



Artisan Value Fund

MONTHLY Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 August 2017

Commentary

Our portfolio underperformed the Russell 1000® Value Index in August, though we remain ahead QTD and YTD. Oil and natural gas E&Ps Apache and Hess weighed on results as the stocks fell along with oil prices. As with all our energy-exposed holdings, we own what we believe are high-quality companies in an unloved area capable of delivering value by better weathering a sustained, weaker operating environment. Additionally, the companies are in solid financial condition, allowing them to invest throughout the cycle.

Health care holding Cardinal Health, a drug distribution company, also weighed on results. Continued deceleration in generic drug pricing and moderating inflation in branded drug pricing have weighed on investor sentiment and company profits, pressuring shares. Further, a number of internal initiatives have resulted in tightened expectations for the coming year, disappointing investors with regard to the trajectory of margin improvements. We believe the selloff has been overdone—drug distributors are critical to the health care system, as they have the scale and scope to get crucial pharmaceuticals to end users in a time-sensitive and cost-effective manner. It's a relatively low capital-intensity business that generates significant amounts of free cash flow, resulting in high returns on capital.

Technology holding Apple was a top performer on the back of solid execution and a rosy outlook. The company's App Store (part of its high-margin services segment) is performing well, and after a long period of decline, iPad® sales are reinvigorating. In terms of outlook, the Fall release of the iPhone® 8 should be a tailwind. We are attracted to Apple's dominant position in the smartphone and tablet market, its healthy balance sheet with substantial cash, and its dividend and share repurchase program.

Shares of North American auto retailer AutoNation also boosted results. The company has been investing in initiatives building out its brand and paying down debt. AutoNation has a history of repurchasing shares and recently added \$250 million to its buyback authorization, which along with lower leverage, should put the company in a better position to return cash to shareholders. Additionally, although flooding in Texas will likely hamper near-term results, it could be a tailwind in the future as water-damaged cars are repaired and replaced. (Texas represents about 20% of company revenue.) We continue to believe that based on a reasonable assumption of annual SAAR in the US, the valuation is compelling relative to the market, and that management is focused on increasing per-share economic value.

We fully exited our position in Arrow Electronics during the month on success. We've been moving away from some of our smaller technology names in favor of July purchase Cisco Systems.

Investment Results (%)

As of 31 August 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-1.41	0.96	6.06	14.51	5.32	10.87	5.86	6.89
Advisor Class: APDLX	-1.41	1.03	6.22	14.79	5.46	10.95	5.90	6.93
Russell 1000® Value Index	-1.16	0.15	4.81	11.58	6.74	13.25	5.96	6.70
Russell 1000® Index	0.31	2.30	11.79	16.16	9.21	14.37	7.73	8.12

As of 30 June 2017

Investor Class: ARTLX	2.03	1.32	5.05	18.37	5.67	11.63	5.33	6.91
Advisor Class: APDLX	2.04	1.40	5.14	18.49	5.79	11.71	5.36	6.94
Russell 1000® Value Index	1.63	1.34	4.66	15.53	7.36	13.94	5.57	6.79
Russell 1000® Index	0.70	3.06	9.27	18.03	9.26	14.67	7.29	8.03

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.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.70	\$14.68
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2017 ¹	0.97%	0.84%
Prospectus 30 Sep 2016 ²	0.97%	0.84%

¹Unaudited, annualized for the six month period. ²See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Air Lease Corp (Industrials)	4.5
LyondellBasell Industries NV (Materials)	4.3
Citigroup Inc (Financials)	4.3
Berkshire Hathaway Inc (Financials)	4.1
Apple Inc (Information Technology)	3.9
Alphabet Inc (Information Technology)	3.8
Devon Energy Corp (Energy)	3.4
Cie Generale des Etablissements Michelin (Consumer Discretionary)	3.4
Goldcorp Inc (Materials)	3.4
Agrium Inc (Materials)	3.3
TOTAL	38.2%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	15.3	6.9
Consumer Staples	0.0	9.0
Energy	13.7	10.2
Financials	20.0	25.5
Health Care	7.8	14.2
Industrials	6.0	8.5
Information Technology	19.0	8.2
Materials	16.1	2.8
Real Estate	2.1	5.0
Telecommunication Services	0.0	3.2
Utilities	0.0	6.5
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 5.2% of the total portfolio. ¹Russell 1000® Value Index.

Average Annual Total Returns

	As of 31 August 2017	As of 30 June 2017
Investor Class: ARTLX	-1.41	2.03
Advisor Class: APDLX	-1.41	2.04
Russell 1000® Value Index	-1.16	1.63
Russell 1000® Index	0.31	0.70

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
225.0+	17.5	19.8
100.0–225.0	11.0	18.0
40.0–100.0	16.6	21.6
15.0–40.0	18.0	20.1
0.0–15.0	36.9	20.5
TOTAL	100.0%	100.0%

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

Team Leadership (Pictured left to right)



Portfolio Managers

George O. Serti, CFA

25

James C. Kieffer, CFA

28

Daniel L. Kane, CFA

Years of Investment Experience

19

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 31 Aug 2017: Apache Corp 1.8%; AutoNation Inc 2.3%; Cardinal Health Inc 2.0%; Cisco Systems Inc 2.1%; Hess Corp 2.8%. 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.

Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **SAAR** stands for seasonally adjusted annual rate.

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