



Artisan Value Fund

MONTHLY Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 30 April 2017

Commentary

US stocks posted gains across the market-cap spectrum in April, with growth stocks sustaining their outperformance over value. A slew of positive earnings results helped support stocks, partially offsetting a weak Q1 GDP report.

Our portfolio trailed the Russell 1000® Value Index in April, though we remain ahead YTD. Weakness stemmed from the materials sector, with shares of chemicals holding LyondellBasell detracting. The company is a producer of the petrochemical ethylene. Ethylene prices are highly correlated to the price of crude oil, so chemicals companies are often pressured by a drop in oil prices. Further, refinery maintenance and headwinds in the company's intermediates and derivatives segment weighed on results. Our long-term thesis in the name remains intact, and we used recent weakness to add to our position—shares currently trade at around 8X-9X our estimates of normalized earnings, it has around a 4% dividend yield, and the company is repurchasing shares.

Our information technology holdings were a mixed bag, with several top and bottom performers stemming from the sector. IT distributor Avnet was a bottom performer. The stock was among our top performers in Q4 2016, but has since given back gains as the company faces tough pricing headwinds and the loss of some key suppliers. The company recently sold its technology solutions business at a nice premium to book value, and we're pleased that it has shifted its focus to the division we believe has better long-term potential. We think it's a decent business, and like its capability to generate free cash flow and solid return on capital.

On the upside, information technology holding Alphabet was a top performer. The company is executing well, with broad-based strength across products and geographies. Revenue growth has been solid across the board, particularly in mobile search. Viewership and revenues at YouTube continue increasing, with viewers now watching more than one billion hours of content a day. We view Alphabet as a high-quality company that has a solid balance sheet with ample cash and generates free cash flow.

We benefited from strength in our consumer discretionary holdings—namely Liberty Ventures and Liberty Interactive QVC. As we discussed in our Q1 letter, John Malone-led Liberty Ventures announced the acquisition of Alaskan cable and wireless firm General Communications. One aspect of the deal reattributes a mix of assets and liabilities to Liberty Interactive QVC, turning both Liberty Ventures and Liberty Interactive QVC from tracking stocks to asset-backed securities. We view this as a positive, as we believe the complicated tracking-stock structure of the companies was a headwind on multiples. In both cases, we believe the companies are exceptionally well managed and shares look attractively valued.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.33	\$14.29
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2016	0.96%	0.84%
Prospectus 30 Sep 2016 ¹	0.97%	0.84%

¹See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Devon Energy Corp (Energy)	4.4
Air Lease Corp (Industrials)	4.3
Berkshire Hathaway Inc (Financials)	3.9
Citigroup Inc (Financials)	3.8
Alphabet Inc (Information Technology)	3.7
LyondellBasell Industries NV (Materials)	3.7
Goldcorp Inc (Materials)	3.5
Apple Inc (Information Technology)	3.5
Cie Generale des Etablissements Michelin (Consumer Discretionary)	3.3
Samsung Electronics Co Ltd (Information Technology)	3.1
TOTAL	37.2%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	14.2	4.5
Consumer Staples	0.0	8.5
Energy	15.6	11.9
Financials	20.5	26.4
Health Care	8.1	10.9
Industrials	5.8	10.3
Information Technology	20.0	10.1
Materials	14.7	2.9
Real Estate	1.1	4.7
Telecommunication Services	0.0	3.5
Utilities	0.0	6.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 5.5% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 30 April 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-0.28	-0.28	3.39	16.21	6.93	10.42	5.48	6.86
Advisor Class: APDLX	-0.28	-0.28	3.40	16.35	7.02	10.48	5.51	6.89
Russell 1000® Value Index	-0.19	-0.19	3.07	16.55	8.26	13.32	5.53	6.75
Russell 1000® Index	1.06	1.06	7.15	18.03	10.20	13.63	7.25	7.97

As of 31 March 2017

Investor Class: ARTLX	-0.42	3.68	3.68	23.19	7.47	10.32	5.91	6.94
Advisor Class: APDLX	-0.42	3.69	3.69	23.36	7.56	10.38	5.94	6.97
Russell 1000® Value Index	-1.02	3.27	3.27	19.22	8.67	13.13	5.93	6.82
Russell 1000® Index	0.06	6.03	6.03	17.43	9.99	13.26	7.58	7.92

Source: Artisan Partners/Russell. ¹Returns for periods less than one year are not annualized. Advisor Class performance is that of the Investor Class from 27 March 2006 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected. 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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
225.0+	13.7	23.1
100.0–225.0	11.5	16.1
40.0–100.0	15.6	20.7
15.0–40.0	25.4	20.6
0.0–15.0	33.8	19.5
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet/Russell. ¹Russell 1000® Value Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
George O. Sertl, CFA	25
James C. Kieffer, CFA	28
Daniel L. Kane, CFA	18

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.

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

Russell 1000® Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. Russell 1000® Index measures the performance of roughly 1,000 US large-cap companies. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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 Fund’s total net assets as of 30 Apr 2017: Avnet Inc 1.5%; Liberty Interactive Corp QVC Group 2.5%; Liberty Ventures 2.7%. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers’ views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Dividend Yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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