Artisan Value Income Fund

QUARTERLY
Commentary

Investor Class: APFWX | Advisor Class: APDWX | Institutional Class: APHWX

As of 30 September 2023

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.

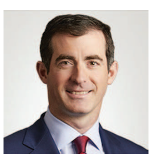
Attractive Business Economics

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 (%)

As of 30 September 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: APFWX	**-3.51**	**0.38**	**10.67**	—	—	—	**-5.33**
Advisor Class: APDWX	**-3.60**	**0.41**	**10.68**	—	—	—	**-5.29**
Institutional Class: APHWX	**-3.49**	**0.53**	**10.83**	—	—	—	**-5.20**
S&P 500® Index	-3.27	13.07	21.62	—	—	—	0.41
Dow Jones US Select Dividend Index	-3.69	-7.84	4.84	—	—	—	-4.32

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized. Class inception: Investor (28 February 2022); Advisor (28 February 2022); Institutional (28 February 2022).

Expense Ratios (% Gross/Net)	APFWX	APDWX	APHWX
Semi-Annual Report 31 Mar 2023[1,2,3]	11.01/1.20	5.44/1.10	2.36/1.05
Prospectus 30 Sep 2022[2,3]	13.46/1.20	9.98/1.10	2.55/1.05

[1]Unaudited, annualized for the six-month period. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. [3]See 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.

Investing Environment

Following solid returns in the first half of the year, US equities experienced a pullback in Q3 driven by the significant rise in long-term interest rates and the higher for longer policy messaging from the Federal Reserve and other major central banks. The rate on the 10-year US Treasury rose ~75bps in Q3 to 4.57%, eclipsing its previous cycle highs of October 2022, and is now up over 400bps since it bottomed in March 2020 at just 0.50%. It's difficult to overstate the severity of this bond bear market. According to Bank of America, which examined available bond market data going back to the country's founding in the late 1700s, this is the worst bear market in US bonds…ever. As a comparison, it's on par with the bear market in US equities following the tech bubble. Of course, like the tech bubble, these types of market outcomes tend to occur when starting valuations reach extremes, whether stock P/Es or interest rates.

As in 2022, rising long-term yields were a negative for equities in Q3 as long-term cost of capital assumptions were adjusted upward. However, unlike in 2022 when yields moved higher due to inflation, the recent market moves have been due more to supply/demand pressures. Elevated fiscal spending is causing supply issues (i.e., high Treasury issuance), while quantitative tightening by the Fed is contributing to reduced demand. In the background, there are increasing concerns about the long-term fiscal outlook given higher funding costs in a higher for longer environment and little confidence that budgetary solutions are imminent amid political dysfunction in Washington.

After pausing at its June meeting, the Fed raised its benchmark rate another 25bps in July and then held steady in September. Of course, the higher for longer stance of the Fed is less about the level of peak rates and more about how long rates will remain high before the Fed reverses course. While inflation has continued cooling, the rate of inflation is still well above the Fed's 2% target, and labor markets remain tight. Besides higher borrowing costs, the US economy is facing multiple pressures from banks' tightened lending standards to the resumption in student loan payments and the increase in energy prices. While we're not economists, we know from history that eventually tight policy and lending will slow the economy even if the timing of "the long and variable lags" is tough to predict.

Aside from energy, which was a laggard in the first half of 2023, and communication services, all other sectors in the S&P 500® Index finished lower in Q3. The energy sector gained 12%. Rising oil prices and investors' seeking value among market segments that hadn't participated as much in the stock market's YTD advance drove a broad sector rotation to energy stocks. YTD, the energy sector is up 6%, following its strong outperformance in 2022. The worst performing sectors, utilities and real estate, were each down about 9% as these sectors are most interest rate sensitive. There were few notable performance patterns by market capitalization and style (value-growth), though large caps tended to hold up a little better as investors continued to favor quality.

Performance Discussion

Although it's a relatively short time period, over the past year, the portfolio has performed in line with our total return expectations—delivering a total return of about 10.7%, with ~7.6% capital appreciation and ~3.1% income (based on the Investor share class: APFWX).Our portfolio performed in line with the broader US equity market in Q3. As we would expect, in a down period, our capital structure investments, which are those that comprise non-equity parts of the capital structure (e.g., bonds and preferred securities) dampened volatility as they generated a positive return in aggregate. As a reminder, we classify holdings into five income categories: capital structure, dividend growth, dividend recovery, bond proxy and core value. The top contributors in the capital structure bucket were an Air Lease perpetual preferred stock and a Redwood Trust corporate bond. Our holdings in the core value bucket, which we expect should have the largest portfolio weighting over most time periods, held up slightly better than the broader US equity market as well but were still down for the period. Our bond proxy holdings were the weakest performing category as consumer staples and utilities stocks underperformed in Q3.

Air Lease is an airplane leasing firm. We hold its perpetual preferred stock paying a 4.125% coupon. A preferred is a hybrid security having characteristics of both stocks and bonds. Like bonds, a preferred typically pays a fixed quarterly coupon and is senior to common equity in the capital structure; however, it's not debt that must be repaid. Preferreds can offer higher dividend yields than available on common stocks but, like bonds, will fluctuate in price due to changes in prevailing interest rates. This is what has occurred with our Air Lease preferred. Rising interest rates caused the price to decline in 2022. Recent price gains have pared those losses. Air Lease's business has performed well as air travel has recovered and strong demand in the secondary market has contributed to lease rates strengthening.

Tax preparer H&R Block (HRB) was our top Q3 individual contributor. Revenues contracted in the recent quarter but were better than expected, sending shares higher. Revenue growth was held back by lighter US industry tax filing volumes during the 2023 tax season, due in part to a year-over-year normalization of stimulus filers, in addition to market share losses in the assisted category. Some share losses are due to competition, but also a factor is a continued shift among filers to HRB's cheaper DIY (do-it-yourself) option. While recent growth has been disappointing, HRB remains a dominant provider in assisted tax prep, a cash cow that is a relatively predictable, non-cyclical business. Prodigious cash flow continues to be faithfully returned to shareholders via dividends and share buybacks. Further, expectations remain muted as shares trade for less than 10X FY24 earnings.

Corebridge Financial, a provider of life insurance and retirement solutions, was another standout. Corebridge was previously a unit of AIG and a September 2022 IPO. Earnings and cash flow have been solid, aided by increased spread income in the general account due to higher reinvestment rates. We added Corebridge to the portfolio in

Q1 2023. Our thesis is now that Corebridge is not a part of a large inefficient and capital-constrained parent, the company should have plenty of room to improve its competitive position. Establishing new processes that both improve capabilities and wring out efficiencies as a standalone entity should help improve ROE in coming years. It has a 4%+ dividend yield and a double-digit free cash flow yield, even in 2022 when negative fixed income and equity markets reduced fee revenue. In addition to the dividend, free cash flow will be used to ensure holding company liquidity, repurchase stock and support modest growth expectations.

On the downside, our biggest detractors included Lamar Advertising, Omnicom Group and Heineken. Lamar Advertising operates outdoor advertising structures such as billboards, digital billboards and transit ads. Recent results have been steady, but management noted a slowdown in activity heading into Q3, with clients hesitating to pull the trigger on renewals and new contracts. While the near-term growth outlook has softened, 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 growing dividends (the current dividend yield is about 6%), we consider this company a good fit within our process and our portfolio's income objective.

Omnicom is a global advertising and marketing services holding company. Organic growth came in slightly lighter than expected, which caused the stock to sell off. Even after the pullback, the stock has returned 22% over the prior one year. The business, while cyclical due to its ties to ad spend, is a royalty on competition as clients around the world seek Omnicom's expertise in creating, managing and tracking advertising campaigns. The business generates strong free cash flow, which has funded capital return in the form of share repurchases and dividends (3.8% current dividend yield), and is mostly a cost-plus business, which lessens the risk of margin pressure. Omnicom also has a flexible cost model allowing it to cut overhead during economic downturns to protect operating profit. While we cannot predict the economic cycle, Omnicom is a business that has delivered high returns on equity over a full business cycle and is currently selling at an attractive ~12X earnings.

Heineken, the second-largest brewer in the world behind Anheuser-Busch InBev, has come under pressure due to weaker volumes owing to challenging macro trends globally. Volume trends can ebb and flow, but on the whole, the alcoholic beverage category has a highly stable demand profile. Rather than sacrifice margins, Heineken has remained focused on maintaining its premium positioning—leveraging its strong brand portfolio and exposure to the premium beer segment—to pass through cost inflation. Heineken's brands and scale provide it with competitive advantages on margins, cash flow and the capacity to invest for growth. Also, Heineken's geographical exposures provide growth tailwinds. It has a relatively small presence in the competitive and shrinking US beer market and an outsized presence in emerging markets. As a stable and higher quality business, opportunities to purchase shares of Heineken at a discount are infrequent, so we took advantage of the current market conditions to add to our position.

Portfolio Activity

We made one new purchase in Q3, adding Cable One's 4% coupon bonds maturing in 2030. Cable One (CABO) is a small cable company operating in rural US markets. We also hold CABO's common equity, as well as convertible bonds maturing in 2026 and 2028. The bonds maturing in 2030 were yielding 8%+ when we purchased them in August, providing a potential equity-type total return, in our view. We believe CABO's common shares and bonds have been punished due to concerns about slowing subscriber growth and increasing competition from fiber and fixed wireless providers. While wireless companies are entering new markets, cable continues to have a competitive advantage with respect to network speeds, reliability and capital intensity. Cable is also a stable business due to its stickiness as subscription cancellations are infrequent. CABO has high recurring revenue, pricing power and healthy operating leverage—all desirable characteristics. It also generates a lot of free cash flow, which can be used to not only service debt and fund capital expenditures, but also retire stock and pay a dividend (currently yielding ~1.8%). In fact, CABO is generating over $300 million per year in free cash flow, even with ongoing capex, while interest coverage is 5X. Even if the company needed to refinance all its debt at today's higher rates, it could cover its interest burden and still have positive free cash flow. Further, there are over $1 billion in long-term investments on the balance sheet that aren't included in leverage ratios. Leverage would be much lower if included. These investments can be monetized over time and would contribute to the company's ability to fund growth and service its debts. As a result, we believe CABO should be able to meet its financial obligations.

The weightings across the five income buckets have evolved since the portfolio incepted in early 2022, specifically our weightings in the capital structure and dividend growth buckets. The weightings of the core value, bond proxy and dividend recovery categories have remained relatively stable over time. The dividend growth bucket weighting has fallen from ~16% at portfolio launch, to 10% at the end of September due to our selling into success. The proceeds of those sales went into capital structure investments as yields that were paltry in early 2022 have risen substantially over the past 18 months, with our capital structure weighting increasing from about 5% to more than 13%. The capital structure investments we hold are in companies we already know well from our research managing three strategies. In today's rate environment, we have many more opportunities to purchase fixed-rate securities with equity-like total return potential. These securities should also assist in mitigating portfolio volatility, which we know can help investors stick with their investment programs over the long run, allowing them to benefit from the power of compounding to preserve purchasing power. This is the benefit of our flexible approach as we endeavor to provide a portfolio that generates reliable opportunistic income.

Perspective

Value remains 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 14.7X FY1 estimated earnings. The Russell 1000® Growth Index trades at 27.2X FY1 estimates. The average and median valuation spreads between these indices have been 7.7 and 6.0 percentage points over the past 25 years. Today, it's 12.5 percentage points. Thus, we feel good about our opportunity set today and the long-term forward return potential that exists among value stocks.

The valuation spread remains wide despite large-cap value closing the gap over the past three years. As of the end of the quarter, the Russell 1000® Value Index's 3-year annualized return of 11.1% was 3 percentage points higher than the Russell 1000® Growth Index's 8.0% return. This was driven by the extended starting valuations of growth stocks and the influence of rising interest rates. This is a big shift, but history has shown these value/growth cycles can persist for several years.

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.

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. 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. Value securities may underperform other asset types during a given period. 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.

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

This summary represents the views of the portfolio managers as of 30 Sep 2023. 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 comprise the following percentages of the Fund's total net assets as of 30 Sep 2023: Air Lease Corp 1.7%, Redwood Trust Inc 1.5%, H&R Block Inc 1.8%, Corebridge Financial Inc 2.1%, Lamar Advertising Co 3.1%, Omnicom Group Inc 1.7%, Heineken Holding NV 2.7%, Cable One Inc 3.9%. 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. 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.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Interest coverage** measures a company's ability to make interest payments on its debt by calculating earnings before interest and taxes divided by total interest expense. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **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.

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