



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 January 2019

Commentary

After a difficult end to 2018, global markets surged in January amid easing trade tensions, a temporary resolution to the partial US government shutdown and the US Federal Reserve's commitment to "be patient." The S&P 500® Index had its best January since 1987. Not to be outdone, by month end, the Russell 1000® Value Index was up a sharp 14% from its December bottom.

Solid stock picking led our portfolio to outpace the Russell 1000 Value® Index QTD. Our communication services, information technology, financials and energy holdings contributed prominently to relative returns. Below-benchmark exposure to the real estate sector—the top performing sector in the index—weighed modestly on relative returns, as did exposures in the materials sector.

Global financial services holding company Citigroup was the portfolio's top performer QTD, up 31.6% from its Christmastime low. The company is highly diversified by region and product and has one of the strongest balance sheets of 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.

Just as swiftly changing sentiment on the health of the economic cycle led to December's selloff and January's rebound, the aptly named airplane leasing firm Air Lease Corp soared QTD as recession fears abated. In the near term, should cyclical weakness finally make its descent on the world economy, that is likely a headwind for Air Lease. But demand for air travel by the global emerging middle class and the rise of ultra-low-cost carriers provide secular tailwinds in the long term. Air Lease signed several lease placement deals with various carriers in January, and business is brisk. 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.

Medical technology company Medtronic was our top detractor and only holding with a negative total return QTD. The company lowered FY2020 earnings expectations, citing headwinds from taxes and currency exposures. These types of issues are not generally fundamental long-term value drivers, but consistency in execution and messaging can be, and this is something we're monitoring.

In January we initiated a position in Raytheon, a developer and manufacturer of defense solutions with a focus on missile systems and missile defense. Given the US defense industry's structure, there are relatively high barriers to entry which tend to benefit firms like Raytheon with long tenures, advanced capabilities, experience with defense contracting and budgeting, and deep relationships. We are attracted to the best-in-class balance sheet among its peers and the prospect for incremental free cash flow growth.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$11.92	\$11.86
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)	4.7
Berkshire Hathaway Inc (Financials)	4.7
Citigroup Inc (Financials)	3.8
Apple Inc (Information Technology)	3.6
Air Lease Corp (Industrials)	3.5
NXP Semiconductors NV (Information Technology)	3.2
Comcast Corp (Communication Services)	3.1
Synchrony Financial (Financials)	3.0
Facebook Inc (Communication Services)	3.0
Cisco Systems Inc (Information Technology)	3.0
TOTAL	35.7%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund
Communication Services	14.8
Consumer Discretionary	10.9
Consumer Staples	0.0
Energy	7.4
Financials	22.2
Health Care	9.3
Industrials	11.1
Information Technology	15.9
Materials	8.3
Real Estate	0.0
Utilities	0.0
TOTAL	100.0%

Source: Artisan Partners/FactSet (GICS). Cash and cash equivalents represented 2.5% of the total portfolio.

Investment Results (%)

As of 31 January 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	10.78	10.78	10.78	-10.60	14.16	7.08	12.69	6.36
Advisor Class: APDLX	10.74	10.74	10.74	-10.51	14.30	7.19	12.75	6.40
Russell 1000® Value Index	7.78	7.78	7.78	-4.81	11.62	8.33	13.39	6.51
Russell 1000® Index	8.38	8.38	8.38	-2.17	14.14	10.68	15.17	8.17

As of 31 December 2018

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
225.0+	19.3	19.3
100.0–225.0	22.8	20.5
40.0–100.0	18.8	20.6
15.0–40.0	17.7	20.2
0.0–15.0	21.4	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	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 31 Jan 2019: Medtronic PLC 2.4%; Raytheon Co 2.4%. 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. Tangible Book Value is a measure of a company's shareholder equity after removing any intangible assets.

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