

Artisan Developing World Investor ARTYX

Very promising.

Morningstar's Take ARTYX

Morningstar Rating

Morningstar Analyst Rating

Morningstar Pillars

Process		Positive
Performance		Neutral
People		Positive
Parent		Positive
Price		Neutral

Role In Portfolio

Fund Performance ARTYX

Year	Total Return (%)	+/- Category
YTD	21.72	3.58
2016	11.74	3.27
2015	n/a	n/a
2014	n/a	n/a
2013	n/a	n/a

Data through 6-30-17

7-18-17 | by William Samuel Rocco

Artisan Developing World Fund earns a Morningstar Analyst Rating of Bronze because it has a number of strengths, including a seasoned and skilled manager.

Lewis Kaufman, who has been at the helm of this fund since it opened in mid-2015, has a good resume. He has nearly two decades of relevant experience, including 10 years at Thornburg, where he ran a foreign-stock offering for roughly six years and a diversified emerging-markets fund, where he delivered excellent results for roughly five years. That fund, Thornburg Developing World THDAX, posted an annualized return of 8.5% and a Morningstar Risk-Adjusted Return of 4.9% on his watch versus 3.2% and negative 1.0% for the average diversified emerging-markets offering and 2.7% and negative 1.6% for the MSCI Emerging Markets Index.

The process that Kaufman employs here is essentially the same as the one he used at Thornburg

Developing World. That strategy has an attractive combination of more reserved and aggressive characteristics. On the tamer side, Kaufman favors steady, high-quality firms with good business models as well as strong cash flows and balance sheets. He normally invests a significant portion of the portfolio in developed-markets companies with major economic ties to the developing world. Such companies, which the majority of this fund's rivals and the MSCI Emerging Markets Index ignore, tend to hold up well in emerging-markets sell-offs. On the bolder side, he regularly allows his stock selection to drive portfolio construction, resulting in sizable country and sector overweightings, and he runs a relatively compact portfolio of roughly 45-50 names.

Kaufman has produced superior results with this approach thus far here, and Artisan is a good parent with a long record of success with its equity offerings. All 10 of the other stock funds in its lineup with Morningstar Analyst Ratings are Morningstar Medalists, in fact, including all six of the other international-equity funds.

For all these reasons, this fund is good emerging-markets vehicle for the long haul.

Process Pillar Positive | William Samuel Rocco 07/18/2017

The process in place here has a healthy mix of tamer and bolder traits and earns a Positive Process rating.

The strategy Lewis Kaufman uses here is quite similar to the one he employed very successfully at Thornburg Developing World THDAX. Specifically he focuses on financially sound, free cash flow generative companies that don't use a lot of financial leverage and are less likely to impair capital during periods of duress. He favors high-quality companies with good business models. And he avoids companies that are vulnerable to abrupt, cyclical, or franchise changes.

Kaufman regularly invests in developed-markets companies with major economic ties to emerging markets, as well as those headquartered in emerging markets. He also frequently invests in firms based in frontier and small emerging markets. And he runs a relatively compact portfolio of roughly 45-50 names.

Kaufman makes full use of the market-cap spectrum at this fund as he did at his prior charge. That said, he does not venture as far down the market-cap ladder here as he did there and now prefers somewhat larger and more mature small-cap companies.

The end result is a fairly compact portfolio with atypical country and sector weightings, as well as relatively high growth rates, quality metrics, and price multiples.

This fund's portfolio stands out. Developed-markets companies with major economic ties to emerging markets are a significant component of this fund's strategy. It currently owns eight such firms, including top-25 holdings Facebook FB, Reckitt Benckiser RB, Unilever UN, and Visa V. It has 13% of its assets in those names while most of its peers and the MSCI Emerging Markets Index ignore such issues. This fund also owns a handful of names and has roughly 6% of assets in firms based in frontier and small emerging markets such as Argentina, Malaysia, Peru, Philippines, and United Arab Emirates.

This fund has much exposure to Brazilian and Russian stocks and much less exposure to South Africa, South Korea, and Taiwan equities than both the average diversified emerging-markets offering and the MSCI Emerging Markets Index at present. It also has far more exposure to consumer cyclical, consumer defensive, and healthcare stocks than both its typical rival and the index, as well as much less exposure to basic materials, communication services, energy, and utilities issues.

This fund owns 47 stocks versus 90-100 for its typical rival and more than 800 for the index. It has an average market cap \$20.3 billion versus \$25.8 billion for its typical rival and \$27.9 billion for the index. And it has relatively high growth rates, quality metrics, and price multiples.

Performance Pillar ● Neutral | William Samuel Rocco 07/18/2017

This fund has encountered choppy but generally favorable conditions since opening in mid-2015, and it has handled them very well. For starters, while the typical diversified emerging-markets fund dropped 13.9% and the MSCI Emerging Markets Index fell 16.2% in the second half of 2015, this fund declined 12.1%, as Facebook FB, Unilever UN, and some of its other developed-markets companies with major economic ties to emerging markets posted nice gains.

What's more, while its average rival returned 8.4% and the benchmark gained 11.2% in 2016, this fund returned 12.0%, thanks to superior performance from several of its consumer-cyclical, consumer-defensive, and other holdings. And it has handily outpaced its typical peer and the index for the year to date through June 30, as a number of its Chinese, U.S., and Brazilian picks have prospered.

All told, this fund has posted a 9.5% annualized return and a 6.2% Morningstar Risk-Adjusted Return from its mid-2015 inception through mid-2017 versus 5.1% and 1.5% for the typical diversified emerging-markets fund and 5.0% and 1.1% for the MSCI Emerging Markets Index. That's quite encouraging, but this fund is only two years old--and it has yet to encounter a prolonged emerging-markets downturn--so it earns a Neutral Performance rating for now.

People Pillar + Positive | William Samuel Rocco 07/18/2017

This fund earns a Positive People rating thanks to its lead manager's experience and talent. Lewis Kaufman has been at the helm since this fund opened in June 2015. Before joining Artisan Partners in February 2015, Kaufman spent roughly a decade at Thornburg Investment Management, where he ran a foreign-stock separate account for approximately six years and a diversified emerging-markets mutual

fund for about five years. Kaufman used essentially the same strategy at the latter fund, Thornburg Developing World THDAX, as he employs here, and he earned superior results during his tenure there. He worked in various investment-related positions at Morgan Stanley and Citigroup before joining Thornburg and has 18 years of investment experience.

Associate portfolio manager Michael Roberge served as an equity research analyst at Thornburg (where he worked on Thornburg Developing World) and as a research associate at Brandes Investment Partners before he joined Artisan in 2015. He has nine years of investment experience. Associate portfolio manager Edward Su worked as an associate portfolio manager and research analyst at Thornburg, a research analyst at Crystal Rock Capital, and an associate at Devon Value Advisers before joining Artisan in 2015. He has 12 years of investment experience. Research associate David Ng joined Artisan in 2016 and has five years of investment experience.

Parent Pillar + Positive | William Samuel Rocco 02/05/2016

Artisan hires proven or promising managers and allows them to build and run their teams with a large degree of autonomy. Four of the teams employ investment strategies that are well-executed and have performed strongly over longer-term periods. The firm's emerging-markets team has generated mediocre results in its 8.5-year tenure, and two teams have launched since only early 2014. The firm tends to close funds to preserve their flexibility and increase the chances that they will continue to outperform. Indeed, seven of the firm's 15 funds are currently closed to new investors. The firm also has a clean regulatory history.

Artisan's board generally does a fine job, but it could push the advisor to pass on economies of scale through a more aggressive negotiation of fees or management-fee breakpoints. The firm's funds aren't often priced well for their size.

On a positive note, all but two of Artisan's funds have at least one manager with more than \$1 million invested in fund shares, and seven have at least two managers who invest heavily in their funds. That's

the highest level of manager investment disclosed to the SEC and an industry best-practice.

The firm went public in March 2013. While this could pressure management into keeping popular funds open to boost revenue, it has thus far continued to close them. Also, its executives retain tight control of the firm.

Price Pillar ● Neutral | William Samuel Rocco 07/18/2017

This fund earns a Neutral Price rating. The Advisor share class, which holds 44% of assets, earns a Morningstar Fee Level of Average with its Feb. 1, 2017, expense ratio. Its expense ratio is 5 basis points lower as of its March 31, 2017, annual report and ranks Average as well. The Institutional share class (28% of assets) ranks Below Average with its Feb. 1, 2017, prospectus expense ratio. Its expense ratio is 4 basis points lower as of its March 31, 2017, annual report and ranks Below Average as well. The Investor share class (28% of assets) ranks Above Average with its Feb. 1, 2017, prospectus expense ratio. Its expense ratio is 12 basis points lower as of its March 31, 2017, annual report and ranks Average.

Clarifications:

- (1) As of 30 Jun 2017, 19.7% of Artisan Developing World Fund was allocated to developed markets and included 10 securities. Visa Inc was the 27th largest holding.
- (2) As of 30 Jun 2017, Artisan Developing World Fund consisted of 54 holdings.

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(%) as of 30 Jun 2017	QTD	YTD	1 YR	Inception
■ Investor Class: ARTYX	8.89	21.72	25.30	9.26
■ Advisor Class: APDYX	8.97	21.78	25.56	9.49
■ Institutional Class: APHYX	9.05	21.86	25.74	9.63
■ MSCI Emerging Markets Index	6.27	18.43	23.75	5.03

Source: Artisan Partners/MSCI. Returns less than one year are not annualized. Inception: 29 Jun 2015.

Expense Ratios (% Gross/Net)	ARTYX	APDYX	APHYX
Semi-Annual 31 Mar 2017 ¹	1.38	1.20	1.11
Prospectus 30 Sep 2016	1.53 / 1.50 ²	1.25 /---	1.15 /---

¹ Unaudited, annualized for the six month period. ² Reflects a contractual Fund expense reimbursement agreement in effect through 31 Jan 2018. See prospectus for more information.

Past performance does not guarantee and is not a reliable indicator of future results. The investment return and principal value of an investment in the Fund will fluctuate, so that an investor's shares in the Fund, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For current to most recent month-end performance information, call 800.399.1770. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

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 visiting www.artisanfunds.com. 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Artisan Developing World Fund's total net assets as of 30 Jun 2017: Reckitt Benckiser Group PLC 3.1%; Facebook Inc 3.0%; Unilever NV 1.7%; Visa Inc 1.6%. Securities named but not listed here are not held in the Fund as of the date noted. The portfolio holdings mentioned are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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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Category Group Index: MSCI ACWI Ex USA NR USD

Category Index: MSCI EM NR USD

Morningstar Index: Morningstar EM GR USD

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The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating ultimately reflects the analyst's overall assessment and is overseen by Morningstar's Analyst Rating Committee. The approach serves not as a formula but as a framework to ensure consistency across Morningstar's global coverage universe.

The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. A fund with a "Gold" rating distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. A fund with a "Silver" rating has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. A "Bronze"-rated fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. A fund with a "Neutral" rating isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. A "Negative" rated fund is flawed in at least one if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated at least every 14 months. **View detailed information about Morningstar's Analyst Rating, including its methodology.**

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