



Artisan Sustainable Emerging Markets Fund

QUARTERLY
Commentary

Investor Class: ARTZX | Institutional Class: APHEX

As of 31 March 2019

Investment Process

We seek to invest in companies that are uniquely positioned to benefit from the growth potential in emerging markets and that possess a sustainable global competitive advantage.

Sustainable Earnings

We believe over the long term a stock's price is directly related to the company's ability to deliver sustainable earnings. We determine a company's sustainable earnings based upon financial and strategic analyses. Our financial analysis of a company's balance sheet, income statement and statement of cash flows focuses on identifying historical drivers of return on equity. Our strategic analysis examines a company's competitive advantages and financial strength to assess sustainability.

Risk Analysis

We believe a disciplined risk framework allows greater focus on fundamental stock selection. We incorporate our assessment of company-specific, sustainability and macroeconomic risks into our valuation analysis to develop a risk-adjusted target price. Our risk-rating assessment includes a review of quantitative and qualitative ESG factors and country-appropriate macroeconomic risk factors to which a company is exposed.

Valuation

We believe that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. We value a business and develop a price target for a company based on our assessment of the business's sustainable earnings and risk analysis.

Team Overview

Team experience, continuity and a rigorous investment process are the characteristics that we believe differentiate our team from other emerging markets investment managers. Research analysts have autonomy and ownership of their regions and accountability for the success of their ideas. Our team members bring deep experience and uncommon insight to their respective areas of responsibility.

Portfolio Management



Maria Negrete-Gruson, CFA
Portfolio Manager

Investment Results (%)

As of 31 March 2019	Average Annual Total Returns							
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹	Inception ²
Investor Class: ARTZX	10.83	10.83	-8.66	12.39	5.29	8.20	-0.24	—
Institutional Class: APHEX	10.89	10.89	-8.54	12.44	5.35	8.38	—	4.75
MSCI Emerging Markets Index	9.92	9.92	-7.41	10.68	3.68	8.94	1.17	5.74

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Investor Class inception: 2 June 2008. ²Institutional Class inception: 26 June 2006.

Expense Ratios (% Gross/Net)	ARTZX	APHEX
Annual Report 30 Sep 2018 ^{1,2,3}	1.78/1.41	2.00/1.33
Prospectus 30 Sep 2018 ^{1,3}	1.78/1.35	2.00/1.20

¹Reflects a contractual expense limitation agreement in effect through 31 Jan 2020. ²Reflects a change in the Fund's management fee and expense limit, 1.50% lowered to 1.35% for Investor Class and 1.50% lowered to 1.20% for Institutional Class, effective 21 Feb 2018. ³See 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.



Portfolio Discussion

Global markets bounced back in Q1, with the US leading foreign developed stocks and both outpacing emerging markets, which were nevertheless solidly positive. Our portfolio outperformed the MSCI Emerging Markets Index in Q1. From a country perspective, our top contributor on an absolute basis was China—though on a relative basis, our below-benchmark exposure made it our largest relative detractor. Our Russia and India holdings were also nicely additive on a relative basis.

Among our top Q1 relative contributors were Sino Biopharm, Alibaba and Sunny Friend Environmental Technology. Shares of Sino Biopharm, a pharmaceutical company with leading positions for hepatitis B virus and other liver diseases, bounced back in Q1 after a negative Q4. Chinese pharmaceuticals companies were broadly pressured in Q4 following news the Chinese government would seek to cut health care costs by requiring 11 major cities to combine their drug purchases and use a single provider. This provider would supply over 30 drugs to the 11 cities, including Beijing and Shanghai, at meaningfully reduced prices. The government also announced in mid-2018 that foreign generics that already passed a bio-equivalence study would be eligible for an abbreviated application in China—increasing the likelihood of foreign competition for generic drugs in China. While good news for consumers, the combination of changes has already weighed on generic drug prices in China, in turn pushing pharmaceuticals stocks down. However, we think the majority of the worst-case scenario has already been factored into stock prices. Further, with respect to Sino Biopharm specifically, we believe investors are ignoring the company's promising and deep pipeline of new drugs. Relatedly, shares bounced back in Q1 in the wake of news that the company secured two new product registration approvals which are expected to boost revenues. We maintain our conviction in the sustainable growth opportunity ahead of Sino Biopharm and capitalized on Q4's weakness to add to our position in Q1.

Alibaba, China's largest e-commerce platform, is executing at a high level. The company should benefit from recent Chinese tax cuts that are expected to drive online sales. Alibaba has also launched several other successful business arms—from financial services to logistics, cloud computing, entertainment and beyond—which we expect will deliver sustainable growth for the company in the period ahead.

Sunny Friend Environmental Technology is one of the largest providers of medical and hazardous industrial waste treatment in Taiwan and Beijing. Demand for these services has risen as Taiwan and China have focused on strong industrial waste-disposal enforcement. Further, barriers to entry in the industry are high, particularly as environmental standards are rising—providing a challenging environment for smaller operators who lack scale and consequently the ability to price competitively. In Q1, Sunny Friend received a construction permit for a new medical waste incineration facility—several months ahead of expectations—as well as a permit for the second phase of a new medical waste-treatment facility after a roughly year-and-a-half delay. Further, the company successfully

completed a test run for its new Zhangbin Ph2 plant in December and anticipates receiving a government operating license soon. These developments should drive revenue and earnings growth for Sunny Friend—and, importantly, are indicative of Sunny Friend's naturally sustainability-oriented business model and focus. With ample market opportunity, we maintain our conviction in Sunny Friend's sustainable earnings growth potential in the period ahead.

Among our bottom relative contributors in Q1 were Emaar Holdings, Godrej and Astra International.

Shares of UAE-based real-estate developer Emaar Development fell amid headwinds in the Dubai property market, where a combination of factors including oversupply, deteriorating terms for home builders and general affordability issues have pressured the housing market. Further, despite indications to the contrary, restrictions on foreign property purchases have yet to be lifted—eliminating a potential source of demand. Though Emaar initially held up better than competitors against this backdrop, reality seems ultimately to have caught up to the company, which now faces lower margins as it attempts to clear its own glut of properties. Given this combination of factors which we anticipate will persist for some time, we exited our position in favor of more attractive opportunities.

Godrej is an Indian consumer products company focused primarily on Indian household insecticides, hair care and personal care products. Shares have been pressured as a weaker monsoon season has weighed on household insecticide sales. Also challenging growth has been the rise of cheap incense sticks as an insect repellent—to which Godrej has attempted to respond with its own, cheaper alternative. Though we believe the opportunity ahead of the company remains attractive, we are evaluating Godrej's plans to overcome these recent setbacks and are prepared to pivot accordingly in the period ahead.

Astra International is an Indonesia-based automotive manufacturer. Shares have been pressured in the face of slow domestic auto demand, in turn weighing on sales. We have held Astra for its attractive position in a country that remains meaningfully underpenetrated by auto ownership and has a rapidly expanding middle class—a combination which we anticipate should lead to long-term growth for companies like Astra. Further, we believe the company is an excellent steward of shareholder capital with a high governance score. Its top-notch management team is consistently clear on its financial goals and is aligned with both the board and shareholders. Further, during prior periods of domestic macro or political crisis, Astra's management team has not disadvantaged minority shareholders. For these reasons, we maintain our conviction in this high-quality company which we believe exhibits key sustainability characteristics.

Portfolio Activity

During Q1, we exited our position in Anima, one of Brazil's largest private higher-education organizations, in favor of initiating a position in Arco Platform, a Brazil-based developer of educational content for

K-12 private schools. Over the course of our investment, Anima has been pressured by various regulatory changes in Brazil (largely to student loan programs) as well as a challenging macroeconomic backdrop. Though we believe Anima maintains its sustainable competitive advantage and compelling access to Brazil's long-term growth potential, our research suggests it has less upside than Arco. We consequently capitalized on Anima shares' recent price rebound to redeploy capital into Arco.

With over 50 years' experience in the industry, Arco Platform has built a reputation in educational learning systems and methodology—which results in a brand that is both hard to challenge as well as to replicate. Further, its relationships tend to be deeply entrenched with its K-12 partner schools, from whom Arco receives continuous teacher feedback. This communication allows Arco to ensure it delivers an updated, accurate and robust learning platform. Combined, these factors create high barriers to entry in an industry which, despite Arco's reputation and first-mover advantages, remains underpenetrated.

In addition to Emaar Holdings and Anima, we also exited our position in Ecobank, the leading pan-African bank with a physical presence and license to operate in 33 African countries (excluding South Africa). Through its subsidiaries and branches, Ecobank provides a full range of wholesale, retail, investment and transaction banking services to its customers. Following many challenging years which included the global financial crisis and several regional events which impacted its loan book and left it with significant losses, the bank faced a recapitalization, full restructuring of all operations, branch rationalization and a comprehensive change in key managerial positions. With much of this work behind it, we initiated a position in Ecobank in Q2 2018 as we believed it had reached an adequate capitalization level and had recognized and impaired all loans as needed. Further, Ecobank was focusing on reducing its cost of risk and delivering returns in excess of its cost of equity. However, our thesis has taken longer to play out than we anticipated. Though we believe Ecobank still capable of capitalizing on a meaningful opportunity in the future, absent greater visibility into when that might be and in accordance with our investment discipline, we concluded our investment in favor of better-positioned alternatives.

Perspective

Sustainability is a critical aspect of what we do. To us, sustainability means having the ability to endure. It includes—but goes beyond—environmental, social and governance (ESG) considerations. More broadly, it entails businesses making the right strategic choices that bring continuity to their shareholders, employees, customers and the communities around them. Ultimately, we invest in emerging markets because as a team of people who were born, educated and have spent large amounts of time in these countries, we want to direct capital to companies that can have a long-term positive impact on emerging markets' people.

We do what we do because we care passionately about the people of emerging markets—which, as investors, implies caring about their economies and markets as well, given our belief that economic growth will ultimately lead to better lives and futures for these populations. As a result, we have spent some two decades developing a rigorous investment approach that simultaneously attempts to leave no stone unturned while avoiding companies not committed to growing sustainably over time. While we recognize emerging markets will likely always be inherently more volatile than developed markets, we believe the rewards over time should likewise be outsized. Furthermore, we believe the effort required to find companies behind which we are interested in putting our capital is eminently worthwhile.

Business Update

On April 1, we updated our team name to the Artisan Partners Sustainable Emerging Markets Team—a name which highlights our historic focus on sustainability. However, our investment philosophy and process remain the same as they have since our team's founding, and we will continue to deploy them to find sustainable growth opportunities in what we believe to be the best reflection of the full emerging markets opportunity set.

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. 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 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: Alibaba Group Holding Ltd 6.1%; Sino Biopharmaceutical Ltd 2.6%; Sunny Friend Environmental Technology Co Ltd 1.8%; Godrej Consumer Products Ltd 0.7%; Astra International Tbk PT 1.0%; Arco Platform Ltd 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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