured operations and invested in better trains, transforming itself into one of the most efficient railroads and enabling it to more effectively compete against trucking. Results have also been bolstered by strong, broad-based volume growth across crude, potash, auto and intermodal, which has more than offset higher fuel costs and strike interruptions.

The financials sector was a source of relative weakness due in part to ING and Housing Development Finance Corporation (HDFC). ING is a Netherlands-based diversified financial services provider. In early September, the bank was fined $900 million by Dutch authorities, citing inadequate anti-money laundering processes. Shortly thereafter, ING's CFO resigned amid a public backlash. We believe ING can overcome its recent setbacks. The stock is now selling quite cheaply—trading at a double-digit discount to European banks on a multiple of earnings and offering a sustainable 6% dividend yield.

HDFC is India's largest standalone mortgage financier and a holding in our demographics theme. In September, HDFC was caught up in an industry-wide stock selloff due to a liquidity crisis in Indian non-bank finance companies (NBFCs) when infrastructure lender IL&FS defaulted on debt payments. HDFC also has exposure to IL&FS via a 9% stake and possibly through its loan book. However, the bigger issue is the immediate liquidity outlook as HDFC's direct exposure to IL&FS is relatively small within its consolidated operations. We think this is less of a concern for HDFC and many of the other large NBFCs that do not have the asset-quality issues of IL&FS. In fact, the liquidity crisis may even help HDFC since money will go to only the best quality NBFCs, of which HDFC is one. Besides, recent results have been buoyed by strong loan growth across both retail and corporate segments. Longer term, we believe HDFC's brand equity, management strength and strong position within a consolidated Indian housing finance market position it well to benefit from India's underpenetrated mortgage market, favorable demographics and rising urbanization.

Other meaningful detractors were Ryanair, Europe's largest low-cost airline, and Calbee, a Japan-based maker of snack foods. Ryanair's near-term profit outlook has been dented by the combination of higher labor costs, reduced bookings due to strikes, and increased fuel costs squeezing margins. It may be several months before the labor strife resolves, but much of the earnings risk appears already discounted in Ryanair's stock price, which is trading at a valuation discount based on earnings relative to its history and the European airlines industry. Despite near-term headwinds, we believe the company is well-positioned long term given its best-in-class unit costs and strong cash generation.

Calbee's profit growth rose sharply on the back of strong potato chip sales in the company's domestic market following last year's potato shortage. However, sales of other snacks, including its Frugra-branded granola cereal, were uninspiring. Calbee has plans in place to target additional customer segments with new cereal products later this fiscal year. Besides product introductions, we believe cost reductions and expansion into overseas markets are important earnings-growth drivers for the company.

Positioning

Since early 2017, market performance has been led by momentum stocks—most notably in the areas of technology and the Internet, where secular prospects are brightest and, importantly, earnings growth has been strongest. On the other hand, more staid sectors like consumer staples and utilities have lagged. This performance dichotomy has led to rich valuations among the former group and left the latter selling relatively cheap. Our process is centered on finding high-quality growth companies selling at reasonable valuations. We like growth, but growth must be priced correctly for it to meet our investment criteria. One rule of thumb we use is to look for stocks selling at price-to-earnings ratios between one-to-two times earnings growth, also known as a PEG ratio of 1X-2X.

Employing our valuation discipline in Q3, we lightened our exposure to higher-growth-but-higher-priced stocks and added a few new names that are more reasonably priced. Notable sales included Internet companies Amazon.com, Alibaba and MercadoLibre classified in the consumer discretionary sector, and Chinese Internet gaming stocks Tencent and NetEase classified in the communication services sector. As of the end of Q3, we had little exposure to these two sectors.

Among our new purchases were Anheuser-Busch InBev (AB InBev), the aforementioned Canadian National Railway and Fortum.

- AB InBev is a global alcoholic and non-alcoholic beverages company with oligopolistic market positions. The company generates robust free cash flow that can be used for continued deleveraging and is attractively valued after a significant derating post the 2016 SAB Miller acquisition.
- Canadian National Railway is Canada's largest railroad and North America's only transcontinental railroad. As previously described, it is a member of Canada's rail duopoly. Besides the appealing characteristics of the Canadian rail industry (e.g., competitive barriers, pricing power), the stock is attractively priced with a PEG ratio of about 1.0X.
- Fortum is a Finland-based electric utility focusing on power generation and distribution in Northern Europe. The company has highly profitable hydro and nuclear assets in Sweden and Finland that are benefiting from the recent material improvement in power prices.

Our largest sector exposures remain financials and industrials, where our ownership is well diversified. In financials, we hold a mix of companies in capital markets, banking and insurance. Likewise, our industrials holdings are a diverse collection of businesses in multiple sub-sectors, including aerospace, freight & logistics, construction & engineering, rail and professional services.

Outlook

Looking forward, we remain cautiously optimistic about the prospects for additional equity gains. There are plenty of uncertainties. Foremost are slowing global growth, the US-China trade war and rising interest rates. In addition, margins are at risk as commodities prices and labor costs rise. Our experience investing over several market cycles has taught us the importance of focusing on those firms with dominant or growing market positions and attractive earnings outlooks. Consequently, we remain focused on our themes and believe we have invested in a portfolio of companies that can weather a changing political and economic environment. We believe our bottom-up process will serve our investors well, yielding fundamentally sound companies with sustainable growth characteristics that are capable of standing up to varied market environments.

Our investment philosophy and process takes us around the globe in search of investment opportunities which may be domiciled in or outside of the US. Using the same investment process as Artisan International Fund, our team also manages the Artisan Global Equity Fund. Since its inception in 2010, returns for the Global Equity Fund have been driven by stock selection based on our best ideas identified around the globe. For those interested in exploring our global fund, please visit www.artisanpartners.com.

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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. 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. 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.

This summary represents the views of the portfolio managers as of 30 Sep 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 International Fund's total net assets as of 30 Sep 2018: Wirecard AG 6.0%; Medtronic PLC 3.9%; Airbus SE 4.2%; Canadian Pacific Railway Ltd 2.4%; Canadian National Railway Co 1.0%; ING Groep NV 3.0%; Housing Development Finance Corp Ltd 1.9%; Ryanair Holdings PLC 1.7%; Calbee Inc 1.2%; Anheuser-Busch InBev SA/NV 1.9%, Fortum OYJ 0.8%. 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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Dividend Yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. The **PEG Ratio** (an indicator of a stock's potential value) measures the ratio of the P/E of a company to the growth rate.

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