



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 30 June 2018

Commentary

Stocks weakened into month-end and volatility crept higher as Q2 earnings expectations fell amid rising trade tensions and a potentially more-hawkish Fed. Still, total returns were positive QTD as earnings estimates ended better than where they started. Concerns that a trade war will weaken global growth drove yields down to levels not seen since 2007. The lower and flatter yield curve led REITS to be a source of strength, while the more reflationary financials trailed. QTD, energy remained a dominant contributor as financials lagged.

Our portfolio outpaced the Russell 1000® Value Index QTD, due predominantly to stock selection. Devon Energy and Hess Corporation were among our top performers as rising crude oil prices gave us an opportunity to take gains on commodity strength. Devon, an independent energy company, announced in June it would sell its interest in EnLink Midstream for \$3 billion and use the proceeds to raise its share buyback program to \$4 billion, retiring approximately 20% of outstanding shares by the end of 2019. Hess benefited from more good news in their Liza development off Guyana with Exxon.

In Q2, Facebook (FB) was a new addition to the portfolio and a notable contributor to returns. We believe Facebook, while historically a growth-oriented company, has matured into a name that meets our disciplined investment criteria. We consider FB a dominant social media platform that has monetized both desktop and mobile. Its healthy balance sheet has approximately \$41 billion net cash, and they have consistently generated free cash flow. And after the stock price fell more than 15% in the wake of the Cambridge Analytica privacy scandal, the valuation was in-line with market multiples. The stock then recovered more quickly than anticipated. We take the concerns around privacy and compliance seriously and expect higher expenses and capital expenditures. FB is taking the right steps to repair its image, as the network effect is its most enduring asset and user trust is of utmost importance. Instagram is becoming a force all its own, with approximately 1 billion users. Based on our time-of-purchase valuations, FB's Instagram assets were essentially free—not bad when we estimate those assets could be worth \$50 billion to \$100 billion.

The biggest decliner in the second quarter was Cardinal Health, an integrated health care services and products distribution company, due to weaker generic drug pricing and difficult contract renegotiations. Management reset expectations regarding recent acquisitions, causing investor concern about their grasp on the business, capital allocation policies and plans to improve operations. We believe the stock has been overly punished given already weak investor sentiment. 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. Further, it's a relatively low capital-intensity business that generates significant amounts of free cash flow, resulting in high returns on capital.

Investment Results (%)

As of 30 June 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.47	\$14.42
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)	4.5
Apple Inc (Information Technology)	4.0
Berkshire Hathaway Inc (Financials)	3.8
Citigroup Inc (Financials)	3.7
Nutrien Ltd (Materials)	3.5
Air Lease Corp (Industrials)	3.3
Hess Corp (Energy)	3.2
Devon Energy Corp (Energy)	3.1
Facebook Inc (Information Technology)	3.0
Occidental Petroleum Corp (Energy)	3.0
TOTAL	35.2%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Consumer Discretionary	19.2	8.3
Consumer Staples	0.0	7.3
Energy	14.2	11.1
Financials	20.8	23.3
Health Care	6.8	13.9
Industrials	5.7	7.9
Information Technology	20.8	9.9
Materials	10.5	4.1
Real Estate	2.1	4.9
Telecommunication Services	0.0	3.6
Utilities	0.0	5.7
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 5.6% of the total portfolio. ¹Russell 1000® Value Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
230.0+	19.3	18.7
100.0–230.0	20.0	20.8
40.0–100.0	17.1	20.6
15.0–40.0	27.0	21.1
0.0–15.0	16.6	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	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 30 Jun 2018: Cardinal Health Inc 1.7%. 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. Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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