



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 December 2017

Commentary

Our portfolio outperformed the Russell 1000® Value Index in December, finishing ahead for the quarter and year. Shares of global aircraft leasing company Air Lease (AL) advanced in part due to ongoing solid execution and healthy global air travel demand. Air Lease is also perceived to be a large beneficiary of tax reform, which passed in December. Specifically, AL's book value per share could increase ~\$3 and GAAP EPS should increase 20%. The stock advanced in line with the increase in book value and the trading multiple; however, we highlight that nothing changes on a cash flow basis for AL as they are not a cash tax payer and their lenders grant credit on cash flow. While much of the focus in the near term is on tax reform, the continued strength in Asian economies has led to more investor confidence in the region's long-term air travel growth trajectory. We believe Air Lease is a best-in-class operator, and we like its management team, which founded the industry and has been through several cycles. AL operates a conservative financial profile and focuses on creating long-term shareholder value.

Global pharmaceutical company Allergan worked against us. Shares remained pressured following a US district court ruling in favor of the generic filers in the Restasis® patent cases. However, Allergan will likely file an appeal, and it's unclear when the generic filers will be able to meet the bioequivalence guidance. Regardless of the Restasis® outcome, Allergan has a diversified product mix, solid management team and one of the best balance sheets in specialty pharma. Shares trade at a discount to peers on earnings multiples and our normalized range of earnings. We used the weakness to add to our position.

We recently established a position in Synchrony Financial (SYF), the largest provider of private label credit cards in the US. SYF works to drive above-average retail sales by designing marketing and loyalty programs for its customers (e.g., PayPal, Walmart, Amazon). We believe SYF is cheap on an absolute basis, has excess capital of ~20% of market capitalization, and is a large beneficiary of lower federal income taxes. We also believe SYF's importance to retailers should continue to grow as heightened competition forces retailers to know more about their customers and be able to track customers' purchases across channels. Additionally SYF is well-positioned to provide credit for next-generation transactions, as evidenced by their recent 10-year contract to provide private label services for PayPal. Unlike its financial peers, SYF is not over-earning on credit. After a credit hiccup in late 2015 into early 2016, SYF tightened underwriting standards and raised its allowance for loan losses. SYF does not fully take the losses through its P&L, and the market may not fully appreciate the loss-sharing agreements with retailers which help limit SYF's losses in adverse credit environments. We were able to establish our position at what we view as undemanding valuations at around 10.9X 2018 consensus estimates and 9.4X 2019 consensus estimates.

Investment Results (%)

As of 31 December 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	2.25	5.41	15.98	15.98	10.81	12.42	7.34	7.50
Advisor Class: APDLX	2.26	5.43	16.11	16.11	10.94	12.50	7.38	7.53
Russell 1000® Value Index	1.46	5.33	13.66	13.66	8.65	14.04	7.10	7.24
Russell 1000® Index	1.11	6.59	21.69	21.69	11.23	15.71	8.59	8.66

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)	\$14.56	\$14.49
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2017	1.01%	0.85%
Prospectus 30 Sep 2016 ¹	0.97%	0.84%

¹See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Air Lease Corp (Industrials)	4.8
Citigroup Inc (Financials)	4.2
LyondellBasell Industries NV (Materials)	4.2
Berkshire Hathaway Inc (Financials)	4.1
Devon Energy Corp (Energy)	4.1
Alphabet Inc (Information Technology)	3.8
Apple Inc (Information Technology)	3.6
Agrium Inc (Materials)	3.5
Occidental Petroleum Corp (Energy)	3.3
Hess Corp (Energy)	3.3
TOTAL	39.1%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	14.3	6.8
Consumer Staples	0.0	8.6
Energy	15.7	11.0
Financials	22.2	26.6
Health Care	10.0	13.5
Industrials	6.5	8.4
Information Technology	17.2	8.5
Materials	12.1	3.0
Real Estate	2.1	4.7
Telecommunication Services	0.0	3.0
Utilities	0.0	5.9
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 5.7% of the total portfolio. ¹Russell 1000® Value Index.

Average Annual Total Returns

As of 31 December 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	2.25	5.41	15.98	15.98	10.81	12.42	7.34	7.50
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Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
230.0+	17.9	22.5
100.0–230.0	13.0	17.0
40.0–100.0	24.8	22.1
15.0–40.0	23.0	19.7
0.0–15.0	21.2	18.8
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
James C. Kieffer, CFA	29
Thomas A. Reynolds IV	19
Daniel L. Kane, CFA	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 Dec 2017: Allergan PLC 2.4%; Synchrony Financial 2.0%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. Totals may not sum due to rounding.

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

Generally Accepted Accounting Principles (GAAP) are the common set of accounting principles, standards and procedures that companies use to compile their financial statements. Earnings per Share (EPS) is the portion of a company’s profit allocated to each outstanding share of common stock. Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities.

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