



Artisan Value Fund

MONTHLY
Commentary

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

Commentary

Our portfolio trailed the Russell 1000® Value Index QTD. While our stock selection overall was additive to results, notably in the IT and industrials sectors, above-benchmark exposure to the consumer discretionary sector and below-benchmark exposure to the health care sector were contributing factors in underperformance. Stock selection in the communications services sector also detracted.

Our top QTD detractor was Facebook, whose stock price has yet to recover fully from a tough second quarter. Facebook is a dominant social media platform with a robust net cash position and consistent free cash flow. It's likely to face persistent negative headlines for some time, with continued fallout from the 2016 election, intensifying focus on "fake news" and other bad actors using the platform, and the transition from the traditional Facebook model to "stories" as a new social media feature. We expect revenue growth for 2018 and 2019 will be slower than previously forecast. Former growth or momentum investors may be upset with higher expense guidance, but we believe the company's focus on protecting its community and enhancing the user experience will preserve and potentially expand an already dominant market position, driving long-term shareholder value. We are under no illusions that Facebook's path will be a smooth one, so we maintain our disciplined cash-flow-based valuation framework.

AutoNation was another notable detractor. Auto-related businesses have been weak in the face of cyclical pressures, weakening US auto sales and the potential negative effects of tariffs. Despite policy uncertainty and weaker-than-expected Q2 earnings, AutoNation continues to be a highly profitable, well-financed, cash-generating business, with management engaged in creating per-share value for shareholders. When considering a range of outcomes in earnings power and a variety of macroeconomic scenarios, the business looks attractively valued. We believe this is an opportunity to own a quality franchise at an undemanding valuation.

Top contributors included Apple and Berkshire Hathaway. Each continue benefiting from good execution and positive sentiment from earlier in the quarter. Of course, Apple's recent product launches have been well received. Jacobs Engineering, a technical and construction services firm to industrial and commercial clients across the globe, has been a strong contributor as well. By servicing downstream petrochemical facilities, Jacobs has benefited from improving execution, rising backlogs and better target profitability. We have trimmed our position on some of this strength.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$15.10	\$15.04
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 (Communication Services)	4.7
Berkshire Hathaway Inc (Financials)	4.2
Apple Inc (Information Technology)	4.0
Citigroup Inc (Financials)	3.9
Nutrien Ltd (Materials)	3.6
Air Lease Corp (Industrials)	3.5
Oracle Corp (Information Technology)	3.2
Cie Generale des Etablissements Michelin SCA (Consumer Discretionary)	3.1
CBS Corp (Communication Services)	2.8
Cisco Systems Inc (Information Technology)	2.8
TOTAL	35.8%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	14.5	6.8
Consumer Discretionary	11.5	5.3
Consumer Staples	0.0	7.2
Energy	12.4	10.8
Financials	21.2	22.8
Health Care	7.5	15.2
Industrials	5.8	8.1
Information Technology	14.7	9.8
Materials	10.3	3.9
Real Estate	2.1	4.6
Utilities	0.0	5.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 6.3% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 30 September 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-0.26	4.35	3.71	9.32	16.87	9.42	9.81	7.35
Advisor Class: APDLX	-0.27	4.30	3.80	9.43	17.01	9.51	9.86	7.39
Russell 1000® Value Index	0.20	5.70	3.92	9.45	13.55	10.72	9.79	7.12
Russell 1000® Index	0.38	7.42	10.49	17.76	17.07	13.67	12.09	8.99

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+	22.0	20.7
100.0–230.0	18.4	20.3
40.0–100.0	17.0	20.6
15.0–40.0	27.1	20.4
0.0–15.0	15.6	18.1
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 Sep 2018: AutoNation Inc 2.5%; Facebook Inc 2.5%; Jacobs Engineering 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.

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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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