



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 29 February 2020

Commentary

Rising fear and uncertainty roiled financial markets in February as COVID-19 spreads aggressively around the globe. With new pockets of infection in Italy, South Korea and Iran, it was no surprise to see a growing number of cases in the US, as well. While the situation in the US appears manageable at present, investors and traders are grappling with the specifics of the disease and how this global epidemic ultimately affects global supply and demand. As US Treasury yields hit record lows, equities had their worst week since 2008. So intense was the pain, it prompted the Federal Reserve to offer a palliative press release: a single paragraph promising “to act as appropriate to support the economy.”

QTD, the Russell 1000® Value Index has returned -11.63%, and no sector has been spared from the selling pressure. With large portions of China’s manufacturing base offline and skittish populations starting to self-isolate, the energy, materials and financials sectors have been hardest hit. Utilities and real estate fared the best in the falling interest rate environment.

Our portfolio has performed modestly better than the benchmark, namely due to our underweight position in energy, as well as strong stock picking in financials and health care. Utilities, where we have no holdings, and materials are the biggest drags on relative returns.

Top contributor 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. Management was able to exceed the market’s high expectations for Q4 earnings; margins remain robust and free cash flow grew notably year over year. Not only did Swedish Match generate more cash in absolute terms, it has done so on a per share basis. An active share repurchase program alongside higher dividends has generated excellent value for shareholders.

Fresenius, a vertically integrated provider of dialysis equipment and services, is another top contributor. Revenues and operating income were up in Q4, but net income and earnings per share were down. We anticipate improved operating margins can propel Fresenius forward. We purchased the stock around 10X normalized earnings after the price had fallen 39.6% over the trailing 12 months. Historically, the stock has traded nearer 16X earnings, presenting attractive upside potential, although we believe the stock can provide good returns without multiple expansion.

Our process thrives on finding opportunities when fear and uncertainty drive market dislocations. Concerns over the coronavirus have punished shares of cruise operators, airlines and travel agencies. Online travel agent Booking Holdings is among our top detractors. Recent developments have not altered our view on the fundamental case for owning this business. To the contrary, the value proposition is more compelling at these lower valuations. Another top detractor, Air Lease Corporation is in the business of leasing commercial planes to carriers across the globe, and the market’s fears of a pandemic have weighed on the stock.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$11.96	\$11.90
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 2019 ²	1.07/—	0.94/0.89 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)	5.9
Berkshire Hathaway Inc (Financials)	5.0
Comcast Corp (Communication Services)	3.9
Citigroup Inc (Financials)	3.9
Synchrony Financial (Financials)	3.8
Booking Holdings Inc (Consumer Discretionary)	3.7
Air Lease Corp (Industrials)	3.7
Samsung Electronics Co Ltd (Information Technology)	3.4
Sanofi (Health Care)	3.3
Facebook Inc (Communication Services)	3.2
TOTAL	39.8%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	15.4	8.2
Consumer Discretionary	9.6	5.8
Consumer Staples	7.3	9.2
Energy	2.4	7.0
Financials	22.5	23.2
Health Care	12.1	13.5
Industrials	11.5	9.9
Information Technology	13.2	6.5
Materials	6.0	4.1
Real Estate	0.0	5.4
Utilities	0.0	7.2
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 4.6% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 29 February 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-7.57	-11.14	-11.14	2.78	3.14	5.00	8.84	6.19
Advisor Class: APDLX	-7.61	-11.13	-11.13	2.90	3.28	5.14	8.92	6.24
Russell 1000® Value Index	-9.68	-11.63	-11.63	0.54	3.78	5.51	10.40	6.27
Russell 1000® Index	-8.17	-8.07	-8.07	7.82	9.73	9.00	12.64	8.36

As of 31 December 2019

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RIV ¹
250.0+	21.0	15.6
98.0–250.0	22.0	23.4
42.6–98.0	18.9	18.3
16.5–42.6	22.5	21.6
0.0–16.5	15.7	21.0
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	31
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. 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 29 Feb 2020: Fresenius Medical Care AG & Co KGaA 3.1%; 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.

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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. Normalized Earnings are earnings that are adjusted for the cyclical ups and downs over a business cycle.

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