



Artisan Value Fund

MONTHLY
Commentary

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

Commentary

We don't put much stock in the old "sell in May and go away" adage, but stocks have historically put in some poor performances over the summer months. Last month was no exception, ranking as the second-worst May since 1962's vintage, with only May 2010 being worse. In 2019, however, there was no mysterious seasonality driving an unexplained move lower in equity prices. No, it was quite clearly the tit-for-tat tariffs between China and the US—set to take effect on June 1—that threatened the world's two largest economies and sent valuations tumbling, costing investors \$7 trillion in market cap according to some estimates. It didn't help that on May's final day the US announced a new tariff target: Mexico.

Quarter to date, the Russell 1000® Value Index was down 3.11%, led by weakness in the energy, materials and technology sectors. There were only two positive-return sectors: financials and communication services. Over that same period, our portfolio trailed, with the performance of our sector exposures mirroring those of the benchmark.

Global shipping and logistics firm FedEx was the portfolio's top detractor QTD. Despite a strong market position in domestic ground delivery, rising trade tensions and risks of any ensuing economic weakness weighed on the valuation. In addition, softer revenues, margin compression and decelerating Asian airfreight activity are pressuring profits. We continue to believe FedEx has a durable franchise, which is rising in value, and should trade for a higher multiple over time. We added to the position on the weakness.

Pharmaceutical maker Allergan is another low-expectations situation, and with the stock price down 16% in May, it was also the second-largest detractor QTD. While there is some pressure on the valuation from downward revisions to headline drug Botox's sales growth, much of the weakness was due to concerns over potential liability exposures in the company's opioid products. Competitor TEVA announced in May a surprise settlement with the state of Oklahoma to resolve claims that it had fueled America's opioid epidemic. In addition to raising industry-wide concerns over potential litigation, Allergan had sold its Actavis generics business to TEVA, but was granted legal indemnification upon the sale. Allergan benefits from a diverse stable of products, has only a small ongoing share of the opioid market and, we believe, faces limited litigation risks. Finally, despite beating analyst expectations and raising guidance for Q1, many investors appear to be voting with their feet after a majority of shareholders failed to vote for a change in management.

Top contributor AutoNation, an automobile retailer, improved earnings in the first quarter, and the stock price remained strong after rallying from the March lows. Management has executed well by improving variable gross profit per vehicle, and the predictable, high-margin parts and service business continued to grow. In addition, a renewed focus on cost controls supported the margin-focused efforts which was a welcome surprise for investors.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$11.75	\$11.69
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. ²Reflects 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)	4.8
Berkshire Hathaway Inc (Financials)	4.5
Apple Inc (Information Technology)	3.9
Citigroup Inc (Financials)	3.7
Comcast Corp (Communication Services)	3.6
Synchrony Financial (Financials)	3.4
Air Lease Corp (Industrials)	3.4
NXP Semiconductors NV (Information Technology)	3.3
Cisco Systems Inc (Information Technology)	3.3
Facebook Inc (Communication Services)	3.2
TOTAL	37.2%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	16.1	7.2
Consumer Discretionary	10.1	5.3
Consumer Staples	0.0	7.9
Energy	3.5	8.8
Financials	24.2	22.5
Health Care	9.3	15.1
Industrials	11.9	7.9
Information Technology	15.5	9.5
Materials	9.3	3.9
Real Estate	0.0	5.3
Utilities	0.0	6.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 5.2% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 31 May 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-8.56	-3.61	9.20	-5.47	6.85	4.39	10.66	6.08
Advisor Class: APDLX	-8.60	-3.63	9.15	-5.36	7.00	4.50	10.72	6.12
Russell 1000® Value Index	-6.43	-3.11	8.45	1.45	7.98	6.53	12.33	6.39
Russell 1000® Index	-6.37	-2.59	11.05	3.47	11.68	9.45	14.02	8.16

As of 31 March 2019

Investor Class: ARTLX	0.58	13.29	13.29	1.10	9.92	6.00	13.21	6.46
Advisor Class: APDLX	0.58	13.26	13.26	1.26	10.08	6.12	13.28	6.50
Russell 1000® Value Index	0.64	11.93	11.93	5.67	10.45	7.72	14.52	6.74
Russell 1000® Index	1.74	14.00	14.00	9.30	13.52	10.63	16.05	8.48

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+	17.4	18.2
100.0–225.0	22.9	22.4
40.0–100.0	15.6	19.2
15.0–40.0	24.4	21.4
0.0–15.0	19.7	18.8
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 May 2019: Allergan PLC 2.0%; AutoNation Inc 2.6%; FedEx Corp 2.7%. 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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