



# Artisan Value Fund

MONTHLY  
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 28 February 2018

## Commentary

Volatility reared its head in February, bringing the January run-up to a halt. US stocks finished in the red across the market-cap spectrum, with broad-based losses across most sectors. Higher-than-anticipated inflation, bond market concerns and historically high stock valuations helped drive the selloff, exacerbated by the increasing prominence of complex, inverse volatility funds. Oil prices declined, ending a five-month streak of gains.

Our portfolio underperformed the Russell 1000® Value Index in February. Weakness was concentrated in our energy exposure, namely exploration and production companies Devon and Apache. Production at Devon came in below expectations, which, while disappointing, is largely timing related. Additionally, similar to most energy companies, the capex required to grow production has been higher than expected. The combination of lower-than-anticipated production, higher-than-expected capex needs and cautious guidance weighed on the stock.

At Apache, investors grew concerned about the spend and mix at the company's Alpine High project. The project is expensive and tilted toward natural gas and ethane. We view the fears as overdone and believe Apache will benefit as fundamental supply and demand pressures in oil markets continue to rebalance. The company's balance sheet remains in solid financial shape, and it's generating free cash flow.

On the up side, shares of Apple advanced, aiding results. The stock was boosted following praise from Warren Buffett—he commented that Berkshire Hathaway (also a holding) had purchased more shares of Apple over the past year than any other stock. We believe Apple's business economics are strong (it's a dominant player in smartphones and tablets with its own proprietary operating system), its financial condition is solid (it has substantial cash on the balance sheet, and returns free cash flow to shareholders through dividends and share repurchases), and its shares trade at an attractive discount based on our estimates of normalized earnings.

## Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.30	\$14.24
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2017	1.01%	0.85%
Prospectus 30 Sep 2017 <sup>1</sup>	1.01%	0.85%

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Berkshire Hathaway Inc (Financials)	4.4
Citigroup Inc (Financials)	4.4
Air Lease Corp (Industrials)	4.1
Alphabet Inc (Information Technology)	4.1
Apple Inc (Information Technology)	3.9
LyondellBasell Industries NV (Materials)	3.7
Cie Generale des Etablissements Michelin SCA (Consumer Discretionary)	3.5
Nutrien Ltd (Materials)	3.4
Hess Corp (Energy)	3.2
Liberty Interactive Corp QVC Group (Consumer Discretionary)	3.1
<b>TOTAL</b>	<b>37.8%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RIV <sup>1</sup>
Consumer Discretionary	14.7	6.8
Consumer Staples	0.0	8.1
Energy	13.3	10.3
Financials	24.5	27.8
Health Care	10.1	13.7
Industrials	5.5	8.3
Information Technology	18.8	9.3
Materials	11.4	3.0
Real Estate	1.9	4.3
Telecommunication Services	0.0	2.8
Utilities	0.0	5.6
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 3.0% of the total portfolio. <sup>1</sup>Russell 1000® Value Index.

## Investment Results (%)

As of 28 February 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-6.84	-1.79	-1.79	9.41	8.38	10.56	7.66	7.23
Advisor Class: APDLX	-6.87	-1.73	-1.73	9.58	8.52	10.65	7.71	7.27
Russell 1000® Value Index	-4.78	-1.09	-1.09	7.75	8.02	12.04	7.89	7.04
Russell 1000® Index	-3.67	1.62	1.62	16.70	10.77	14.56	9.78	8.69

As of 31 December 2017

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. Returns for periods less than one year are not annualized. Class inception: Investor (27 March 2006); Advisor (1 April 2015). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different 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 <sup>1</sup>
230.0+	19.0	19.0
100.0–230.0	14.4	22.3
40.0–100.0	23.4	20.7
15.0–40.0	17.2	18.7
0.0–15.0	26.0	19.3
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet/Russell. <sup>1</sup>Russell 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 28 Feb 2018: Apache Corp 1.5%; Devon Energy Corp 3.1%. 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.

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

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