Artisan International Value Fund

QUARTERLY
Commentary

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

As of 31 March 2019

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

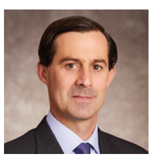
Our research process attempts to identify management teams with a history of building value for shareholders.

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)



Ian P. McGonigle, CFA
Co-Portfolio Manager

Joseph Vari
Co-Portfolio Manager

Investment Results (%)

			Average Annual Total Returns				
As of 31 March 2019	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTKX	**10.01**	**10.01**	**-4.15**	**6.34**	**3.39**	**12.41**	**11.80**
Advisor Class: APDKX	**10.03**	**10.03**	**-4.03**	**6.50**	**3.52**	**12.48**	**11.84**
Institutional Class: APHKX	**10.05**	**10.05**	**-3.92**	**6.58**	**3.62**	**12.65**	**11.97**
MSCI EAFE Index	9.98	9.98	-3.71	7.27	2.33	8.96	7.42
MSCI All Country World ex USA Index	10.31	10.31	-4.22	8.09	2.57	8.85	7.99

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 2018[1,2]	1.18	1.04	0.95
Prospectus 30 Sep 2018[2]	1.24	1.10	1.01

[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 Discussion

Remember when the economy was slowing, interest rates were rising, there was a trade war, the government shutdown was impacting the economy, China's economic machine was sputtering, Europe and its creaky banking system and yellow-vest protesters were going nowhere and … Brexit … ? That is a partial list of global economic problems that caused Q4 2018 to be one of the worst in market history. That was then, and this is now. Returns in 2019 are breathtaking thus far. What turned sentiment around? There are myriad factors that could be the cause, including positive news over trade negotiations, Brexit delay or the end of the government shutdown. But we would put our money on the US Federal Reserve's newfound dovishness. The value of a business is the present value of its future cash flows, and if interest rates are going to fall, the value of a business—all businesses—goes up. In a stock market increasingly dominated by momentum-enhancing passive vehicles, volatility has spiked along with the Fed's shifting views. The result is a soup bowl from Q3 2018 through today (Exhibit 1).

Exhibit 1: MSCI EAFE Index Total Returns, Q4 2018 – Q1 2019

Source: FactSet as of 17 Apr 2019. **Past performance does not guarantee future results.**

Here are the numbers: Our benchmark, the MSCI EAFE Index, was up 10% in Q1, with Europe performing better, up 11%, than Japan, up 7% (all returns in USD unless otherwise indicated). Emerging markets were also up 10% with BRIC countries up over 13%. US equities were the rally winner, up 14% through the end of Q1. The US dollar was strong relative to most overseas currencies, making US dollar returns modestly lower than local-market returns.

As you can see from Exhibit 1, equity prices were down for a very short time—highlighting the difficulty of timing markets. We choose to be mainly invested (we limit cash to 15% of the portfolio) and employ an economic framework that allows us to ignore market timing. By focusing on gaps—between what we think is a fair price for the securities we own (or those we might buy) and where shares are trading—we can buy when gaps are wide and sell when they are narrow. Because we estimate intrinsic value by discounting long-dated cash flows at conservatively high discount rates, reasonable movements in interest rates have little impact on our own estimates of business value. But for most market participants, movements or expected movements in interest rates change behavior that can result in the type of wild swings portrayed in Exhibit 1. We welcome price volatility as it helps us generate returns (buy low) and manage risk (sell high). We mention both risk and return because it is the imperative of value investing that return generation is married to risk management. And movements in price are the most effective tool we employ to meet both of those objectives.

Portfolio Discussion

All but 6 of the portfolio's 43 securities increased during the quarter. The largest positive contributors were Samsung Electronics, Arch Capital Group, Tesco PLC and Panalpina.

Samsung Electronics is the portfolio's largest position. Samsung earns the bulk of its profits from the manufacture and sale of memory semiconductors. That business is currently experiencing a cyclical downturn due mainly to excess supply, rather than shrinking demand. In fact, demand in volume terms continues rising. At some point, excess supply in this largely disciplined marketplace will be absorbed and pricing for these commodity products will increase. Profits are currently falling, but market expectations that the current downturn is closer to its end caused the share price to rally 14% during the quarter. Even after this quarter's share-price increase, we believe Samsung remains cheap and safe. The company carries about one-third of its market value in cash and securities, so there is little-to-no financial risk. And based on our view of normalized margins for the manufacture of memory chips, we think the stock is cheap at just over 6X earnings.

Arch Capital Group, a Bermuda-based insurance operation, and Tesco PLC, the UK's largest grocery chain, both reported very good Q4 2018 financial results driving a more than 20% increase in the share price of both companies. Today, Arch Capital makes most of its profit selling mortgage insurance. In the fourth quarter, the company reported record profits in that business, which have more than offset the somewhat dismal overall state of the property and casualty business.

Tesco PLC is going from strength to strength. CEO Dave Lewis and his management team have successfully revamped the grocer's merchandise lines. Narrowing focus, bundling purchases and offering competitively priced and high-quality products to consumers has restored Tesco's reputation in the eye of the consumer—and now in the eye of the shareholder.

Panalpina's share price was up 25% for the quarter in response to a takeover bid from Danish freight-forwarding competitor DSV. After the quarter concluded, DSV raised its bid, and as of this writing Panalpina's share price is up 54% YTD. We played an active role in this outcome, which we discuss in more detail later in this communication.

Among the negative contributors in Q1 were UBS and ABB, which were down modestly.

The only share price that declined meaningfully was Bankia (-12%). Bankia is a medium-sized bank in Spain and a relatively new position in the portfolio. Bankia is primarily a mortgage lender, and the bank's mortgage book is tied to Euribor, which is negative. As a result, no one seems interested. The shares trade at 10.7X earnings and carry a 4.8% dividend yield.

Bankia is one of the most interest-rate sensitive banks in Europe, and with the continuation of the European Central Bank's negative interest-rate policy, it is unlikely Bankia's profits will grow in the short term. That said, we think Bankia is overcapitalized and that there is an opportunity to exceed management's forecast of returning €2.5 billion of capital to shareholders this year and next. That represents about one-third of the bank's market capitalization—a decent return even if the bank never grows. In the event short-term European interest rates turn positive, it is likely that the return from the current valuation of 56% of book value is significant.

Portfolio Activity

There was one meaningful purchase during the quarter: Reckitt Benckiser PLC (Reckitt). Reckitt is arguably the best-run consumer products company in the world, characterized by a unique performance- and equity-driven culture and a thoughtful strategy. Recently, however, the company has encountered several issues including a large product flop, legal liabilities, an expensive acquisition that was poorly integrated and the CEO's unexpected retirement. The share price has come under pressure and now trades at 15X our estimate of normalized earnings. We think it is too cheap.

Reckitt operates in medium-sized niches in health care, home and hygiene products. Key brands include Mead Johnson, Mucinex, Airborne, Airwick, Clearasil and Vanish, among many others. The brands and categories are carefully chosen with the objective of developing or acquiring products in niche categories with room for growth through both product innovation and geographic expansion. These products come with higher gross margins, making the company more profitable and more valuable than most other consumer products businesses.

We sold several high-quality companies during the quarter, including Aon, Carlsberg, Diageo and Medtronic. The share prices of most of these companies held up well during the Q4 2018 market slide and subsequently turned up during the market rally. Valuations for higher-quality companies have become very expensive, with Diageo sporting its highest valuation over our nearly 17-year holding period. Diageo has been a tremendous investment. Since our first purchase of shares in 2002, total return has compounded at 12.7% per year, which would turn $1 (or in this case, £1) into just over $7.

Active Investing Vs. Activist Investing

As mentioned earlier, we took an active role in soliciting a bid for Panalpina's shares. Given that some may view the role we played as activist in nature, we thought it might be beneficial to review how we interact with companies.

Activist investors pursue investments with the goal of effecting major change within a company. It is not a core part of our strategy to invest in businesses that require major change. However, there is an inclination to use the legal systems and tools available to minority shareholders to actively engage with executives and corporate boards to further our return objectives.

We look for four key characteristics in the companies in which we invest: a cheap price, a high-return business, a strong balance sheet and a management team with a track record and history of building shareholder value. Though we never purchase shares of a company that does not meet our minimum hurdle rates, the other three criteria exist in shades of gray—some businesses are better than others, some balance sheets are stronger than others and some management teams are better than others.

We play an active role in seeking out companies that position our shareholders to benefit from this powerful combination of drivers. A few portfolio examples include Accenture, Diageo, Compass Group and Arch Capital. Of course, we prefer perfection, which allows us the luxury of purchasing a stock and watching the interplay between a discounted valuation, a high-return and growing business and an intelligent management team (we have great jobs because we get to watch, rather than do).

But perfection is hard to come by, and the key to managing through imperfections as a minority shareholder is good corporate governance—a clear legal system of shareholder rights that allows shareholders to protect their interests and influence corporate decision making. Outside the US, we believe the UK has the best corporate governance. Much of the former British Empire retains similar structures to the UK, including Canada, Australia, New Zealand, Singapore, Hong Kong and, to some extent, South Africa. Emerging markets tend to have the worst corporate governance, but in the developed world, Japan's corporate governance system and cultural attitudes toward minority shareholders land it at the bottom of our preference list. Developed continental Europe is somewhere in the middle, depending on the country.

Shareholder rights give minority shareholders—who are, after all, providing capital to a business—the ability to assert their views when management or a board makes value-destructive decisions. Active shareholders—those closely monitoring a company's operations—combined with a strong legal system can act as a check on corporate leaders or, in a more positive light, provide assistance in creating value.

Though we do not seek investments that require us to repair a problem (take an activist role), we do use corporate governance systems to enhance or accelerate a positive outcome where necessary. This is not a new part of our process. We are always in active dialog with management and often the chairman of the board of the companies in which the portfolio is invested.

There are a number of different roles we have played over the years. For example, with Samsung Electronics, we worked alongside an activist investor to help the company understand why retaining excess shareholder profit is value-destructive. We have had some, but not enough, success. We continue to work on it. In the case of Tesco, with other like-minded shareholders, we attempted to stop the company from making an expensive acquisition. We failed. Consequently, we believe we have earned a return from the company's turnaround that is lower than we would have otherwise obtained. Baidu is an interesting example where like-minded shareholders and we were able to stop insiders from purchasing an asset from the company at a heavily discounted valuation of $2.8 billion. That asset is now listed with a $17 billion market value.

More recently, we have been actively involved in helping ABB improve its corporate structure, supporting other shareholders' efforts to improve corporate governance at Allergan and encouraging LafargeHolcim to enhance and accelerate its current strategy. We have taken other steps such as working with compensation committees to better align management incentives with shareholder value. We have also helped place experienced and able executives in corporate leadership positions.

In the case of Panalpina, we believe senior management's and board members' personal objectives created a long period of underperformance that damaged not only shareholders, but also employees and customers. The best solution was a sale to a much better operator.

For most of the equities in the portfolio, we spend more time watching rather than counseling. But where we are active investors—whether by simply lodging a vote or by providing management with analytical, financial and strategic insight—the objective is improving and accelerating returns on behalf of our shareholders.

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. MSCI Emerging Markets Index measures the performance of emerging markets. MSCI Europe Index measures the performance of developed markets in Europe. MSCI BRIC Index measures the equity market performance across Brazil, Russia, India and China. MSCI Japan Index measures the performance of the large- and mid-cap segments of the Japanese 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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This summary represents the views of the portfolio managers as of 31 Mar 2019. 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 2019: Samsung Electronics Co Ltd 6.2%, Compass Group PLC 4.7%, Arch Capital Group Ltd 4.5%, UBS Group AG 3.7%, ABB Ltd 3.6%, Baidu Inc 3.3%, Tesco PLC 3.2%, LafargeHolcim Ltd 2.8%, Panalpina Welttransport Holding AG 2.3%, Allergan PLC 2.1%, Bankia SA 1.4%, Reckitt Benckiser Group PLC 1.0%. 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.

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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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.

Price-to-Earnings (P/E) Ratio measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle.

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