



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 31 December 2020

Commentary

The Russell 1000® Value Index returned 16.25% in Q4, with top contributions from financials, industrials and communication services. The portfolio outperformed the benchmark, driven by superior stock selection in consumer discretionary, information technology and industrials. Names in the energy and communication services sectors have detracted from relative results.

At the individual holdings level, top contributors in Q4 included Samsung Electronics and Alphabet. Korea-based Samsung Electronics is the category leader in memory semiconductors. The semiconductor business is the largest portion by far in a sum-of-the-parts model. The market became more optimistic on an upturn in the memory semiconductor cycle which drove share price outperformance. Samsung's massive scale and integrated model have afforded it cost advantages that have helped it enter new markets and take share. We believe the company is well-positioned in both semiconductors and smartphones—evidenced by the fact that it has generated good margins and a lot of free cash flow in both businesses.

Large-cap tech companies have been resilient through the pandemic—Alphabet among them. Alphabet's Play Store and Google Cloud are in demand as businesses accelerate online activity which, along with strong YouTube user growth, is helping stabilize temporarily weaker search ad revenue trends. While this holding may strike readers as more befitting a growth or momentum strategy than a value strategy, our benchmark-agnostic, opportunistic value investing style differentiates us. Our disciplined bottom-up research process shows Alphabet to have a strong balance sheet, trading for a below-average asking price. It's a name we've owned since 2014.

Top detractors in Q4 included Sanofi and Swedish Match. These two defensive securities were out of favor as vaccine distribution started in earnest and the market shifted focus to a post-COVID world.

Sanofi researches, designs, produces and distributes pharmaceutical products globally. In Q1 2020 it faced headwinds from the pricing of its cholesterol-lowering drug. More recently, the company has had to navigate a dosage error that necessitated the company and its partner GlaxoSmithKline restart clinical trials for their COVID-19 vaccine early in 2021.

Another top detractor, Swedish Match, manufactures a variety of smokeless tobacco products under brand names that would be recognizable to most Americans—even those who do not consume the products. That brand recognition translates into a sizeable moat. By November 2020, market share had grown to nearly 50%—although tobacco holdings have largely struggled relative to consumer staples peers. Nevertheless, margins remain robust and the company retains strong free cash flow. Given Swedish Match derives the majority of its sales from smokeless tobacco products—while still maintaining footing in the traditional cigarette market through its cigars—the company is well-positioned to navigate future potential regulatory requirements.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$13.82	\$13.75
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2020	1.08/—	0.92/0.88 ^{1,2}
Prospectus 30 Sep 2019 ²	1.07/—	0.94/0.89 ¹

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2022. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	5.6
Berkshire Hathaway Inc (Financials)	4.6
Booking Holdings Inc (Consumer Discretionary)	4.5
Comcast Corp (Communication Services)	4.2
FedEx Corp (Industrials)	4.1
Samsung Electronics Co Ltd (Information Technology)	4.0
Morgan Stanley (Financials)	3.8
The Goldman Sachs Group Inc (Financials)	3.5
Compass Group PLC (Consumer Discretionary)	3.3
Air Lease Corp (Industrials)	3.2
TOTAL	40.7%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	13.4	9.6
Consumer Discretionary	14.5	7.7
Consumer Staples	6.9	7.6
Energy	3.8	4.4
Financials	21.7	19.6
Health Care	10.2	13.4
Industrials	16.4	13.4
Information Technology	11.2	9.7
Materials	1.8	4.8
Real Estate	0.0	4.4
Utilities	0.0	5.5
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.4% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 31 December 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	5.10	20.00	10.64	10.64	7.04	12.91	10.19	7.41
Advisor Class: APDLX	5.12	20.05	10.91	10.91	7.23	13.08	10.29	7.47
Russell 1000® Value Index	3.83	16.25	2.80	2.80	6.07	9.74	10.50	7.00
Russell 1000® Index	4.23	13.69	20.96	20.96	14.82	15.60	14.01	9.89

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
210.0+	20.2	18.2
96.0–210.0	20.1	22.7
42.0–96.0	30.8	20.0
17.5–42.0	17.0	19.6
0.0–17.5	11.9	19.4
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	32
Thomas A. Reynolds IV	22
Daniel L. Kane, CFA	22
Craig Inman, CFA	21

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.

Current and future portfolio holdings are subject to risk. 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 Dec 2020: Sanofi 2.2%; Swedish Match AB 1.8%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. Totals may not sum due to rounding.

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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.

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