



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 31 December 2019

Commentary

Equity markets delivered stellar returns in 2019, with the S&P 500® Index up 28.5%. Compare that to the 90-year average annual return of 9.8%, and given that strength, you probably wouldn't care too much that only two stocks—Apple and Microsoft—accounted for 15.0% of the index's annual performance.

The Russell 1000® Value Index returned 7.4% in the fourth quarter and finished the year up 26.5%. The financials, health care and industrials sectors were the index's top contributors; real estate was the only sector to post negative total returns.

Our portfolio outpaced the benchmark in Q4, led by stock-picking in the consumer staples and technologies sectors. By avoiding the utilities sector altogether, we have added to relative performance. Materials and financials sector holdings detracted from relative returns.

The aforementioned consumer electronics giant Apple was our top contributor in Q4 and for the whole year, returning 31.5% and 89.0% respectively. At the end of 2018 investors were concerned about Apple's sales in China and a slowing iPhone product cycle. As these fears rose to the surface, the falling asking price allowed investors to buy a stake in an extraordinary cash-producing company at around 11X earnings. As the year progressed, the market could not ignore Apple's cash-producing abilities, return of capital to shareholders and the growing likelihood of a strong iPhone cycle in the years to come as 5G is rolled out globally. With the market's improved enthusiasm for Apple's prospects, we have trimmed into strength, but continue to own a stake in the business due to Apple's cash-generating capabilities, sound balance sheet and ability to innovate existing hardware products while growing services revenues.

Another top contributor was tobacco products marketer and manufacturer Altria. Before we added it to the portfolio in Q3, Altria's share price had been cut nearly in half from its all-time high. More recently, the weakness compounded thanks in part to a failed merger with Philip Morris, as well as the rapidly evolving regulatory environment around e-cigarettes. In 2018, Altria took a 35% stake in Juul, a startup synonymous with the e-cigarette market. At our purchase price, we believe Altria's investment in Juul was being ascribed little to no value by investors. What's more, prospects of an FDA ban on flavored e-cigarette cartridges may actually benefit market leading Juul, at least on a relative basis. Altria also owns 10% of Anheuser-Busch InBev. Using a sum-of-parts approach, we believe the market gave us a large margin of safety when we purchased Altria in Q3. The shares have recovered since purchase as regulatory concerns have started to abate and investors begin to focus again on the extraordinary cash-producing capabilities of Altria's core cigarette and oral tobacco products.

In addition to DuPont and AutoNation, multinational networking and business communications conglomerate, Cisco Systems, was a notable detractor from relative returns in Q4. The business is facing cyclical headwinds. Near-term order growth is flattening as corporate IT spend appears to be slowing, and various challenges are affecting the company's different business segments. On top of this, management recently lowered guidance, and the market has re-priced the stock. Yet we believe Cisco remains a compelling investment given its undemanding multiple, management's credible commitment to address costs, a net cash balance sheet and a product portfolio that looks well-positioned for retaining industry prominence.

Investment Results (%)

As of 31 December 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	3.22	8.84	30.29	30.29	8.74	8.56	10.26	7.18
Advisor Class: APDLX	3.24	8.83	30.38	30.38	8.88	8.70	10.33	7.23
Russell 1000® Value Index	2.75	7.41	26.54	26.54	9.68	8.29	11.80	7.31
Russell 1000® Index	2.89	9.04	31.43	31.43	15.05	11.48	13.54	9.12

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)	\$13.46	\$13.39
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2019	1.06/—	0.93/0.88 ^{1,2}
Prospectus 30 Sep 2018 ²	1.02/—	0.90/0.89 ¹

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2021. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	5.1
Berkshire Hathaway Inc (Financials)	4.6
Citigroup Inc (Financials)	4.2
Air Lease Corp (Industrials)	3.9
Apple Inc (Information Technology)	3.7
NXP Semiconductors NV (Information Technology)	3.7
Booking Holdings Inc (Consumer Discretionary)	3.5
Comcast Corp (Communication Services)	3.4
Facebook Inc (Communication Services)	3.3
Raytheon Co (Industrials)	3.3
TOTAL	38.8%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	15.1	8.2
Consumer Discretionary	9.5	5.9
Consumer Staples	7.1	8.9
Energy	2.9	8.2
Financials	21.7	23.9
Health Care	10.1	13.0
Industrials	11.2	9.7
Information Technology	15.2	6.3
Materials	7.3	4.3
Real Estate	0.0	5.2
Utilities	0.0	6.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.2% of the total portfolio. ¹Russell 1000® Value Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
250.0+	20.5	22.9
98.0–250.0	19.3	16.7
42.6–98.0	22.9	21.7
16.5–42.6	18.3	19.4
0.0–16.5	18.9	19.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/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	21
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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 Dec 2019: Altria Group Inc 2.7%; AutoNation Inc 2.8%; Cisco Systems Inc 2.7%; DuPont de Nemours Inc 1.4%; Philip Morris International 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.

Margin of Safety, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value.

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