Artisan Developing World Fund

QUARTERLY
Commentary

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

As of 31 March 2019

Portfolio Management
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Dear Fellow Shareholder:

Market Backdrop

Artisan Developing World Fund (Investor Class) returned 22.79% for the quarter ended March 31, 2019, versus 9.92% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since June 30, 2015, Artisan Developing World Fund has returned 36.64% cumulatively, versus 18.46% for the MSCI Emerging Markets Index. Global markets rebounded sharply after a tumultuous fourth quarter, with the S&P 500® Index (+13.7%) and MSCI EAFE Index (+10.0%) actually outpacing emerging markets indices. The shift in market sentiment largely reflected easier monetary policy from the Federal Reserve in the US and the ECB in Europe. The US and China also seemingly made some progress in resolving trade tensions, while the Chinese deleveraging drive was replaced with stimulus, both of which helped sentiment toward Chinese equites. Notably, China's mainland index substantially outpaced its Hong Kong counterpart (CSI 300: +31.8%, HSCEI: +13.6%), reflecting improved mainland investor sentiment and the expansion of A-share representation in MSCI indices. Outside of China, there were few standout markets. Russia rose 12.2% as looming sanctions risk failed to materialize. Brazil returned 8.1%, perhaps capped by domestic political strife and a lack of concrete progress on pension reform under new President Jair Bolsonaro. India rose just 7.2% as looming electoral risks continue to constrain markets. Laggards were also not particularly pronounced. South Africa rose 4.4% as rolling electricity blackouts dented economic activity. Turkey declined 3.2% as a recession has been inflamed by domestic policy. Broadly, markets have been buoyed by increased monetary policy accommodation but held back by weak economic activity and trade tensions.

Contributors and Detractors

Top contributors to performance for the quarter included South American e-commerce platform MercadoLibre, high-end Chinese spirits company Kweichow Moutai, Chinese educational services provider TAL Education, Chinese Internet leader Alibaba, and Chinese security camera and surveillance systems company Hangzhou Hikvision. MercadoLibre rose as earnings showed reasonable margin progression and strong off-platform growth at Mercado Pago (its payments engine), which the company opportunistically followed with a $2bn equity offering to reinforce its growth outlook and competitive position. Kweichow Moutai rose as distribution changes that had depressed September quarter sales were more fully digested by channel partners, thereby laying to rest concerns about consumption headwinds. TAL continued to experience strong operating trends despite regulatory headwinds, while continuing to foster new delivery models in its online segment. Alibaba reported resilient results despite delayed monetization of new personalization capabilities in its core shopping app, as its data-driven strategy continues to allow for market-share gains in Chinese e-commerce. Hikvision rose as it was perceived to benefit from reduced trade tensions with the US and from signs of a cyclical bottom in Chinese economic activity which should benefit its core domestic security surveillance business.

Detractors from performance for the quarter included Indian premium motorcycle manufacturer Eicher Motors, Brazilian electronics and home appliances retailer Magazine Luiza, Mexican bank Banco del Bajio, premium cognac producer Remy Cointreau and Chinese online content provider China Literature. Eicher Motors raised prices ahead of competition to offset the cost of new regulatory standards which, combined with the rollout of new model offerings, caused some demand weakness. Magazine Luiza saw some tapering in share-price performance as investors digested market-share gains in the core electronics business and debated the company's successful new e-commerce initiatives outside this format. Bajio faced a more uncertain domestic economic environment as a result of President Andrés Manuel López Obrador's unconventional approach to economic management. Remy Cointreau was a new purchase in the quarter and down marginally and could prove sensitive to any changes in Chinese cognac demand. China Literature underperformed other Chinese equities as the market began to question the wisdom of the company's foray into content development, which is more capital-intensive than its core business of reading subscriptions.

Market Outlook

It is worth spending a moment on the outlook for trade negotiations between the US and China. While many market commentators focus on a new era of strategic competition, China has undeniably developed an incredibly powerful ecosystem of technology, innovation and capital formation—regardless of the means used to achieve it. This ecosystem has conspired with a population of 1.3 billion people to create scale the likes of which we have never seen before. This scale is visible in the fact that Kweichow Moutai is the largest liquor company in the world, with a market capitalization easily exceeding that of Diageo. It is visible in the fact that multinational companies as different as Louis Vuitton and NVIDIA rely on China for a significant portion of their current business and future growth prospects. It is visible in the fact that China is to a large extent already a cashless society or that Tencent's WeChat pervades many aspects of Chinese life. It is visible in the fact that China already represents 30%+ of the MSCI Emerging Markets Index despite A shares still being vastly underrepresented due to free-float criteria. Huawei's fate might alter China's participation in 5G networks around the world, and China will have to grapple with deterioration in its fiscal and external accounts, but there is a robustness and importance to current and future economic developments in China.

It should also be said that one year ago, the dual narrative of accelerating global growth and tighter monetary policy pervaded markets. However, trade tensions have dented consumer and business confidence, while higher rates have caused dislocation in myriad markets, including emerging markets and leveraged loans. In addition, the China deleveraging drive of 2017 and 2018 is having an adverse impact on global growth rates, notably in Europe where the German economic engine is inextricably linked to Chinese economic development. Thus, today's global economic narrative is one of decelerating growth, delayed interest-rate increases, an end to central bank balance sheet contraction and low inflation. Notably, Chinese policy seems to have turned, as visible in recent cuts to bank reserve ratios and the value-added tax or VAT (which is a corporate tax in China and should stimulate business spending). Such a backdrop has proven supportive for equities in recent months but will be tested further if trade negotiations between the US and China break down, or if Britain's exit from the EU unfolds in a disorderly way. It should be noted that the Federal Reserve, Europe's ECB and China's PBOC have far less room for policy accommodation than in past cycles. We do not wish to position the portfolio for a single market outcome, but we have increased the Fund's cash weighting a few percentage points since January.

Portfolio Positioning

We often speak of being in a constant process of evolution around a core set of investment principles. One of those principles is our risk-management framework. We continue to believe in the importance of managing risk in an intrinsic sense. For example, small drawdowns are preferable to large ones, and lower volatility characteristics can create better risk-adjusted outcomes. However, a strong risk-management framework can also be an important building block on the road to long-term capital appreciation. Such a framework allows for methodical portfolio improvement during periods of market weakness, as distinct from momentum selling that could have long-term implications for investment performance. For example, we might wish to capitalize on Diageo's differentiated correlation profile to fund a purchase in LVMH, or use the perceived resilience of Shanghai Airport's business to fund a higher weighting in Moutai, or use our cash to add a new name like Stone or NVIDIA, or capitalize in weakness in a core holding like HDFC Bank. Importantly, we are able to initiate such changes because our risk-management framework, though not perfect, provides a foundation for taking prudent and calculated risks. In turn, our foundational approach to risk management allows us to reinforce the Fund's long-term return profile in periods of market duress.

Another investment principle worth highlighting is the importance of domestic demand in emerging markets. We focus on domestic demand for a simple and intuitive reason: low penetration should engender better compounding outcomes, a view only reinforced by recent global trade tensions. However, it has become apparent to us over a period of time that low penetration is a necessary but not sufficient condition for long-term capital appreciation. We must also identify companies with the potential to realize value in our investment horizon. Assessing the potential for value realization requires us to identify business models with the potential to create value in the face of increased competition or sustained macroeconomic headwinds. Many of the changes we have made to the Fund in recent periods can be viewed in this context. For example, Chinese education provider TAL should be a long-term beneficiary of sustained demand for after-school tutoring, while Kroton is a low-penetration opportunity that could stay that way because post-secondary education is only so valuable in an economy that is unlikely to create many jobs. To the extent that we in turn wish to benefit from domestic consumption in Latin America, MercadoLibre may better be able to transcend such limitations.

Ultimately, any individual investment principle is only important if it can be woven into a broader investment process. Domestic demand helps us create a stream of compounded business value. Similarly, our risk-management framework provides a foundation for reinforcing the compounding outcome we seek to provide to Fund shareholders.

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 (%)

As of 31 March 2019	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTYX	**22.79**	**22.79**	**3.14**	**14.08**	—	—	**8.78**
Advisor Class: APDYX	**22.89**	**22.89**	**3.34**	**14.33**	—	—	**9.00**
Institutional Class: APHYX	**22.83**	**22.83**	**3.38**	**14.41**	—	—	**9.10**
MSCI Emerging Markets Index	9.92	9.92	-7.41	10.68	—	—	4.99

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 2018[1]	1.37	1.18	1.09

[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. Shanghai Shenzhen CSI 300 Index (CSI 300) tracks the returns of the top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. Hong Kong Stock Exchange Hang Seng China Enterprises Index measures the performance of securities available for investment by Chinese nationals listed on the Hong Kong Exchange. 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 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. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 31 Mar 2019: MercadoLibre Inc 4.2%, Kweichow Moutai Co Ltd 4.6%, TAL Education Group 5.0%, Alibaba Group Holding Ltd 4.9%, Hangzhou Hikvision Digital Technology Co Ltd 3.1%, Eicher Motors Ltd 2.2%, Remy Cointreau SA 1.0%, Diageo PLC 1.8%, LVMH Moet Hennessy Louis Vuitton SE 2.8%, NVIDIA Corp 4.7%, Tencent Holdings Ltd 4.2%, Shanghai International Airport Co Ltd 1.0%, StoneCo Ltd 2.0%, HDFC Bank Ltd 4.7%. 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. 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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