

Investment Process

We seek to invest in companies that are undervalued, in solid financial condition and have attractive business economics. We believe that companies with these characteristics are less likely to experience eroding values over the long term.

Attractive Valuation

We value a business using what we believe are reasonable expectations for the long-term earnings power and capitalization rates of that business. This results in a range of values for the company that we believe would be reasonable. We generally will purchase a security if the stock price falls below or toward the lower end of that range.

Sound Financial Condition

We prefer companies with an acceptable level of debt and positive cash flow. At a minimum, we seek to avoid companies that have so much debt that management may be unable to make decisions that would be in the best interest of the companies' shareholders.

Attractive Business Economics

We favor cash-producing businesses that we believe are capable of earning acceptable returns on capital over the company's business cycle.

Team Overview

Everyone on the team functions as a generalist with respect to investment research and the entire team works together on considering potential investments.

Portfolio Management



Thomas A. Reynolds IV
Portfolio Manager



Daniel L. Kane, CFA
Portfolio Manager



Craig Inman, CFA
Portfolio Manager

Investment Results (% USD)

As of 31 March 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite — Gross	5.16	5.16	16.08	—	—	—	4.15
Composite — Net	4.97	4.97	15.28	—	—	—	3.42
S&P 500® Index	10.56	10.56	29.88	—	—	—	10.98
Dow Jones US Select Dividend Index	6.10	6.10	9.73	—	—	—	4.21

Annual Returns (% USD) Trailing 12 months ended 31 March

	2020	2021	2022	2023	2024
Composite — Net	—	—	—	-7.37	15.28

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized. ¹Composite inception: 1 March 2022.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described near the back of this document, which should be read in conjunction with this material.



Investing Environment

US equity markets reached new all-time highs in Q1 supported by a resilient US economy, a general trend of disinflation and an acceleration in corporate profits growth. Given mostly benign economic data offering little indication that a recession is near, interest rate markets pared back the number of expected Federal Reserve rate cuts in 2024. The S&P 500® Index rose 10.56%, continuing the strong rally that began in late October of last year. There was broad-based strength across sectors. Communication services, financials, energy, industrials and technology stocks were each up double-digit percentages. Higher yielding sectors (real estate, utilities and consumer staples) trailed.

The market's move higher has been an unusually smooth one. In Q1, the S&P 500® Index experienced only three down days of one percent or greater. Over the five-year period from 2019 to 2023, the average quarter had nine such days. There are plenty of risks that could upset the apple cart, whether geopolitical or macroeconomic. The ongoing conflicts in the Middle East and Ukraine continue to rage, and inflation—though trending lower—remains above the Federal Reserve's 2% target. Markets during the first three months of the year showed relatively little concern, however. Earnings—the bedrock of business values—are growing soundly once again, and the recession that many predicted would have started by now has yet to emerge. However, volatility has picked up in April as we write this letter.

Performance Discussion

In Q1, the portfolio performed in line with our total return expectations—delivering a strong total return comprised of premium income (a portfolio current yield that is greater than or equal to 2X the average current yield for stocks in the S&P 500® Index) and solid capital appreciation. Our Core Value, Dividend Recovery and Dividend Growth holdings drove our overall return as bond proxies and fixed income securities trailed the broad equity market.

Our top contributors were nVent Electric, Corebridge Financial and Lamar Advertising. nVent Electric provides electrical connections and protection solutions. These are mission-critical elements in commercial electrical and mechanical systems and civil infrastructure. nVent has shown consistent and steady growth since the pandemic, having reported 12 consecutive quarters of year-over-year sales growth supported by the secular tailwinds of electrification, sustainability and digitalization. Growth has come from a combination of volumes and pricing, with the company successfully offsetting inflation with pricing. Due to the low cost of its products relative to a project and high failure costs for customers, nVent has good pricing power and sustainable margins. In the recent quarter, the company's data centers business (~14% of sales) was a standout, growing 20% year over year, as the acceleration in artificial intelligence infrastructure investments has created increased demand for the company's liquid cooling solutions. Though nVent is no longer selling as cheaply as when it first drew our interest, the stock still sells at a

lower P/E multiple than the S&P 500® Index despite better earnings growth.

Corebridge, a life insurance and retirement solutions company, was previously a unit of AIG and a September 2022 IPO. AIG still owns ~51% of the company following its recent secondary sale in November 2023, equaling 9.1% of shares outstanding. Since adding Corebridge to the portfolio in Q1 2023, it's been among our top performers as the "higher for longer" interest rate environment has driven an increase in spread income. Our investment thesis has been that Corebridge would benefit from the current interest rate environment following ZIRP (zero interest rate policy) and would also have plenty of room to improve its competitive position and wring out efficiencies to improve ROE now that it is a standalone entity that is no longer part of a large inefficient and capital-constrained parent. Even after recent stock price gains, Corebridge yields 3.2% on its dividend, with a double-digit free cash flow yield. In addition to Corebridge's regular dividend, the company paid two special dividends in 2023 totaling \$1.78, which is 7.6% on the March quarter-ending stock price. Besides dividends, we expect free cash flow will be used to ensure holding company liquidity, retire diluted shares and support modest growth expectations.

Lamar Advertising—our largest position—operates outdoor advertising structures such as billboards, digital billboards and transit ads. Results have been relatively steady, with strength in local/regional sales lifting the top line, while margin improvement drove better-than-expected earnings growth. In addition to returning cash to shareholders (the dividend yields 4.7%), management is focused on delevering the balance sheet given limited M&A opportunities. While the company's growth can ebb and flow, over the long term, the company has experienced average annualized organic growth in the high single digits, supplemented by small tuck-in acquisitions. With a record of consistently generating free cash flow and prudent capital allocation that includes high return of capital to shareholders, this stock fits our process.

Our bottom contributors were Cable One, Philips and Universal Health Realty Income Trust. Cable One, a small cable company operating in rural US markets, was our biggest detractor in Q1. Shares have remained weak due to concerns about competition from wireless providers and depressed subscriber growth, driven in part by fewer residential moves in a frozen US housing market. Broadband subscriber additions picked up in the latest quarter, but increased promotions and discounting reduced average revenue per subscriber, and an end to the ACP (Affordable Connectivity Program) accepting new enrollees creates an additional headwind to growing subscribers. While wireless companies are entering new markets, 5G is not currently competitive with cable's download speeds, and based on the physics of wireless data delivery, 5G is unlikely to be competitive with cable for many years, if ever. Cable continues to have a competitive advantage with respect to network speeds, reliability and

capital intensity. Despite recent growth challenges, free cash flow conversion remains solid, and the valuation is highly attractive, having a free cash flow yield of ~12% and selling below our estimate of 8X normalized earnings. We like the cable business in general due to its high recurring revenue, pricing power and healthy operating leverage.

Since Philips, a health care technology company, initiated a voluntary recall of its first-generation CPAP machine more than two years ago, investors have shunned the stock due to the uncertainty related to potential litigation liabilities. That has left the stock extremely undervalued. In January, Philips agreed with the US government on a proposed consent decree providing a roadmap of required actions and prohibitions—a process likely to take three years to conclude. As part of the consent decree, Philips is prohibited from selling CPAP or BiPAP sleep devices in the US. However, Philips may still service sleep and respiratory care devices already with health care provider and patients and may continue to sell other products in the US. Further, it does not impact the company's sales outside the US. The overall terms are as expected, and there is now a path forward for Philips to eventually return to the market. We appreciate that until there is greater clarity on the total settlement cost, the stock may remain under pressure, but at the current asking price, shares sell at a significant discount to our estimates of intrinsic value.

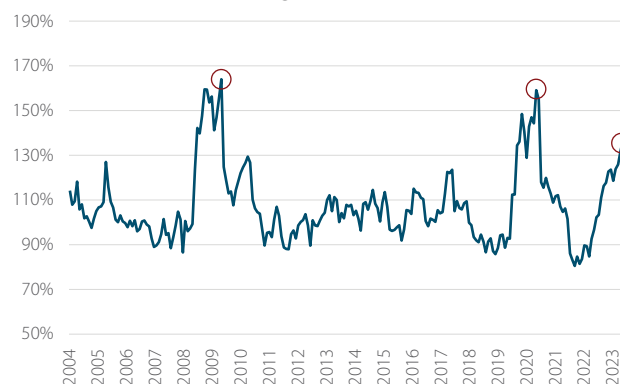
Universal Realty Income Trust (UHT) is a health care REIT (real estate investment trust) specializing in health care facilities, including acute care hospitals, behavioral health centers and medical office buildings. Our initial purchase was in June 2023. Like other high income producing stocks, UHT has been out of favor given higher interest rates. Besides the stock selling at low levels relative to its historical valuation and other REITs, we liked UHT's track record of execution, low leverage, reduced cyclicality and consistent annual dividend growth. It currently yields nearly 8%. Recent results have been strong, with revenue growth up over 5% driven by annual lease price escalators, a better mix of assets, increased occupancy and M&A. However, UHT was down in Q1 along with the broader real estate sector as interest-rate sensitive areas badly lagged the rest of the market.

Portfolio Activity

In Q1, we added two utilities to the portfolio: Alliant Energy and Evergy. Alliant Energy is a US-regulated electricity and natural gas utility operating in the Midwest. Evergy is a Kansas-based, fully integrated, fully electric utility. As the sector has lagged significantly over the past year, leading to an above-average earnings yield relative to the broader market (Exhibit 1), we're finding more opportunity.

Exhibit 1: Utilities Sector: Mispriced Yield

S&P 500® Utilities Sector Earnings Yield as a % of S&P 500® Index Yield



Source: Arisan Partners/FactSet. As of 31 Mar 2024. Past performance does not guarantee and is not a reliable indicator of future results.

As a group, utilities have been out of favor for a few reasons. The interest rate environment has made bonds more appealing, and higher inflation has increased labor, equipment and commodities costs while also raising utilities' costs of capital. Utility companies can pass on a lot of their costs to customers; however, rates are regulated, and regulators have strived to limit the rise in customers' utility bills, which have already experienced large increases in the post-COVID inflationary period. Consequently, utilities haven't been able to increase their ROEs as recent rates cases have gone against them.

Alliant Energy serves approximately 995,000 electric and 425,000 natural gas customers through two public utility subsidiaries, Interstate Power and Light (operates in Iowa) and Wisconsin Power and Light. Despite little change in the company's regulatory or operating environments, the stock has retrenched over the past year, and it now trades for about 16X P/E compared to an average of 18X over the past 10 years and has a 3.6% dividend yield. The company continues to invest in rate base, and a positive outcome on its current rate case in September could give it a boost.

Evergy serves more than 1.7 million customers in Kansas and Missouri. In addition to the aforementioned dynamics weighing on utilities share prices, Evergy had two key rate cases in 2023, one in Kansas and the other in Missouri, that presented risk for investors. The Missouri case went better than expected, but the returns allowed by the Kansas regulator were punishingly low. Though Evergy operates in a subpar regulatory environment, the utility is a good operator, with strong customer satisfaction scores, below-average capex needs and a clean balance sheet. The regulatory environment may improve at

some point, but even if it does not, Evergy trades for just 13X 2024 earnings, which is below average relative to its history and peers—and pays a dividend yielding 4.7%.

We also added Ryanair Holdings, an Ireland-based low-cost airline focused on the European market. The airline's low-cost, high on-time, high-efficiency model has helped it to take share from inefficient legacy and state-sponsored carriers over the past 20 years. Ryanair keeps a net cash balance sheet to opportunistically purchase aircraft countercyclically when it can do so at cheaper prices. Additionally, the company's economics are favorable. It has pricing power due to industry consolidation, capacity growth that is below demand growth and a lack of overlap on key routes. This leads to strong returns on equity and margins. Ryanair recently initiated its first dividend policy, and we estimate the dividend could yield 2%–3%. In addition to the dividend, Ryanair is expected to repurchase stock. Over the last decade, the company has retired 20% of its share count. This is remarkable considering it was a growth-focused airline and still had net cash after a pandemic. The stock sells at an attractive low-double-digit P/E, but we do not need multiple expansion for this investment to contribute well to our portfolio income and capital appreciation objectives. We believe simply continued execution of the business should lead to solid returns.

Perspective

With market-cap weighted indices hitting new highs and the S&P 500® Index selling for 23X (FY1) earnings, value-conscious investors—a group in which we proudly admit to being members—may feel some trepidation regarding forward return expectations for the asset class. However, we believe it would be a mistake to focus solely on the S&P 500® Index, which has become increasingly concentrated among a few mega-cap stocks, and in our view, no longer represents the diverse opportunity set that exists within our value investment universe. As we've noted in prior letters and on our blog [Artisancanvas.com](https://www.artisancanvas.com), value is historically cheap. Aside from the pandemic years of 2020 to 2021, large-cap value hasn't been this cheap relative to large-cap growth since the aftermath of the tech bubble. The Russell 1000® Value Index trades for 16.5X FY1 estimated earnings. The Russell 1000® Growth Index trades at 28.8X FY1 estimates. The average and median valuation spreads between these indices have been 7.8 and 6.1 percentage points over the past 26 years. Today, it's 12.2 percentage points. We don't know if the valuation premium for growth stocks will revert in a year or over the next 10, but we do know that the current spread positions value stocks favorably from here.

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Investment Risks: There is no guarantee that the companies in which the portfolio invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. The equity, fixed income and derivative security types referenced each contain inherent risks, including the risk of loss like all investments, and capital appreciation and income is not guaranteed. 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 and less developed markets, including frontier 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information. References to individual security performance relate to a representative account in the composite. Individual holding periods may differ.

For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan Value Income Strategy Composite's total net assets as of 31 Mar 2024: nVent Electric PLC 2.1%, Corebridge Financial Inc 1.8%, Lamar Advertising Co 3.7%, Cable One Inc 3.4%, Koninklijke Philips NV 1.1%, Universal Health Realty Income Trust 1.3%, Alliant Energy Corp 1.7%, Evergy Inc 1.5%, Ryanair Holdings PLC 1.5%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

Securities referenced may not be representative of all portfolio holdings. Securities of the same issuer are aggregated to determine a holding's portfolio weight. Portfolio statistics calculations exclude outlier data and certain securities which lack applicable attributes, such as private securities. Artisan Partners may substitute information from a related security if unavailable for a particular security. This material is as of the date indicated and is subject to change without notice. Totals may not sum due to rounding. Portfolio security yields are subject to market conditions and are not guaranteed.

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.

Portfolio holdings are classified into five income categories: Core Value, Dividend Recovery, Dividend Growth, Bond Proxy and Capital Structure. Core Value holdings are investments consistent with the team's value investing approach that also have an income component. Dividend Recovery holdings are investments where the current yield does not reflect the future payout. Dividend Growth holdings are investments where the dividend payout is expected to grow over a multiyear period. Bond Proxy holdings are investments in businesses which are less economically sensitive and have steady dividend policies. Capital Structure holdings are instruments that comprise non-equity parts of the capital structure (e.g., preferred securities, convertibles and bonds).

Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

S&P 500[®] Index measures the performance of 500 US companies focused on the large-cap sector of the market. The Dow Jones US Select Dividend Index measures the performance of the US's leading stocks by dividend yield. Russell 1000[®] Growth Index measures the performance of US large-cap companies with higher price/book ratios and forecasted growth values. Russell 1000[®] Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. 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 manager as of 31 Mar 2024. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes. The discussion of portfolio holdings does not constitute a recommendation of any individual security.

Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Free Cash Flow Yield** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Earnings Yield** (which is the inverse of the P/E ratio) is the company's per-share earnings divided by its current share price. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality.

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