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THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Acceleration and Differentiation Are Keys to Outperforming the S&P

CHRISTOPHER SMITH is a managing director of Artisan Partners and founding portfolio manager of the Antero Peak Group. In this role, he is the portfolio manager for the Antero Peak Strategy, including Artisan Focus Fund. Prior to joining Artisan Partners and founding the Antero Peak Group in October 2016, Mr. Smith was a senior analyst at Kingdon Capital Management where he managed capital directly for Mark Kingdon. Mr. Smith spent the majority of his career at Karsch Capital Management where he was a managing director and a senior analyst covering the consumer, media and industrial sectors. Upon Karsch Capital closing in August 2013, Mr. Smith was selected by Michael Karsch to create and exclusively manage Centerline Investment Partners, a long-only fund with more than $100 million in assets, which he then merged into Kingdon Capital with the client's approval. Mr. Smith has also worked at Soros Fund Management, as well as UBS and Credit Suisse in equity research. He holds a bachelor's degree in finance from the Wharton School, University of Pennsylvania (summa cum laude).

SECTOR — GENERAL INVESTING

TWST: Could you discuss Antero Peak?

Mr. Smith: The Antero Peak Group was launched about five years ago. We are an equity boutique. We manage approximately $4 billion within the Antero Peak Group. The mandate of the group is to deliver excess returns with in-line volatility to the S&P. We have a team of about 12 people across the group.

TWST: Do you have an overall investment philosophy?

Mr. Smith: Our philosophy is premised on identifying inflection points in areas of the market that are experiencing multi-year trends — that are poised to accelerate the sustainable growth and profitability of the companies impacted by those industry inflections. Those inflections can be secular. They can be cyclical. They can be structural.

We do a lot of work on the industries impacted by those inflections across a broad and balanced coverage universe. Our view is these inflections are often mismodeled by the Street, both the buy and the sell sides. And that allows for a differentiated view on the earnings power and multiple paid for businesses.

My personal view has always been to create alpha, you must have a differentiated perspective. If an industry is not changing, and is always growing the same amount, it's impossible for me to intellectually tell you that I have a varying perspective on the companies in the industry. If nothing is changing, they can be great companies or a great industry, let's say like software or something like that, that's growing 10% a year. But if it's always growing 10%, then our assumption is the market is efficient in some regards and would be fairly valuing those companies at that time. So we really want to find change to really understand if we can have a unique view and if that understanding changes how it happens, the magnitude of it and the implications of it. Over the long term, it will really drive our process.

TWST: And you mentioned multi-year trends. Do you find sometimes investors hear more about shorter-term trends — maybe lasting six months to nine months? They don't always see those multi-year trends that really could impact their portfolios.

Mr. Smith: It's a good question. We start on an industry level. And we build out industry models that are built on five-year forward views. I think a lot of times people are too short-term in their view. They won't capture the full effect and the compounding effect of the change over a long period of time. And so, we really focus on expanding out the industry view, building out an industry model.

A good example would be the global networks around the world — wireless, broadband, and fiber networks. They're all being upgraded right now globally to accommodate 5G and more data use by customers, consumers and enterprises. So you have to build out these models that show how capital is going to be deployed across all the different networks and geographies to see how the trends accelerate over the next three to five years. That's how you can really take a bigger picture view, and have an exciting insight across a wide variety of industries that touch that overall theme of upgrading of networks. Wireless companies benefit from it. Data center companies benefit from it. Semiconductor companies, industrial companies that provide the picks and shovels.

It allows you to look for differentiation when you think on a longer-term basis on an industry view, and then use that view to see the most applicable way to express that from a bottom-up perspective on a company level.

TWST: Did you want to talk about any specific companies that relate to 5G or things that are connected to it?

Mr. Smith: Within 5G specifically, some of the areas that we've been invested in and really like include the tower side, which are the companies that own the towers that provide the wireless networks with their specs along with the ability to use their spectrum. One example is **American Tower** (NYSE:AMT).

We'll see accelerating spend on **American Tower** by all the wireless companies as they look to move to 5G and then further expand their network over time. Only half of the spectrum in the United States right now is even used. If you want autonomous vehicles, you're going to need much better networks over time. And the wireless companies will deploy all their spectrum. And the ones who benefit from that are the tower companies like **American Tower**.

TWST: Anything specific that investors should know about the company in the coming years?

Mr. Smith: One should look at their organic leasing trends and make sure that the wireless companies are deploying the spectrum. And you'll see that in their leasing numbers, they're deploying the spectrum as one would expect. I think that's really important.

Another thing that impacts them is interest rates, because **American Tower** is a REIT. So, to the extent that rates keep going higher, that is a headwind for them. So you have to have some focus on that as well.

TWST: Any other companies that come to mind?

Mr. Smith: Another name we like is **T-Mobile** (NASDAQ:TMUS) in that space. **T-Mobile** has the most spectrum and the best network in the United States. They merged with **Sprint**. Effectively, they bought out **Sprint** for their spectrum. And they have the fastest, most affordable network in the United States, particularly for 5G. They're ahead of the curve there. As they turn around **Sprint**, we think that'll be a big opportunity for them to gain subscriptions in the United States and make the **Sprint** network run much more efficiently than it was run as a standalone without **T-Mobile**.

TWST: How would they maybe compare with some of the other companies in that sector?

Mr. Smith: We really like **T-Mobile** relative to the other companies because they are going through this merger with **Sprint**. We have them significantly ramping up free cash flow over time. And they have much better spectrum and more ability to provide the consumers a better wireless experience. They have a big lead over everybody else in the industry right now, particularly **AT&T** (NYSE:T) and **Verizon** (NYSE:VZ), who have a large debt load right now, too.

TWST: What about some of the other sectors or trends that fit into your thesis?

Mr. Smith: I think one other area that fits into what we're talking about in terms of change going on and has implications across a lot of sectors is deglobalization. It's a trend that can last five-plus years, frankly.

TWST: Can you define it for our readers?

Mr. Smith: Sure. Over the past decade plus, the world has really worked on the globalization of the economies in terms of companies offshoring as they looked to the lowest cost for raw materials and production. Now, as a result of recent macro developments including COVID-19 and geopolitical tensions, you're seeing a lot of entities shift away from that trend as they become more dependent on sourcing and manufacturing onshore.

In industrials, over the past decade, everyone moved a lot of their production offshore, primarily to China, to Southeast Asia, which was bringing down costs through cheaper labor. This boosted economic growth in those countries where the work was done. It increased savings and competitiveness for manufacturers and importers and provided low-priced goods to consumers. But the supply chain disruption that resulted from COVID-19, combined with the shutdown of much of the world's production capacity, has shown the downside to shifting production offshore. Supply chains have been unable to keep pace with the elevated demand in the economies globally.

As an example, a 2021 study looking at 30 U.S. manufacturers — averaging $30 billion of annual revenue — revealed that sourcing from closer Mexican factories was up 500% versus 2020. So they're looking to bring back production close to home in the United States. And they're looking at places like Mexico to do that, as opposed to Asia. And the number of suppliers in China that are receiving procurement bids is declining for the first time in over a decade. So you're hearing a lot of companies, you're seeing it live in the data, these companies trying to move back towards the U.S. and be closer to home.

And you're seeing that also occur at the political level. You're hearing it from a national security perspective, particularly as it pertains to semiconductors. The House of Representatives passed the Chips Act, which has totaled $52 billion as part of the America Competes Act. And they're pushing companies like **Intel** (NASDAQ:INTC) to invest $20

Highlights

Chris Smith discusses the Antero Peak Group, which aims to outperform the S&P while providing volatility that is in line with the S&P or below it. He says that they seek out companies in industries that are accelerating their growth over three to five years and where they see significant earnings differentiation relative to consensus based on that acceleration. Mr. Smith sees opportunity in companies that should benefit from the trend of upgrading global networks, noting that these networks are being upgraded globally right now to accommodate 5G and more data use by customers, consumers and enterprises. He also sees deglobalization as a trend with implications across a number of sectors as U.S. manufacturers seek to bring back production from Asia and move it closer to home. Mr. Smith also identifies renewable energy development as a robust area that should benefit from tailwinds.

Companies discussed: American Tower Corp. (NYSE:AMT); T-Mobile US (NASDAQ:TMUS); AT&T (NYSE:T); Verizon Communications (NYSE:VZ); Intel Corporation (NASDAQ:INTC); Taiwan Semiconductor Mfg. Co. Ltd. (NYSE:TSM); NextEra Energy (NYSE:NEE) and Cheniere Energy (NYSEAMERICAN:LNG).

billion in mega-fab semiconductor plants just outside Columbus, Ohio. **Taiwan Semi** (NYSE:TSM) is investing $12 billion to build a chip fabrication plant in Phoenix, Arizona.

On the political front, you're hearing a lot about it on the defense spending, which is inflecting globally right now. European countries buy well over 50% of their defense goods from U.S. defense companies. So you're seeing this insular nature happening from the company side and also from the political side.

And that has a lot of implications across companies. For instance, in terms of energy, it's really interesting to hear a sitting Democratic president openly talking about hydrocarbon energy in the form of liquefied natural gas. That's a big tone shift and shows the severity of the situation that's occurred in Europe.

Russia is using energy as a weapon to attack Europe in terms of natural gas and whatnot. And a lot of the crops in Ukraine were used to supply Europe with food. A big risk that Europe now sees from war is the implication of needing alternative sources for the energy and food sources. What you're seeing is countries realizing they need to source energy in other ways.

In the U.S. with gas, 95% of all the growth is already purchased by Asian customers, particularly Southeast Asia as those economies grow and they don't have domestic supply. So there's very little left for the European Union customers, given that they source almost 40% of their gas from Russia. And they need to find other ways to invest in the U.S. infrastructure to drive spend on more infrastructure to supply Europe with natural gas over time via LNG — liquefied natural gas.

TWST: Any other sectors you'd care to bring up?

Mr. Smith: Within all of this, a big focus, given this energy crisis, is renewable development. That looks really robust right now. There's large tailwind from the Biden infrastructure bill for renewable development. And getting away from these other sources of energy, there's extensive headroom for wind and solar, given they are much more cost effective than traditional sources of energy like natural gas.

And there's no better positioned company really on the renewable development front in a decarbonized U.S. economy than **NextEra Energy** (NYSE:NEE). It is a best-in-class utility operator that operates **Florida Power and Light**, which is the largest electric company. And they also operate **NextEra Energy Resources**, which is the world's largest generator of renewable energy, including solar wind and clean-combined cycle gas. So there's a huge opportunity for next year to continue to grow as the current environment sets up for big investments by a lot of other utilities who use **NextEra** to build the renewables business.

We think there's going to be huge capital deployment across the enterprise over the next five years, as people look to these infrastructure assets that **NextEra** can build. Also companies like **Cheniere** (NYSEAMERICAN:LNG). On the LNG front, they fit our process really well. The world is looking much better for these companies, as you look out three to five years.

TWST: Did you want to talk about your team's investment strategies and what they can provide investors?

Mr. Smith: I think our strategy provides a great opportunity for investors to deliver reasonable value for clients, and we aim to outperform the S&P while providing volatility that is in line with the S&P or below it. We have delivered over time roughly 585 basis points of annualized alpha in the Focus Fund with a similar volatility to the S&P. And I think our approach for looking at industries that will be accelerating over time, and then running a balanced portfolio that keeps our volatility in line with the S&P as opposed to getting too overweight beta or overweight growth or something like that, has allowed us to be able to accomplish that mandate over time.

"We think there's going to be huge capital deployment across the enterprise over the next five years, as people look to these infrastructure assets that NextEra can build. Also companies like Cheniere. On the LNG front, they fit our process really well. The world is looking much better for these companies, as you look out three to five years."

TWST: Any overall advice for investors as they look at the next year or so?

Mr. Smith: We encourage investors to remain prudent, but patient, given this backdrop. The Federal Reserve is really focused on tightening financial conditions to drive down asset prices and slow the economy to slow inflation. However, crosscurrents present opportunities to source idiosyncratic investment ideas, and we believe our portfolio of roughly 30 names is positioned to thrive in this environment.

1-Year Daily Chart of American Tower Corp.

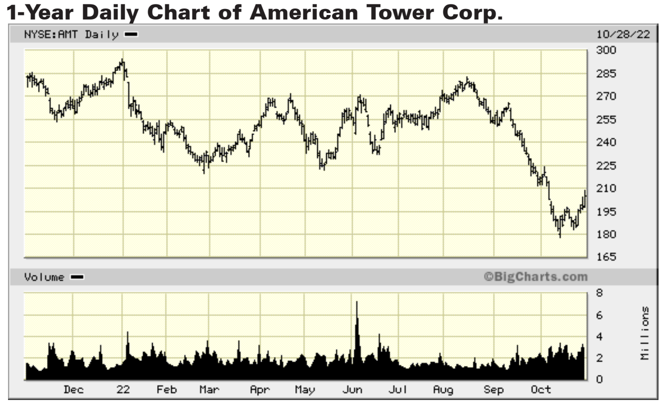

Chart provided by www.BigCharts.com

When we look at our portfolio, it's a very high-quality portfolio, lower beta portfolio relative to the market and a portfolio that's benefiting from all the trends we alluded to and other trends, obviously. And we believe we can outperform the S&P, even during these periods of time. That's why we really feel comfortable with our portfolio. And I think investors should look to upgrade their portfolio of assets, have a higher-quality portfolio during these kinds of turbulent times.

TWST: And as we're coming to the close of one year and the start of another one, is it the time for investors to look at what is in their portfolio and maybe think about some of these things?

Mr. Smith: Yes. I think as the economy gets rockier going forward, given the tightening that the Fed has done, I think that now is an ideal time to look at your portfolio. Look for places where you can have losses in your portfolio and upgrade your portfolio as we head into 2023 and, potentially, an economy that is doing worse or is much rockier than it was in 2021 and 2022.

TWST: In conclusion, did you want to go over what the process is, so that investors are familiar with it?

Mr. Smith: Sure. To kind of restate what we do, we focus on our research, and through portfolio construction, execute the research as best as we can, by looking for companies in industries that are accelerating their growth over three to five years where we think we have significant earnings differentiation relative to consensus based on that acceleration.

To restate why we do this, it is because over time it has empirically worked. In our Q4 2021 letter, we summarized an analysis we ran of the rolling 10-year S&P 500 returns. We tagged each stock within the index as accelerating or decelerating, beating or missing, and outgrowing or undergrowing. The results were hard to refute. If you simply picked companies that accelerated faster than the S&P, companies that consistently beat earnings, or companies that grew their earnings faster than the S&P 500, you generated alpha. If you were to put a portfolio of companies that fell in all three categories, you generated 1500 bps of annual alpha on average, with zero instances of delivering returns below the index.

So obviously, that's with hindsight knowing all the companies that would do well, but we focus our attention on driving alpha. That's our mandate: to outperform the S&P for investors. And we feel the way to do it is by looking for this acceleration and looking for differentiation. And to the extent that we can do that effectively, if we can capture some amount of that alpha each year, we would deliver on our mandate for our partners.

TWST: Thank you. (ES)

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Investment Results as of 30 Sep 2022 (%)							Expense Ratios[1]
Artisan Focus Fund	QTD	YTD	1 Yr	3 Yr	5 Yr	ITD	Prospectus 30 Sep 2021
Investor Class: ARTTX	**-6.12**	**-29.53**	**-20.76**	**6.64**	**12.85**	**15.22**	**1.27%**
Advisor Class: APDTX	**-6.10**	**-29.43**	**-20.60**	**6.82**	**12.99**	**15.35**	**1.12%**
Institutional Class: APHTX	**-6.08**	**-29.41**	**-20.56**	**6.87**	**12.99**	**15.35**	**1.03%**
S&P 500® Index	-4.88	-23.87	-15.47	8.16	9.24	9.84	–

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. Class inception: Investor (24 April 2017); Advisor (31 July 2018); Institutional (3 February 2020). For the periods prior to inception, Advisor Class and Institutional Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor and Institutional Classes and the share class' returns during that period would be different if such expenses were reflected. [1]See prospectus for further details.

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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.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. Non-diversified portfolios may invest larger portions of assets in securities of a smaller number of issuers and performance of a single issuer may have a greater impact to the portfolio's returns. Use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. High portfolio turnover may adversely affect returns due to increased transaction costs and creation of additional tax consequences. 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. 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.

The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Artisan Focus Fund's total net assets as of 30 Sep 2022: T-Mobile US Inc 7.9%, NextEra Energy Inc 6.3%, American Tower Corp 5.3%, Cheniere Energy Inc 1.3%. For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the portfolio. Securities mentioned but not listed here were not held as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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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