



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 31 July 2018

Commentary

With earnings season underway in earnest, markets were more attuned to the beats and misses than to any trade tensions or presidential summits. Our portfolio trailed the Russell 1000® Value Index over the month. Financials holdings were a source of relative weakness. Below-benchmark health care exposure also detracted from relative returns, while below-benchmark exposure to interest rate proxies (real estate and utilities) was a tailwind as interest rates moved higher. Consumer discretionary holdings, including Comcast, contributed.

Our largest individual detractor was the consumer financial services firm Synchrony Financial, which was pressured lower when it failed to renew its Walmart partnership. Still, our view is that Synchrony is a value-added partner. Synchrony's balance sheet remains solid, credit is improving, and we expect management will validate its value proposition to customers by renewing a few key contracts in the coming year. For example, the recently closed PayPal partnership brings \$7.6 billion of balances which offset a great deal of the \$10 billion Walmart loss. We believe PayPal is a higher quality partner and adds additional online diversification, and the profitability of the contract is likely better over the long run.

Facebook's earnings were softer than expected. After management guided down growth expectations and more importantly, long-term operating margin targets, the stock fell some 20%. We consider Facebook a dominant social media platform with a robust net cash position and consistent free cash flow. While revenue is slowing, the company is doing the right thing on expenses. Capital expenditures and operating expenses will likely increase in coming years to accomplish a few things: (1) improve user experience by scraping the site for fake news, hate speech and other aggressive user or bot action; (2) increase user privacy options; and (3) invest in Video, Stories, Messenger, WhatsApp and Instagram, none of which are being fully monetized. We are under no illusions that the company has a difficult path to navigate in coming years, so we will remain disciplined on our valuation framework.

Another detractor was CBS, which was weaker on the back of misconduct accusations against CEO Les Moonves. The market fears that without Moonves, the Redstone family will force a CBS and Viacom merger. However, the board has dug-in its heels and is going to court to fend off any such proposal, with or without Moonves. Alternatively, the board could decide—without Moonves—to sell CBS. Overall, our thesis remains intact. CBS should benefit from rising cash flows on the back of their strong collection of strategic assets. We believe a well-capitalized CBS remains appropriately positioned for evolution in the media industry and will likely continue returning all its free cash flow to shareholders via dividends and buybacks.

Positive contributors included Alphabet, which improved steadily over the month and peaked after a strong Q2 earnings report; Citigroup, which in addition to an in-line Q2 earnings report received Fed approval at the end of June to return \$22 billion to shareholders next year; and Allergan, the drug maker, which announced a \$2 billion share buyback plan.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.87	\$14.81
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2018 ¹	1.04%	0.88%
Prospectus 30 Sep 2017 ²	1.01%	0.85%

¹Unaudited, annualized for the six-month period. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Information Technology)	4.7
Apple Inc (Information Technology)	4.0
Berkshire Hathaway Inc (Financials)	3.9
Citigroup Inc (Financials)	3.9
Nutrien Ltd (Materials)	3.4
Air Lease Corp (Industrials)	3.3
Cie Generale des Etablissements Michelin SCA (Consumer Discretionary)	3.0
Oracle Corp (Information Technology)	3.0
Devon Energy Corp (Energy)	3.0
Wells Fargo & Co (Financials)	2.9
TOTAL	35.1%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	18.3	8.1
Consumer Staples	0.0	7.3
Energy	13.2	10.9
Financials	21.5	23.7
Health Care	7.1	14.3
Industrials	6.0	8.1
Information Technology	21.0	9.7
Materials	10.6	4.1
Real Estate	2.2	4.7
Telecommunication Services	0.0	3.5
Utilities	0.0	5.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 7.7% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 31 July 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	2.76	2.76	2.13	10.11	12.36	9.88	8.37	7.32
Advisor Class: APDLX	2.70	2.70	2.21	10.14	12.50	9.98	8.42	7.36
Russell 1000® Value Index	3.96	3.96	2.20	9.54	9.51	10.04	8.95	7.07
Russell 1000® Index	3.45	3.45	6.40	16.19	12.20	12.96	10.70	8.78

As of 30 June 2018

Investor Class: ARTLX	1.12	4.25	-0.62	9.73	10.16	9.91	8.06	7.13
Advisor Class: APDLX	1.19	4.34	-0.48	9.90	10.31	10.01	8.11	7.18
Russell 1000® Value Index	0.25	1.18	-1.69	6.77	8.26	10.34	8.49	6.78
Russell 1000® Index	0.65	3.57	2.85	14.54	11.64	13.37	10.20	8.55

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 ¹
230.0+	22.5	18.9
100.0–230.0	18.0	21.1
40.0–100.0	17.6	20.9
15.0–40.0	26.1	20.8
0.0–15.0	15.8	18.4
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	20

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 2018: Allergan PLC 2.7%; CBS Corp 2.6%; Comcast Corp 2.8%; Facebook Inc 2.6%; Synchrony Financial 2.5%. 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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