



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 28 February 2019

Commentary

Momentum continued pressing equity markets higher in February—there were no substantive changes in the fundamental outlook. Sentiment has certainly improved, most notably due to relatively more dovish positioning from the Federal Reserve. The Russell 1000® Value Index rallied through the first half of the month but was flat in the second half. Still, the index's 11.23% YTD return has almost been enough to surpass the December peak, nearly making up for losses in the sharp, year-end selloff. In the index, sector strength has been broad-based, with industrials, technology and energy leading the way.

Solid stock picking led our portfolio to outpace the Russell 1000 Value® Index QTD. Our communication services, financials and industrials holdings contributed prominently to relative returns. We also benefited by what we don't own; lack of utilities and consumer staples exposure was positive for performance. Conversely, consumer discretionary names were a modest drag.

Our portfolio's top contributor, consumer financial services company Synchrony Financial, has benefited from its contract renewals with major partners (i.e., Sam's Club, Amazon, Qurate, eBay and Walgreens). Additionally, share prices have appreciated based on expectations for hearty stock repurchases—approximately \$5bn—over the next 18 months. Adding to this momentum are a solid balance sheet, still-improving credit metrics and a record of profitability. Synchrony's low valuation, healthy business fundamentals and strong capital return have been favorable for the stock price YTD.

Global financial services holding company Citigroup was another top performer QTD. The company is highly diversified by region and product, and it has one of the strongest balance sheets among all international banks. Cost-cutting efforts have succeeded at raising profits above expectations, and management continues to repurchase shares at a discount to tangible book value.

Airplane leasing firm Air Lease Corp held firm as a top QTD contributor. In the near term, an economic downturn could prove problematic for Air Lease. Demand for air travel, which drives demand for planes, is generally pro-cyclical. However, some demand for air travel is secular. Globally, the emerging middle class and the rise of ultra-low-cost carriers are likely to be long-term tailwinds. Air Lease maintains a young fleet of fuel-efficient aircraft that are in high demand as they are lower cost to operate for the carriers. Priced at a discount to book value, the valuation remains compelling, and we continue to believe management has positioned the company as the industry leader.

Television and online retailer Qurate was the largest QTD detractor from relative returns. The stock price was essentially flat for the month until management released Q4 earnings. While revenue was in line with consensus expectations, rising costs have put pressure on margins. The market is anticipating additional need for capital investment, which could deteriorate margins further. Altogether, the stock was off almost \$4/share (down approximately 18%) in the final trading day of the month.

Investment Results (%)

As of 28 February 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	1.68	12.64	12.64	-2.43	13.87	6.33	14.15	6.45
Advisor Class: APDLX	1.69	12.61	12.61	-2.30	14.02	6.45	14.21	6.50
Russell 1000® Value Index	3.20	11.23	11.23	3.16	12.80	8.09	15.39	6.73
Russell 1000® Index	3.39	12.05	12.05	4.99	15.43	10.39	16.82	8.40

As of 31 December 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-10.63	-17.97	-14.92	-14.92	8.39	3.97	10.70	5.55
Advisor Class: APDLX	-10.53	-17.85	-14.73	-14.73	8.53	4.09	10.76	5.60
Russell 1000® Value Index	-9.60	-11.72	-8.27	-8.27	6.95	5.95	11.18	5.93
Russell 1000® Index	-9.11	-13.82	-4.78	-4.78	9.09	8.21	13.28	7.54

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)	\$12.12	\$12.06
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2018	1.01/—	0.89/0.88 ^{1,2}
Prospectus 30 Sep 2018 ²	1.02/—	0.90/0.89 ¹

¹Reflects a contractual expense limitation agreement in effect through 31 Jan 2020.

²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	4.6
Berkshire Hathaway Inc (Financials)	4.5
Apple Inc (Information Technology)	3.7
Citigroup Inc (Financials)	3.7
NXP Semiconductors NV (Information Technology)	3.3
Air Lease Corp (Industrials)	3.3
Comcast Corp (Communication Services)	3.2
Cisco Systems Inc (Information Technology)	3.2
Synchrony Financial (Financials)	3.2
Cie Generale des Etablissements Michelin SCA (Consumer Discretionary)	3.0
TOTAL	35.7%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund
Communication Services	15.0
Consumer Discretionary	10.6
Consumer Staples	0.0
Energy	6.6
Financials	22.6
Health Care	9.4
Industrials	11.6
Information Technology	16.1
Materials	8.1
Real Estate	0.0
Utilities	0.0
TOTAL	100.0%

Source: Artisan Partners/FactSet (GICS). Cash and cash equivalents represented 4.9% of the total portfolio.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
225.0+	21.9	28.0
100.0–225.0	20.1	13.7
40.0–100.0	18.8	19.4
15.0–40.0	20.3	20.2
0.0–15.0	18.9	18.7
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	20
Craig Inman	19

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 28 Feb 2019: Quorate Retail Inc 2.1%. 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.

Tangible Book Value is a measure of a company’s shareholder equity after removing any intangible assets.

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