



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 30 November 2020

Commentary

The Russell 1000® Value Index has returned 11.96% QTD, led by contributions from financials and industrials. The portfolio is outpacing the benchmark, due primarily to our consumer discretionary, information technology and industrial holdings. Our financials and consumer staples holdings have been the largest relative detractors.

Among our top QTD contributors are Alphabet, Airbus and Morgan Stanley.

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 fortress balance sheet, trading for a below average asking price. It's a name we've owned since 2014.

European aerospace manufacturer Airbus is one of two global firms in the commercial airliner market. We purchased Airbus early in the pandemic and increased our position in Q2. The business is on our side, as Airbus' A320neo has a clear performance edge over Boeing's 737MAX. This was true even before the MAX's well-publicized issues and is corroborated by Airbus' increased market share. Our thesis does not depend on travel's returning to normal, but on the narrow-body market's returning first given its prevalence in domestic China, EU and US travel. Airbus shares got a lift from positive vaccine news—particularly in EM, where the AstraZeneca-Oxford vaccine, which doesn't require -94 degrees Fahrenheit storage, should expedite herd immunity. This is key for Airbus, whose order book tilts toward EM. The net cash balance sheet is also on our side, as is valuation—our share of the company's cash flows is merely delayed, not destroyed, and our purchase price translates to a 12%-15% free cash flow yield. We continue to see significant upside in shares.

Oracle and Northrop Grumman are among the top QTD detractors, despite having positive absolute returns.

Oracle is a world-leading enterprise software company. Despite its recent dip in performance, we believe the business is attractive. Oracle generates a high return on equity, owing to its dominant market position in an industry boasting high barriers to entry and high margins. Its products are also quite sticky with substantial switching costs. Cash flow has historically been used primarily for mergers and acquisitions, with some allocated for share buybacks and dividends. Consistent with management's focus on value-added acquisitions, Oracle negotiated a stake in beleaguered ByteDance, parent company of social media platform TikTok. In the face of the current pandemic, we believe Oracle likely remains strongly profitable, generates good free cash flow and maintains a strong balance sheet.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$13.15	\$13.08
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)	6.1
FedEx Corp (Industrials)	5.0
Berkshire Hathaway Inc (Financials)	4.8
Booking Holdings Inc (Consumer Discretionary)	4.4
Comcast Corp (Communication Services)	4.2
Morgan Stanley (Financials)	3.6
Samsung Electronics Co Ltd (Information Technology)	3.4
Compass Group PLC (Consumer Discretionary)	3.3
The Goldman Sachs Group Inc (Financials)	3.2
Air Lease Corp (Industrials)	3.0
TOTAL	40.9%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RIV ¹
Communication Services	14.3	9.5
Consumer Discretionary	15.0	7.7
Consumer Staples	7.2	7.8
Energy	1.8	4.3
Financials	19.8	19.1
Health Care	11.0	13.5
Industrials	17.1	13.7
Information Technology	11.0	9.5
Materials	2.7	4.8
Real Estate	0.0	4.4
Utilities	0.0	5.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.4% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 30 November 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	16.62	14.18	5.27	8.66	6.06	10.35	10.22	7.09
Advisor Class: APDLX	16.65	14.20	5.50	8.92	6.25	10.51	10.32	7.15
Russell 1000® Value Index	13.45	11.96	-1.00	1.72	5.25	8.44	10.93	6.77
Russell 1000® Index	11.78	9.08	16.06	19.41	13.66	14.23	14.27	9.64

As of 30 September 2020

Investor Class: ARTLX	-3.72	8.29	-7.80	0.35	2.51	9.48	9.05	6.20
Advisor Class: APDLX	-3.66	8.41	-7.62	0.54	2.69	9.65	9.14	6.26
Russell 1000® Value Index	-2.46	5.59	-11.58	-5.03	2.63	7.66	9.95	6.02
Russell 1000® Index	-3.65	9.47	6.40	16.01	12.38	14.09	13.76	9.10

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+	16.6	13.5
98.0–250.0	21.8	26.1
42.6–98.0	29.4	19.7
16.5–42.6	20.0	21.9
0.0–16.5	12.2	18.8
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	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 30 Nov 2020: Airbus SE 3.0%; Northrop Grumman Corp 1.9%; Oracle Corp 1.9%. 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. **Free Cash Flow Yield** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders’ equity.

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