Artisan Developing World Fund

QUARTERLY
Commentary

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

As of 31 December 2018

Portfolio Management
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Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned -3.75% for the quarter ended December 31, 2018, versus -7.47% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 11.28% cumulatively, versus 7.76% for the MSCI Emerging Markets Index. Global equities came under significant pressure in the quarter largely due to escalating trade tensions between the US and China, unease about the pace of monetary tightening in the US, the possibility of a disorderly British exit from the European Union, and tension between the EU and Italy over the Italian budget. While emerging markets declined during the quarter, losses in US (S&P 500® Index: -13.52%) and international markets (MSCI EAFE Index: -12.54%) were more pronounced. The selloff seemed to have a US-centric tenor, with some emerging markets even experiencing gains this quarter. Brazilian equities increased 13.42%, as markets reacted favorably to the ascension of newly elected President Jair Bolsonaro. India rose 2.53% as oil prices declined from $82.72 to $53.80 during the quarter, thereby alleviating pressure on the country's external accounts (and overwhelming two adverse developments: government influence over the central bank, and liquidity pressures from non-bank financial companies or NBFCs). Oil importers such as Turkey (4.76%) and Indonesia (9.70%) also rose during the quarter despite lingering external pressures. Oil and commodity-facing emerging markets did not fare as well. Russia declined 8.97% due to the fall in oil, and heightened tensions with the US that may manifest themselves in additional sanctions in 2019. Oil-facing countries Malaysia (-5.82%), Colombia (-18.95%) and the United Arab Emirates (-5.50%) also saw declines. One pronounced weak spot this quarter was Mexico (-18.78%), which suffered as newly elected President Andrés Manuel López Obrador exhibited populist tendencies in the early days of his administration. It is also worth noting the declines in South Korea (-13.13%) and Taiwan (-13.67%), though the Developing World Fund currently maintains a 0% weight in both countries due to a focus on low-penetration domestic demand.

Contributors and Detractors

Top contributors to performance for the quarter included Indian banks HDFC and ICICI, Brazilian fast-food chain operator BK Brasil, Indian jewelry company Titan and Brazilian online retailer Magazine Luiza. HDFC Bank benefited from the liquidity squeeze in Indian NBFCs, which offers the potential for wider net interest margins and market share gains for liability-driven banks like HDFC. ICICI also benefited from this dynamic, and from increased visibility into improved asset quality, governance and returns under new management. BK Brasil saw improving same-store sales trends as it recovered from the Brazilian trucker strike earlier in the year, while early returns from the company's recently acquired Popeyes franchise in Brazil showed promise. Titan continues to experience operating momentum in its core Indian jewelry business, which is taking market share from smaller competitors due a combination of design, expanded product offerings, and a trust deficit surrounding other formal and informal players. Magazine Luiza is benefiting from its omni-channel strategy of selling merchandise online for in-store pickup, and from optimism about recovery in consumer spending in Brazil.

Key detractors from performance for the quarter included Chinese Internet search engine Baidu, high-end Chinese spirits company Kweichow Moutai, Chinese Internet leader Alibaba, semiconductor equipment maker ASML and South American e-commerce firm MercadoLibre. Baidu declined as investors expressed concern about Google's plans to re-enter China, and the potential economic sensitivity of the core search business in the current climate. Kweichow Moutai suffered from a disappointing 3Q18 earnings report, which accentuated the market's existing concerns about consumer spending in China. Alibaba declined as the company delayed monetization efforts in its new mobile shopping app, apparently due to a desire to aid SMEs and consumer spending in a period of potential economic weakness. ASML declined as concerns mounted about the health of the semiconductor cycle and potential for delayed equipment purchases from ASML's customers. MercadoLibre saw slight deceleration in gross merchandise value on its platform, at a time when it continues to invest heavily in key initiatives such as shipping and customer logistics.

Market Outlook

Recent events have led investors to call into question the merits of additional US interest rate increases, the implications of continued central bank balance sheet contraction and the independence of the Federal Reserve. These concerns combined with continued trade tensions have increasingly caused market participants to question the length of the current economic expansion in the US. While it is premature to argue for imminent US or global recession, it seems increasingly likely that growth and policy differentials between the US and the rest of the world may have peaked. There are a host of factors that run counter to such a view including the downward pull of continued economic slowdown in China, the potential for a disorderly Brexit and the likelihood that we are at least three quarters away from interest rate increases in Europe. Nevertheless, if the dynamic of peak growth and policy differentials in the US is in fact confirmed, the implications for emerging markets are significant (and positive), in no small part because they would likely contribute to dollar weakness. Moreover, the post-GFC divergence between US and international stock markets (including emerging markets) could increase investor appetite for equities outside the US.

At the same time, a favorable resolution on trade tensions with China may represent a precondition for better emerging markets returns. On this score, while Presidents Xi and Trump seemed to make progress on trade talks at the recent G-20 summit in Argentina, any positive goodwill was quickly called into question by the nearly simultaneous arrest of Huawei CFO Meng Wanzhou in Canada. Even in the event of a favorable resolution to these issues early in 2019, economic growth rates in China are likely to remain under pressure in the coming quarters. Notably, China's economic slowdown to date has been driven by a broad de-leveraging drive over the last several years, while the effects of trade tensions on exports and business confidence should only become visible in the coming quarters. Thus, economic data from China should continue to be poor in the coming months. While China will in turn need to support its economy through stimulus measures, the exact composition of such efforts cannot be fully formulated until current trade talks are completed or dissolved. The market will also need to reconcile the possibility of continued depreciation pressures on the renminbi, which could become more acute if trade talks falter. One infrequently discussed offset to these pressures would be a weaker dollar, which would allow the Chinese government to let the renminbi appreciate against the dollar while maintaining competitiveness against other countries. Such a scenario would likely represent a positive surprise to market participants. It is also possible that economic and financial market weakness increase the propensity of one or both sides to consummate a deal.

Portfolio Positioning

We have emphasized in recent letters the importance of evolving around a core set of investment principles, one of which is a focus on domestic demand. We emphasize domestic demand because of the simple premise that low-penetration opportunities should engender superior compounding outcomes over time. Increasingly, it has become clear to us that low penetration is a necessary but not sufficient condition for value realization; we also need businesses that have the resilience to transcend economic and political constraints. Continued market declines have afforded us the opportunity to emphasize such businesses at a moment of high correlation and low reinvestment risk, thereby reinforcing the most compelling domestic demand attributes of our investment process. Thus, we believe our portfolio is better positioned to create a stream of compounded business value. Moreover, we have been able to do so without distributing a capital gain from the Fund in 2018.

Upon creating a stream of compounded business value at the company level, we rely on our risk management framework to preserve and ultimately reinforce a compounding outcome for the portfolio as a whole. We are focused on distinguishing ourselves in down markets over time, and view this characteristic as important in an intrinsic sense. However, we would also emphasize that our risk management framework is an important building block of our approach to long-term capital appreciation. Specifically, we rely on this framework to liberate us to deploy capital in down markets, thereby reinforcing the stream of compounded business value created by the businesses we own. This dynamic can take many forms, but a notable one is that we own stocks that do not correlate perfectly to emerging market index movements, and that can serve as funding sources in adverse market environments.

Ultimately, we aim to create a stream of compounded business value at the company level, preserve it as best we can through our risk management framework, and then use that framework to reinforce our compounding outcome. This clarity of purpose is always important, and particularly so in unpredictable and dynamic market backdrops.

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 31 December 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**-3.75**	**-15.68**	**-15.68**	**8.36**	—	—	**3.21**
Advisor Class: APDYX	**-3.69**	**-15.52**	**-15.52**	**8.57**	—	—	**3.41**
Institutional Class: APHYX	**-3.61**	**-15.44**	**-15.44**	**8.71**	—	—	**3.52**
MSCI Emerging Markets Index	-7.46	-14.57	-14.57	9.25	—	—	2.55

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
Annual Report 30 Sep 2018	1.36	1.18	1.08
Prospectus 30 Sep 2017[1]	1.40	1.21	1.12

[1]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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All single country returns are net returns 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 31 Dec 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 31 Dec 2018: HDFC Bank Ltd 4.0%, ICICI Bank Ltd 1.8%, BK Brasil Operacao e Assessoria a Restaurantes SA 0.7%, Titan Co Ltd 2.4%, Magazine Luiza SA 0.8%, Baidu Inc 3.2%, Kweichow Moutai Co Ltd 4.9%, Alibaba Group Holding Ltd 4.7%, ASML Holding NV 4.5%, MercadoLibre Inc 4.6%. 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.

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Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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