Artisan Value Income Strategy
An Equity Income Alternative

ARTISAN PARTNERS
Insights

For Institutional Investors Only — Not for Onward Distribution

A R T I S A N P A R T N E R S

Artisan Value Income Strategy—An Equity Income Alternative

Overview

- Follows the team's time-tested fundamentals-based value investment philosophy centered around its margin of safety criteria—attractive valuation, sound financial condition, and attractive business economics—complemented by income criteria.
- Employs a unique portfolio construction to increase income potential and aid in risk management by having the flexibility to invest in various security types, including preferred securities; investment grade, high yield and convertible debt securities; and derivatives for covered call writing.
- Seeks to generate a total return from a combination of income and capital appreciation and a current yield that is greater than or equal to ~2x the average for the S&P 500® and may offer defensive characteristics and act as a diversifier to traditional equity offerings.

The Artisan Value Income Strategy benefits from the U.S. Value team's 25-year history of value investing. The Strategy seeks a total return from a combination of income plus capital appreciation in an opportunistic, unconventional manner that is highly differentiated versus the peer group and aims to capitalize on mispriced opportunities across the capital structure. The Strategy provides an opportunity to participate with equities, while seeking to mitigate downside risk and to generate a current yield that is greater than or equal to ~2x the average for the S&P 500®.

This portfolio is a natural extension of the team's long-standing value investing philosophy and process with modest enhancements to increase income potential and aid in risk management. The team takes a similar investment approach to how it manages its mid-cap and large-cap value portfolios but includes an opportunistic mindset oriented toward finding "mispriced yield" with the objective to add value over the arc of time with lower risk and volatility compared to broad US public equities.

The Artisan Value Income Strategy is highly differentiated versus the peer group. The current equity income universe appears stale, consisting of many similar products. The team finds most of the peer group falling into one of two categories: a) they are either focused on dividend growers delivering on capital appreciation but not on yield or b) they are primarily invested in bond proxies providing attractive yields but falling short on capital appreciation. These formulaic approaches are less likely to have differentiated returns and high active shares. In contrast, the team believes its approach to equity-income investing is not only differentiated but also offers a balance between income and capital appreciation.

The Case for Equity Income

Stability, Income and Historically Attractive Risk-Adjusted Returns

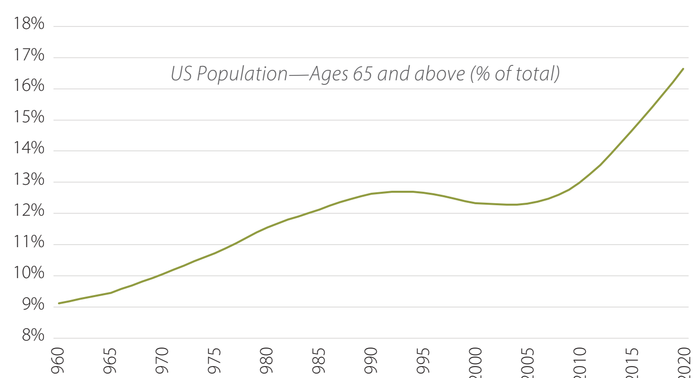
High income-producing securities and dividend paying stocks have historically offered a yield premium, lower volatility, lower Beta, and lower correlation to broad US public equities, providing solid diversification benefits.

SUMMARY PROFILE (10YR)	US EQUITIES	US HIGH DIVIDEND YIELD	CONVERTIBLES	PREFERREDS
Beta vs. S&P 500®	1.00	0.80	0.74	0.30
Standard Deviation	14.4	12.5	12.3	6.7
Correlation to S&P 500®	1.00	0.93	0.86	0.65
Up Market Capture vs. S&P 500®	100.0	81.1	70.1	25.1
Down Market Capture vs. S&P 500®	100.0	86.1	68.6	30.5

Source: eVestment. US Equities: S&P 500; US High Dividend Yield: MSCI USA High Dividend Yield Index; Convertibles: ICE BofAML All US Convertibles Index; Preferreds: ICE BofAML Fixed Rate Preferred Securities Index. As of 30 Sep 2022. **Past performance does not guarantee and is not a reliable indicator of future results. Diversification cannot guarantee profit or protect against loss.**

The Higher Duration Risk of Bonds

As investors age, the need for fixed income in their portfolio rises. Aging populations are shifting their asset allocations toward income-producing securities and strategies. Historically investors could more safely earn income via various fixed income investments. However, low bond yields offer investors poor risk-adjusted opportunities in fixed income securities. Minimal nominal yields in short duration bonds almost guarantee investors will lose purchasing power, and to earn higher nominal yields, investors must take elevated duration risk, which can be dangerous when nominal yields are low.



Source: St. Louis Fed. As of 2021.

Attractive Total Return Potential Compared to Bonds

Dividend-paying equities potentially offer attractive total return potential compared to fixed income securities because companies can grow their earnings and increase distributions in the future. As business earnings grow, not only can companies increase dividends they can also reinvest excess cash flow into their businesses, thereby enhancing investor's total return potential. Given their ability to reinvest cash flow, equities may offer a better long-term inflation hedge as companies can increase earnings power over time.

Advantaged in Inflationary Environments

Due to their lower duration, dividend stocks are less impacted by rising rates than the broader equity market. In these environments, investors are more likely to favor businesses that can maintain or grow their dividend payouts and those with resilient cash flows and earnings power. Vital to this resilience is pricing power—the ability to pass on increased costs by raising prices. Companies that provide essential products and services, have unique or differentiated assets and/or dominant market positions, are more likely to have pricing power and earn inflation-adjusted dollars.

A Differentiated Portfolio

The team's approach to investing in non-equity parts of the capital structure and derivatives (primarily covered calls) is designed to increase income potential and aid in risk management. Aside from common stocks and REITs, the portfolio may also invest in preferred securities, convertible bonds, investment grade and high yield debt, as well as derivatives. The ability to sell call options on stocks held in the portfolio—covered calls—provides an additional income stream.

PRIMARY INVESTMENT INSTRUMENT	DESCRIPTION
Equity Securities	Common stocks and other publicly traded equity securities including real estate investment trusts (REITs).

OTHER EQUITY-LINKED INVESTMENT INSTRUMENTS	DESCRIPTION
Preferred Securities	Hybrid investments sharing characteristics of both equities and bonds. Preferred stockholders usually have a higher claim on distributions than common stakeholders.
Convertible Bonds	Fixed income corporate debt securities that yield interest payments but can be converted into a predetermined number of common stock equity shares.
Debt Securities	Investment grade and high yield debt securities of US issuers may be used on a limited basis.
Derivatives	Options: primarily covered calls in which call options are sold on equity securities already held in the portfolio to generate an income stream. Should the call options be exercised, the position is covered by the portfolio's long position.

Portfolio Construction

The portfolio is composed of five buckets: Value Equity, Dividend Recovery/Emerging, Dividend Growth, Bond Proxy, and Capital Structure. Weights of each bucket will vary across time based on the opportunity set. Estimated weight ranges for each investment category are shown below. As the team takes a similar investment approach to how it manages its mid-cap and large-cap value portfolios, there is generally a meaningful overlap in holdings with these other portfolios.

Value Equity 20%–80%	Investments consistent with the team's value investing approach, while also having an income component.
Emerging Dividend 0%–20%	Investments where the current yield does not reflect the future payout. Examples include situations where the dividend is temporarily suspended and the business is trading at a high "shadow yield" or the business is likely to institute a favorable dividend policy in the near future.
Dividend Growth 0%–30%	Investments where the dividend payout ratio is low, and company can, and likely will, grow the payout rapidly over a multi-year period.
Bond Proxy 10%–40%	Investments in businesses which have strong fundamentals, are less economically sensitive, and have steady dividend policies. This category will also serve as a store of value for cash accumulation, allowing the portfolio to be fully invested at almost all times.
Capital Structure 0%–20%	Investments in non-equity parts of the capital structure. Examples include preferred securities, convertibles, and bonds.

Portfolio Construction guidelines are indicative and are subject to change.

Examples:

Value Equity

Structured as a REIT, Lamar Advertising is the largest billboard advertising company in North America. Outdoor advertising is the only traditional advertising medium to see significant growth in the digital media era. While print media has been eviscerated, outdoor has steadily grown slightly above GDP. This is because the audience has grown with population over time, the ability to judge advertising outcomes has increased and digital billboards are more profitable than traditional billboards. With a record of consistently generating free cash flow and growing dividends and having an attractive dividend yield at purchase, we consider this company a good fit within our process and portfolio.

Emerging Dividend

Compass Group is a global catering business, servicing offices, hospitals, schools, sporting venues and other institutions. Earnings came under pressure due to Covid-19 restrictions leading the company to slash the dividend to $0 to preserve flexibility. The company's strong track record of returning capital to shareholders through generous and rising dividends provided confidence the dividend would be reinstated when operating conditions normalized. With Covid restrictions easing and the business returning to its pre-pandemic levels, the company has since reinstated the dividend.

Equity income investing is a direct extension of the team's long-standing value investing philosophy and process with modest degrees of freedom enhancements to increase income potential and aid in risk management.

Dividend Growth

Visa is a global payments company and one of the four major US credit card networks (along with Mastercard, American Express and Discover). Visa is accepted at over 80mn merchant locations in 200 countries. The team believes Visa has a long runway for revenue growth as cash and checks continue to lose share. Consumers can't use cash and checks online, after all. The company has a rock-solid balance sheet and has a high conversion of net income to free cash flow, which it uses for share repurchases, dividend growth and tuck-in acquisitions. This is a high-quality business that benefits from substantial barriers to entry, network effects and several structural growth drivers, including consumer spending growth, the shift from cash to card, increasing e-commerce penetration, market share growth and global expansion.

Bond Proxy

Portland General Electric is a utility company. In addition to trading cheaply at the time of initial purchase, it boasts strong credit metrics and an attractive yield. The company typically pays out 50%-80% of earnings in dividends. Utilities' valuations are positively correlated with 10-year Treasury bond and BBB corporate bond yields. Bond proxies serve as a reserve when searching for more attractive opportunities. The team's opportunistic value mindset can translate into the ability to find "mispriced yield"—choosing to invest when earnings yields are compelling relative to their historical relationships with 10-year Treasury bond yields.

Capital Structure

Cable One (CABO) is a small cable company operating in rural US markets. Unlike the larger cable companies, CABO has employed a different playbook by de-emphasizing video and phone—two-thirds of cable providers' triple-play bundles—to focus on broadband to homes and businesses. As customers cancel video subscriptions, many switch to streaming video over the Internet, and this increased data usage requires a more robust connection, driving growth in CABO's Internet business. This playbook has been working for the company as it has steadily grown in each of the past six years. The company's footprint offers additional tailwinds as the majority of subscribers are in sun belt states like Arizona, Texas and South Carolina that have above-average population growth rates. Also, the company's penetration rates are lower than those of larger cable operators, presenting an opportunity for CABO to close that gap over time. Now that the company has gained some scale, we would expect it to buy smaller systems to continue building out its network. So, the growth opportunity is three-fold: population growth, market share gains and network expansion. With respect to its balance sheet, as a cable company it carries leverage, but cost of funds are low at around 3% and termed-out well over time and interest coverage is 4.8X, which isn't bad given the steady nature of the business. At the time of our purchase, the stock was off about 47% from its September 2021 high, allowing us to purchase shares at a mid-teens earnings multiple for a business that has been growing EPS at a 20%+ annualized rate. We believe this valuation tilts outcomes in our favor. We also purchased convertible bonds maturing in 2026 and 2028 that were trading at significant discounts to par. In addition to boosting the income received from the combined stock and bond positions, there is implied yield from the optionality from potential conversion to common stock. This conversion feature makes these securities more attractive than the 4% fixed notes outstanding.

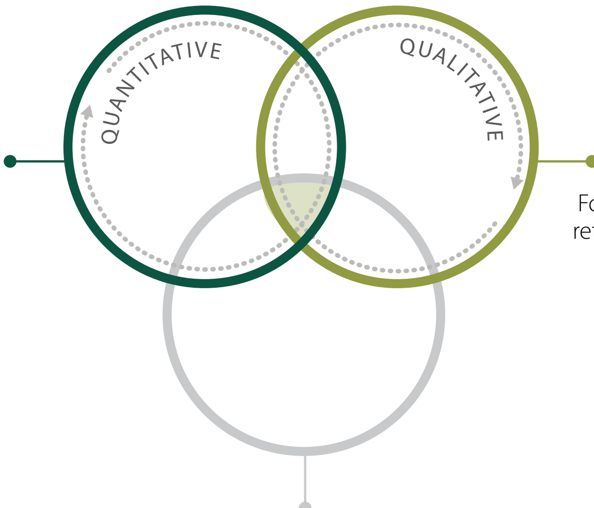
A Consistent Investment Approach

Equity income investing is a direct extension of the team's long-standing value investing philosophy and process with modest degrees of freedom enhancements to increase income potential and aid in risk management.

Investment Process Highlights

The investment team seeks cash-producing businesses in strong financial condition that are selling at undemanding valuations. The team's effort is geared towards stacking the deck in its favor, i.e. they want the business on their side, the balance sheet on their side and valuation on their side. Since the team was established in 1997, experience has taught them that investing in companies with these characteristics tilts the risk/reward in their favor over the long term.

Three Margin of Safety Criteria



Attractive Valuation

Distinct discount

Low expectations

Favorable risk/reward

Attractive Business Economics

Focus on free cash flow and return on capital capabilities

Ability to grow underlying business value

Avoid "value traps"

Sound Financial Condition

Focus on financial flexibility and liquidity

Seek to protect capital in difficult environments

Allow management to pursue value-enhancing initiatives

Attractive Valuation

The team desires companies that are trading at a distinct discount to underlying worth. The team's process is geared toward investing in low expectation situations. These situations are often found in areas of the market where high levels of fear and anxiety exist. The team's belief is that if a high level of pessimism is already baked into the stock, risk/reward will be tilted in their favor.

Sound Financial Condition

The team seeks companies with healthy balance sheets, strong liquidity and financial flexibility. Focusing on financial condition helps in many ways. A company with a strong financial position can reinvest in its business, make acquisitions at opportune times, buy back stock and/or pay down debt. Additionally, the team's experience has taught them that when they are wrong on an investment and it has a sound financial condition, they will still lose money, but they have found that they typically lose significantly less than if they were invested in a company that was highly levered.

Attractive Business Economics

The team takes a private business owner's perspective and focus on the free cash flow and return on capital capabilities of the business. These two elements are necessary ingredients for the long-term prosperity of a business. Focusing on these elements helps the team avoid value traps and instead targets situations where the potential exists for growth in business value.

All three of these characteristics are critical to the team's investment process. Their goal is to find investments that are strong on all three counts. They think of these characteristics as analytical guardrails that help them avoid taking on excessive business and/or financial risk.

Experience and Continuity

The investment team leverages high degrees of experience and knowledge within a disciplined investment process. The investment team is led by three portfolio managers—Dan Kane, Tom Reynolds and Craig Inman. The team operates in a highly collaborative manner as each member has a high level of trust and confidence in each other's capabilities. In addition to Artisan Value Income Strategy, they manage Artisan Value Equity Strategy and Artisan U.S. Mid-Cap Value Strategy.

Daniel L. Kane, CFA
Portfolio Manager

24 Years Investment Experience

Thomas A. Reynolds IV
Portfolio Manager

23 Years Investment Experience

Craig Inman, CFA
Portfolio Manager

23 Years Investment Experience

For more information: Visit www.artisanpartners.com

Dividend payments are not guaranteed and the amount declared, if any, could vary over time. 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. 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. 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. 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.

Portfolio security yields are subject to market conditions and are not guaranteed. This summary represents the views of the investment team as of 31 May 2022. Those views may change, and the team disclaims any obligation to advise investors of such changes While the information contained herein is believed to be reliable, there no guarantee as to the accuracy or completeness of any statement in the discussion. This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

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.

The holdings mentioned above comprise the following percentages of a representative account within the Artisan Value Income Composite's net assets as of 30 Sep 2022: Lamar Advertising Co 3.2%; Compass Group PLC 2.2%; Visa Inc 1.7%; Portland General Electric Co 1.3%; Cable One Inc 2.3%. Securities named in the Commentary, but not listed here are not held in the portfolio 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, is as of the date shown. This material does not constitute investment advice.

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.

Source ICE Data Indices, LLC is used with permission. ICE® is a registered trademark of ICE Data Indices, LLC or its affiliates and BofA® is a registered trademark of Bank of America Corporation licensed by Bank of America Corporation and its affiliates ("BofA"), and may not be used without BofA's prior written approval. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and, along with the ICE BofA trademarks, has been licensed for use by Artisan Partners Limited Partnership. ICE Data and its Third Party Suppliers accept no liability in connection with the use of such index data or marks. See www.artisanpartners.com/ice-data.html for a full copy of the Disclaimer.

The S&P 500® ("Index") is a product of S&P Dow Jones Indices LLC ("S&P DJI") and/or its affiliates and has been licensed for use. Copyright © 2022 S&P Dow Jones Indices LLC, a division of S&P Global, Inc. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). None of S&P DJI, Dow Jones, their affiliates or third party licensors makes any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and none shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Artisan Partners Limited Partnership (APLP) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Artisan Partners UK LLP (APUK) is authorized and regulated by the Financial Conduct Authority and is a registered investment adviser with the SEC. APEL Financial Distribution Services Limited (AP Europe) is authorized and regulated by the Central Bank of Ireland. APLP, APUK and AP Europe are collectively, with their parent company and affiliates, referred to as Artisan Partners herein.

Artisan Partners is not registered, authorized or eligible for an exemption from registration in all jurisdictions. Therefore, services described herein may not be available in certain jurisdictions. This material does not constitute an offer or solicitation where such actions are not authorized or lawful. Further limitations on the availability of products or services described herein may be imposed.

In no event shall Artisan Partners have any liability for direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) losses or any other damages resulting from the use of this material.

This material is only intended for investors which meet qualifications as institutional investors as defined in the applicable jurisdiction where this material is received, which includes only Professional Clients or Eligible Counterparties as defined by the Markets in Financial Instruments Directive (MiFID) where this material is issued by APUK or AP Europe. This material is not for use by retail investors and may not be reproduced or distributed without Artisan Partners' permission.

In the United Kingdom, issued by APUK, 25 St. James's St., Floor 3, London SW1A 1HA, registered in England and Wales (LLP No. OC351201). Registered office: Reading Bridge House, Floor 4, George St., Reading, Berkshire RG1 8LS. In Ireland, issued by AP Europe, Fitzwilliam Hall, Fitzwilliam Pl, Ste. 202, Dublin 2, D02 T292. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, D02 R296 (Company No. 637966).

Australia: This material is directed at wholesale clients only and is not intended for, or to be relied upon by, private individuals or retail investors. Artisan Partners Australia Pty Ltd is a representative of APLP (ARBN 153 777 292) and APUK (ARBN 603 522 649). APLP and APUK are respectively regulated under US and UK laws which differ from Australian laws and are exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 in respect to financial services provided in Australia.

Canada: This material is distributed in Canada by APLP and/or Artisan Partners Distributors LLC, which conduct activities in Canada under exemptions from the dealer, portfolio manager and investment manager registration requirements of applicable Canadian securities laws. This material does not constitute an offer of services in circumstances where such exemptions are not available. APLP advisory services are available only to investors that qualify as "permitted clients" under applicable Canadian securities laws.

For Institutional Investors Only—Not for Onward Distribution

A R T I S A N P A R T N E R S