

Announcing the Morningstar Fund Managers of the Year for 2013

Remarkable performances amid a remarkable year.

Fund Spy: Morningstar Medalist Edition | 01-15-14 | by Michael Herbst

Last year was a great year to be a stock fund manager but a challenging one for fixed-income fund managers. For our 2013 Morningstar Fund Managers of the Year, greater exposure to equity-sensitive markets, deft security selection, and diversification paid off. Some winners benefited by adding to bets that had been unpopular in preceding years. Others benefited by placing enough different bets that the ones they got right offset those they didn't.

A quick markets recap puts our winners' performances into context. Domestic equities led the way, with the S&P 500 Index returning a remarkable 32.4%. Small- and mid-cap stocks did even better, and health care and tech were the places to be. International equities as measured by the MSCI EAFE Index rose 22.8%, as the eurozone's continuing woes weighed on improving sentiment. Emerging markets struggled, with the MSCI Emerging Markets Index losing 2.3%.

Equity- and credit-sensitive fixed-income fare shone. The average convertibles, high-yield, and bank-loan funds gained 21.7%, 6.9%,

and 5.7%, respectively. Rising yields took a toll, with the Barclays U.S. Aggregate Bond Index ending the year with a 2.0% loss. Funds taking on greater duration, significant government exposure, or non-U.S. dollar exposure posted mid-single-digit to low-double-digit losses. Commodities and precious metals brought up the rear with steeper losses.

Beyond a great year in 2013, our winners must be Morningstar Medalists, must have generated strong long-term risk-adjusted returns, and must be strong stewards of investor capital. While our Fund Manager of the Year awards are recognition of past contributions rather than predictions of future results, we're confident in each one's long-term prospects because of their deep research resources and willingness to stick with their discipline in good times and bad. We wouldn't expect repeat performances in 2014, as our winners and their rivals will wrestle with lofty equity valuations, policy-related volatility, a still-recovering economy, and the specter of rising rates.

Fund Manager of the Year 2013 Winners

	M* Rating	M* Analyst Rating	Ann. Return 2013	Ann. Return % Rank Cat. 2013	Total Return Ann. 3-Yr Daily	Ann. Return % Rank Cat. 3-Yr Daily	Total Return Ann. 5-Yr Daily	Ann. Return % Rank Cat. 5-Yr Daily
Morgan Stanley Focus Growth A AMOAX	4	Gold	49.5	1	16.2	21	27.7	1
Morgan Stanley Inst Growth I MSEQX	5	Gold	48.6	1	17.6	7	26.6	1
Morgan Stanley Inst Mid Cap Growth I MPEGX	4	Gold	38.3	21	11.7	79	24.9	6
Morgan Stanley Inst Small Co Growth I MSSGX	5	Gold	62.3	1	19.5	8	27.6	5
Artisan International Value Investor ARTKX	5	Gold	30.5	1	14.5	1	18.9	1
Artisan Global Value Investor ARTGX	5	Silver	31.1	16	16.4	4	19.6	12
PIMCO Income Instl PIMIX	4	Silver	4.8	18	10.8	1	14.2	12
FPA Crescent FPACX	5	Gold	21.9	6	11.3	12	14.2	22
AQR Managed Futures Strategy I AQMIX	5	Silver	9.4	6	1.2	1		

* Source: Morningstar, Data as of Jan. 11, 2014

Domestic-Stock Fund Manager of the Year 2013

Dennis Lynch and Team From Morgan Stanley Institutional Growth (MSEQX)

Morningstar Category: Large Growth

2013 Return/Category Return Rank: 48.6%/1

Morningstar Analyst Rating: Gold

The Morgan Stanley Growth team, led by Dennis Lynch and comanagers David Cohen, Sam Chainani, Armistead Nash, Alexander Norton, and Jason Yeung, are being recognized for their stellar efforts on their quartet of Gold-rated funds, the \$2.0 billion Morgan Stanley Focus Growth (AMOAX), \$1.2 billion Morgan Stanley Institutional Growth (MSEQX), \$7.8 billion Morgan Stanley Institutional Mid Cap Growth (MPEGX), and \$2.5 billion Morgan Stanley Institutional Small Company Growth (MSSGX).

While the team invests in a number of areas that shone the brightest in 2013—such as technology and biotech—Morningstar’s attribution data suggests the team’s individual stock picks fueled the funds’ performance. The team’s decisions to scoop up or add to a number of controversial, beaten-down holdings during the second half of 2012, including Facebook (FB) and Groupon (GRPN), paid off as those holdings rallied to beat the band in 2013. Early 2013 purchases including Tesla Motors (TSLA) and Medidata Solutions (MDSO) gave the funds an additional boost.

Over time, the team’s flexible research approach, including astute pre-IPO investments, has generated superior results on an absolute and Morningstar Risk-adjusted basis. Flexibility can be a two-edged sword, but Lynch has done a remarkable job forging a cohesive culture and sheltering his team from the ups and downs of its parent, Morgan Stanley (MS). Lynch takes a rather high-risk approach, but he’s executed it brilliantly.

International-Stock Fund Manager of the Year 2013

David Samra and Daniel O’Keefe From Artisan International Value (ARTKX)

Morningstar Category: Foreign Large Blend

2013 Return/Category Return Rank: 30.5%/1

Morningstar Analyst Rating: Gold

Artisan Global Value (ARTGX)

Morningstar Category: World Stock

2013 Return/Category Return Rank: 31.1%/16

Morningstar Analyst Rating: Silver

David Samra and Daniel O’Keefe won Fund Manager of the Year in 2008 when their tendency to outperform in tough markets prevailed, so it’s remarkable that they did so too in 2013 amid a vigorous stock market rally. At both the \$11.0 billion Artisan International Value (ARTKX) and \$1.4 billion Artisan Global Value (ARTGX), the duo favors sturdier firms with high returns on capital that are trading at substantial discounts to their estimate of private-market value. In 2013 they notched wins across multiple sectors with late 2012 and early 2013 picks such as Baidu (BIDU), Vodafone (VOD), and Microsoft (MSFT), as well as longer-standing financials holdings such as Arch Capital (ACGL), Marsh & McLennan (MMC), and Lloyds (LLOY). Both funds’ recent low double-digit cash stakes give them the wherewithal to go bargain-hunting should the markets swoon.

Both funds’ stellar long-term returns and top-decile finishes in 2008 show they didn’t just get lucky in 2013. Despite running fairly compact portfolios of 40-50 stocks with top position sizes approaching 5% of assets, both funds have been less volatile than their benchmarks and average category rivals, leading to chart-topping Morningstar Risk-adjusted performance over longer trailing periods. The fact that International Value has remained closed to new investors since mid-2011 and that Global Value is closed to new institutional separate accounts highlights Artisan’s willingness to close strategies to protect current shareholders.

Fixed-Income Fund Manager of the Year 2013

Daniel Ivascyn and Alfred Murata From PIMCO Income (PIMIX)

Morningstar Category: Multisector Bond

2013 Return/Category Return Rank: 4.8%/18

Morningstar Analyst Rating: Silver

PIMCO’s decision to take on greater interest-rate risk and maintain emerging-markets exposure backfired during the 2013’s second quarter, when yields rose and emerging markets sold off. Yet Daniel Ivascyn and Alfred Murata also got a lot of things right in 2013. Security selection in agency and nonagency mortgages, corporate credit, and currencies all worked to the fund’s advantage. So did the

duo's relatively cautious use of leverage, in which they gain additional market exposure through the use of short-duration mortgages, swaps, and other tools (they ply a more leveraged approach at PIMCO Dynamic Income (PDI)).

Making the most of a tough market is where funds can really help shareholders. While PIMCO won't get all of its calls right—no one does—its concerted efforts to prevent any single bet from overwhelming performance played out for this fund in 2013. Ivascyn and Murata have also delivered on the fund's income-oriented goals without returning capital to shareholders since its 2007 inception. That's a tall order in today's relatively low-yielding environment, but PIMCO's vast tool chest and diversified approach instill confidence.

Allocation Fund Manager of the Year 2013

Steven Romick, Mark Landecker, and Brian Selmo From FPA Crescent (FPACX)

Morningstar Category: Moderate Allocation

2013 Return/Category Return Rank: 21.9%/6

Morningstar Analyst Rating: Gold

Romick and crew let security selection and a strict valuation discipline drive this \$15.9 billion fund's asset allocation rather than maintaining a strategic or balanced allocation. Leaning heavily on equities paid off for many allocation funds in 2013, but this team's success was not a case of being in the right place at the right time: The fund's net equity allocation clocked in just under 60% of assets to start the year—well under its typical category rival's—and ended closer to 50% as the team took gains throughout the year and found fewer opportunities. Instead, Morningstar's performance attribution suggests management's stock selection added value in eight out of 10 sectors, with big gains in top holdings Thermo Fisher Scientific (TMO), Aon (AON), CVS Caremark (CVS), and Microsoft.

The fund's top-decile finish is particularly notable given its heavy cash stake, which ranged between 30% and 40% of assets throughout the year. That slug reflects the team's reluctance to go near anything that doesn't offer a big margin of safety, and it gives the fund a big war chest for when valuations look more reasonable. That eye on capital preservation and FPA's strong stewardship have helped the fund achieve its goal of delivering equitylike returns with less equity risk over the long haul. To see what the team has achieved, step back and look at the big picture: The fund's 15-year return is 9.7% annualized, topping its peer group and doubling the S&P 500 Index with less risk.

Alternatives Fund Manager of the Year 2013

Brian Hurst and Yao Hua Ooi From AQR Managed Futures (AQMIX)

Morningstar Category: Managed Futures

2013 Return/Category Return Rank: 9.4%/6

Morningstar Analyst Rating: Silver

Managed-futures funds have had a tough couple of years, as policy-related market disruptions, mercurial investor sentiment, and touchy fixed-income and commodities markets have thrown wrenches into their trend-following approach. This \$5.8 billion fund's 9.4% gain in 2013 stands out on an absolute and risk-adjusted basis (as measured by Sharpe ratio) versus the category's average 0.9% loss, and its 2.3% annualized gain since its January 2010 inception through Jan. 11, 2014, outpaces all but one of its rivals.

Hurst and Ooi run a more diversified strategy than most of the competition. The duo takes long and short positions across the equity, fixed-income, commodity, and currency markets, while many managed-futures products focus primarily on the fixed-income or commodities markets. Rather than relying solely on short-term trends, they also factor in longer-term trends and will pull back their investments if markets become overextended. That last component serves as a governor and serves to protect investors. AQR's diversified approach propelled the fund's performance in 2013 and has helped it weather what's been a long, tough stretch.

(Disclosure: Daniel O'Keefe was a fund analyst at Morningstar for several years in the 1990s.)

Michael Herbst is a Director of Active Funds Research with Morningstar.

Rankings are based on historical total returns and do not represent future results.

This article is presented unabridged. It represents the views of Michael Herbst and Morningstar as of the date of publication and those views and opinions presented are their own. Artisan Partners is not responsible for and cannot guarantee the accuracy or completeness of any statement in the discussion. This material is not an offer of any mutual funds mentioned other than Artisan Funds.

Clarification: The MSCI Emerging Markets Index declined 2.6% for the year ended 13 Dec 2013.

Average annual total returns for the fund and benchmark as of 31 Dec 2013:

Artisan Global Value Fund – ARTGX (Inception 10 Dec 2007): 31.12% (1YR), 16.55% (3YR), 19.66% (5YR), 8.85% (Since Inception). MSCI All Country World Index: 22.80% (1YR), 9.73% (3YR), 14.92% (5YR), 1.94% (Since Inception).
Artisan International Value Fund – ARTKX (Inception 23 Sep 2002): 30.49% (1YR), 14.17% (3YR), 18.75% (5YR), 12.37% (10YR), 16.00% (Since Inception). MSCI EAFE Index: 22.78% (1YR), 8.17% (3YR), 12.44% (5YR), 6.91% (10YR), 9.86% (Since Inception). MSCI EAFE Value Index: 22.95% (1YR), 8.32% (3YR), 11.99% (5YR), 6.77% (10YR), 10.15% (Since Inception).
Expense Ratios are for the fiscal year ended 30 Sep 2012. Artisan Global Value Fund's gross expense ratio is 1.53%. The Fund's net expense ratio is 1.52%. Artisan Partners has contractually agreed to reimburse the Fund for any ordinary operating expenses in excess of 1.50% through 1 Feb 2014, at which time the contract may be renewed, revised or discontinued. Artisan International Value Fund's expense ratio is 1.22%. The direct operating expenses are 1.17% which are reflected in the Fund's Financial Highlights in the prospectus and financial statements. The Expense Ratio noted above includes indirect expenses the Fund may incur from investing in an investment company (Acquired Fund Fees and Expenses); such indirect expenses are not paid from the Fund's assets but are reflected in the Fund's return realized by its investment in the acquired funds.

Source: Artisan Partners/FactSet/MSCI.

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. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held by an investor for 90 days or less and, if reflected, the fee would reduce the performance quoted. Artisan Global Value Fund's performance information reflects Artisan Partners' agreement to limit the Fund's expenses and has had a material impact on the Fund's performance, which would have been lower in its absence.

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.

Artisan International Value Fund and Artisan Global Value Fund: 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. Value securities may underperform other asset types during a given period. Artisan International Value Fund: 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. Artisan Global Value Fund: Securities of 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 International Value Fund's total net assets as of 31 Dec 2013: Baidu Inc 2.7%; Vodafone Group PLC 1.8%; Arch Capital Group Ltd 3.1%; Lloyds Banking Group PLC 2.3%. These holdings comprise the following percentages of the Artisan Global Value Fund's total net assets as of 31 Dec 2013: Vodafone Group PLC 1.7%; Microsoft Corp 3.1%; Arch Capital Group Ltd 3.1%; Marsh & McLennan Cos Inc 2.5%; Lloyds Banking Group PLC 2.3%. The portfolio holdings mentioned are subject to change and the Fund disclaims any obligation to advise investors of such changes.

MSCI ACWI (All Country World) Index is an index designed to measure equity market performance in the global developed and emerging markets. The MSCI EAFE Index is an index of companies in developed markets, excluding the U.S. and Canada. The MSCI EAFE Value Index is an index of companies in developed markets, excluding the U.S. and Canada, that exhibit value investment style characteristics according to MSCI's methodology. The S&P 500[®] Index is a market-weighted index of 500 of the largest US companies. The MSCI Emerging Markets Index is an index of companies in emerging markets. The Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. All indices are unmanaged, market-weighted indices whose returns include net reinvested dividends 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. An investment cannot be made directly into an index.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

Established in 1988, the Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with shareholders'. Beginning in 2012, nominated funds must be Morningstar Medalists—a fund that has garnered a Morningstar Analyst Rating[™] of Gold, Silver, or Bronze. The Fund Manager of the Year award winners are chosen based on Morningstar's proprietary research and in-depth qualitative evaluation by its fund analysts.

Morningstar Inc.'s awards are based on qualitative evaluation and research, thus subjective in nature and should not be used as the sole basis for investment decisions. Morningstar's awards are not guarantees of a fund's future investment performance. Morningstar, Inc. does not sponsor, issue, sell, or promote

any open-end mutual funds including the Artisan Funds. Winners are chosen by Morningstar based on relative results and an award does not guarantee positive fund performance results for the year.

Morningstar Ratings are based on risk-adjusted returns and are historical and do not represent future results. The Fund is rated within its respective Morningstar Category. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-year, five-year, and ten-year (if applicable) Morningstar Ratings metrics.

Morningstar Analyst Rating is a subjective evaluation performed by the mutual fund analysts of Morningstar. The Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar's current expectations about future events; therefore, in no way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what is described.

Morningstar % Rank Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category for a specific time period. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1.

Artisan International Value Investor (ARTKX) is rated within Morningstar's Foreign Large Blend Category. For the calendar year 2013 there were 791 funds in the category. For the 3YR period ended 31 Dec 2013 there were 700 funds in the category. For the 5YR period ended 31 Dec 2013 there were 629 funds in the category.

Artisan Global Value Investor (ARTGX) is rated within Morningstar's World Stock Category. For the calendar year 2013 there were 1,040 funds in the category. For the 3YR period ended 31 Dec 2013 there were 797 funds in the category. For the 5YR period ended 31 Dec 2013 there were 638 funds in the category.
--

Artisan Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Funds, is wholly owned by Artisan Partners Holdings LP.

© 2014 Artisan Partners. All rights reserved.

A14511L-4 – DOFU 24 Jan 2014.