



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 July 2017

Commentary

Our portfolio outperformed the Russell 1000® Value Index in July and remains ahead YTD. Top contributors included fertilizer company Agrium—its shares advanced in anticipation of its pending merger with Potash Corp, and on firming potash prices. Potash Corp is the world's largest fertilizer company by capacity, with the majority of its business driven by potash. Conversely, Agrium is more of a nitrogen player with a substantial retail operation. The merger is awaiting regulatory approval, but is expected to be completed later this year. Both companies are toward the end of their capex cycles and should generate ample cash over the next five years. The merger of equals will create the largest operator in the space, which we believe will provide synergies and scale advantages.

On the downside, shares of medical devices manufacturer Medtronic detracted, weighing on results. A technical issue shut down the company's global ordering fulfillment and manufacturing system for a week in June, resulting in a decrease in sales. The disruption was not a result of hacking and is likely a one-off event. The company remains on track in shifting its approach from buying and developing new products and therapies, to becoming a health care solutions company, wrapping services around its existing suite of products.

We reestablished a position in network solutions provider Cisco Systems (we previously exited the name in Q4 2016 following a long, successful investment campaign). The company is in the process of shifting its operating model, transitioning into a recurring software-subscription model. Shares have been weak on concerns surrounding the secular changes, as well as macroeconomic weakness and increasing competitive intensity. We acknowledge the headwinds, but believe they are more near-term in nature. As long-term investors, we believe Cisco's outlook is attractive. While revenue growth has been challenged, the company has maintained healthy margins, has net cash on the balance sheet, a dividend yield of around 3.7%, and is trading at around 12X our estimates of normalized earnings. We view Cisco as an upgrade to some of our smaller technology names, which we have been trimming.

Our other new purchase in the month was Simon Property Group (SPG). The company is a mall and outlet center REIT operator, with what we view as some of the highest quality retail assets in the US. Our opportunity to invest came as shares were pressured in 2016 on the back of bricks-and-mortar retail underperformance. We view the selling as overdone—mall operator valuations have fallen in lock-step, failing to discriminate the quality of the underlying assets. While there are rightfully concerns about future net operating income generated at B-, C- and D-rated malls and strip centers, SPG has no exposure to these underperforming assets. In fact, fundamentals at A-rated malls (where SPG has exposure), have continued to improve as retailers consolidate their footprints in top malls where customer traffic is holding steady and sales productivity continues to improve. SPG has a high quality, sustainable cash flow stream, a good balance sheet, offers a healthy dividend of about 4%, and at the time of purchase was trading at a significant discount to NAV.

Investment Results (%)

As of 31 July 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	2.40	2.40	7.58	17.05	6.87	11.89	6.15	7.08
Advisor Class: APDLX	2.48	2.48	7.74	17.34	7.02	11.98	6.19	7.12
Russell 1000® Value Index	1.33	1.33	6.05	13.76	8.45	14.00	6.21	6.86
Russell 1000® Index	1.98	1.98	11.44	15.95	10.58	14.85	7.84	8.16

As of 30 June 2017

	2.03	1.32	5.05	18.37	5.67	11.63	5.33	6.91
Investor Class: ARTLX	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)	\$14.91	\$14.89
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)	4.3
Citigroup Inc (Financials)	4.2
LyondellBasell Industries NV (Materials)	4.2
Berkshire Hathaway Inc (Financials)	3.9
Alphabet Inc (Information Technology)	3.7
Devon Energy Corp (Energy)	3.6
Apple Inc (Information Technology)	3.5
Cie Generale des Etablissements Michelin (Consumer Discretionary)	3.3
Agrium Inc (Materials)	3.3
Goldcorp Inc (Materials)	3.2
TOTAL	37.1%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	16.1	7.0
Consumer Staples	0.0	9.2
Energy	14.0	10.6
Financials	19.7	25.6
Health Care	8.0	14.0
Industrials	5.7	8.5
Information Technology	19.2	8.1
Materials	15.3	2.8
Real Estate	2.1	5.0
Telecommunication Services	0.0	3.2
Utilities	0.0	6.2
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 4.0% of the total portfolio. ¹Russell 1000® Value Index.

Average Annual Total Returns

	As of 31 July 2017	As of 30 June 2017
Investor Class: ARTLX	2.40	2.03
Advisor Class: APDLX	2.48	2.04
Russell 1000® Value Index	1.33	1.63
Russell 1000® Index	1.98	0.70

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
225.0+	16.7	19.8
100.0–225.0	10.7	18.0
40.0–100.0	16.4	21.7
15.0–40.0	20.0	20.2
0.0–15.0	36.2	20.3
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

George O. Serti, CFA	25
James C. Kieffer, CFA	28
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 Jul 2017: Cisco Systems Inc 2.0%; Medtronic PLC 2.1%; Simon Property Group Inc 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.

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

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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. Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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