



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 August 2019

Commentary

Quarter to date, as the market's overall performance is being driven by large-cap and growth stocks, the Russell 1000® Value Index is down 2.14%. The energy, materials and industrials sectors are leading it lower, while real estate, utilities and consumer staples—defensive and interest rate sensitive sectors—are providing a small lift in an otherwise soft market. Our portfolio has outpaced the benchmark QTD, with stock selection in the industrials and health care sectors driving relative performance. Our below-benchmark exposure to the index's best performing sectors has been the primary detractor.

Technology behemoth and Google search parent Alphabet is the top contributor to our portfolio. The business posted strong results against modest expectations from investors who had pushed shares lower earlier in the year due to fears around slowing growth. Alphabet remains a top holding due to its fortress balance sheet, exceptional competitive position in multiple businesses and an undemanding valuation relative to a business with these characteristics.

AutoNation, an automobile retailer, is among the top contributors QTD, even though the stock price was relatively steady in August. Management has executed well by improving variable gross profit per vehicle, and the predictable, high-margin parts and service business is growing. In addition, a renewed emphasis on cost controls has supported the margin-focused efforts—a welcome surprise for investors.

Medtronic, the world's largest medical device manufacturer, has been another top contributor. While lower interest expense and tax rates have boosted the bottom line and resulted in higher EPS guidance, the company's robust product pipeline has also stoked investor optimism and lifted the valuation.

The largest QTD detractor is international tire manufacturer Michelin, which despite soft QTD returns generates strong free cash flow. A tough market environment and weaker sales volumes during Q2 led to lower-than-expected EBIT growth and a falling stock price. Management has reiterated its commitment to pricing discipline and expects to continue growing market share in the premium tire category.

Another detractor, multinational networking and business communications conglomerate Cisco Systems, is facing some cyclical headwinds; order growth is flattening out as corporate IT spend appears to be slowing. Despite the slowing growth, Cisco Systems has a below-market multiple, a net cash balance sheet, and its product portfolio looks well positioned for growth.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$12.44	\$12.39
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Semi-Annual Report 31 Mar 2019 ¹	1.06/—	0.94/0.88 ^{2,3}
Prospectus 30 Sep 2018 ³	1.02/—	0.90/0.89 ²

¹Unaudited, annualized for the six-month period. ²Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2020. ³See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	5.0
Apple Inc (Information Technology)	4.6
Berkshire Hathaway Inc (Financials)	4.6
Air Lease Corp (Industrials)	3.8
NXP Semiconductors NV (Information Technology)	3.8
Citigroup Inc (Financials)	3.8
Comcast Corp (Communication Services)	3.8
Booking Holdings Inc (Consumer Discretionary)	3.7
Facebook Inc (Communication Services)	3.3
Synchrony Financial (Financials)	3.2
TOTAL	39.7%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund
Communication Services	15.9
Consumer Discretionary	9.7
Consumer Staples	2.9
Energy	2.6
Financials	24.1
Health Care	8.7
Industrials	12.5
Information Technology	15.9
Materials	7.7
Real Estate	0.0
Utilities	0.0
TOTAL	100.0%

Source: Artisan Partners/FactSet (GICS). Cash and cash equivalents represented 2.2% of the total portfolio.

Investment Results (%)

As of 31 August 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-3.42	-1.97	15.61	-5.41	7.19	4.67	10.08	6.41
Advisor Class: APDLX	-3.43	-1.98	15.69	-5.21	7.37	4.81	10.15	6.46
Russell 1000® Value Index	-2.94	-2.14	13.75	0.62	8.08	6.59	11.49	6.65
Russell 1000® Index	-1.83	-0.31	18.48	2.49	12.57	9.85	13.49	8.52

As of 30 June 2019

Investor Class: ARTLX	8.00	4.10	17.94	0.96	9.45	5.50	11.36	6.66
Advisor Class: APDLX	8.13	4.20	18.02	1.12	9.61	5.64	11.43	6.71
Russell 1000® Value Index	7.18	3.84	16.24	8.46	10.19	7.46	13.19	6.91
Russell 1000® Index	7.02	4.25	18.84	10.02	14.15	10.45	14.77	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 ¹
225.0+	18.0	22.2
100.0–225.0	23.0	16.7
40.0–100.0	23.2	20.8
15.0–40.0	17.6	20.9
0.0–15.0	18.1	19.4
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	30
Thomas A. Reynolds IV	20
Daniel L. Kane, CFA	21
Craig Inman, 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 Aug 2019: AutoNation Inc 3.1%; Cie Generale des Etablissements Michelin SCA 2.7%; Cisco Systems Inc 3.0%; Medtronic PLC 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. Earnings Before Interest & Tax (EBIT) is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. Earnings per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock.

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