



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 30 April 2022

Commentary

Top month-to-date contributors: AutoNation Inc; Merck & Co Inc; Altria Group Inc; Vertex Pharmaceuticals Inc; Philip Morris International Inc

Bottom month-to-date contributors: Alphabet Inc; Netflix Inc; Warner Bros Discovery Inc; FedEx Corp; Comcast Corp

In this space, we discuss one top contributor (AutoNation) and one bottom contributor (Netflix) from the recent month.

AutoNation is one of the largest retailers in the US. Due to strong demand from consumers and limited supply of new and used autos, dealerships like AutoNation are earning record profits on each car/truck sold. While we know these “excess” profits are not a permanent condition, as shareholders we are receiving the direct benefit of the elevated earnings as management is retiring stock aggressively. Even when earnings return to normal levels, which could be years away, AutoNation’s business trades for a modest low-double-digit earnings multiple based on our estimates of normalized earnings power. Further, the auto retailing business is less cyclical than the auto industry due to roughly half of gross profit being tied to customer care for vehicle repairs. The business also earns superior returns on capital due to being relatively asset light and having a variable cost model that can help protect margins in a downturn. Due to these characteristics, the business generates strong free cash flow through cycles. The industry also continues to consolidate which favors the operators with scale, which are the public dealer groups.

Netflix is a global leader in video streaming. Historically, Netflix hasn’t screened as a value stock given its lofty market value justified by sanguine expectations around subscriber growth and disruption of legacy cable and broadcast media. However, expectations have changed considerably as the enterprise value has fallen by more than half. Shares suffered additional declines after the company reported subscriber losses for the first time in its history and increasing competition from other streaming services. There are valid questions about Netflix’s slowing subscriber growth (it still expects to have positive net subscriber adds this year) and pricing power, but the stock looks cheap based on the company’s many years of content investments, large subscriber base and significant runway of growth over the next decade. Besides an attractive valuation, the company also meets our margin of safety criteria for being “better” and “safer” than the average company in our investment universe. Netflix has a winning business model, in our view, as it benefits from distinct scale advantages: lower marketing costs per subscriber, greater purchasing power for content, the broadest audience (appeals to talent in the industry), the most data and a growing library of owned content resulting in the lowest churn in the industry. Netflix’s growth through the years has now positioned the business to generate free cash flow despite large content investments. With \$6 billion of cash and \$15 billion of debt, Netflix has net debt to EBITDA of only 1.25X. We added to our position in April.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$13.92	\$13.86
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2021	1.05/—	0.95/0.88 ¹
Prospectus 30 Sep 2021 ²	1.05/—	0.96/0.89 ¹

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2023. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	5.0
EOG Resources Inc (Energy)	4.2
Booking Holdings Inc (Consumer Discretionary)	3.7
Meta Platforms Inc (Communication Services)	3.3
FedEx Corp (Industrials)	3.2
Philip Morris International Inc (Consumer Staples)	3.1
Altria Group Inc (Consumer Staples)	3.1
Schlumberger NV (Energy)	3.0
Compass Group PLC (Consumer Discretionary)	3.0
Arch Capital Group Ltd (Financials)	2.9
TOTAL	34.4%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RIV ¹
Communication Services	17.6	6.7
Consumer Discretionary	13.4	5.1
Consumer Staples	7.8	8.1
Energy	7.3	7.4
Financials	16.0	19.8
Health Care	14.2	18.5
Industrials	14.4	10.5
Information Technology	9.3	9.2
Materials	0.0	4.1
Real Estate	0.0	5.1
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 30 April 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-6.76	-6.76	-7.45	-1.98	11.20	9.40	9.91	7.64
Advisor Class: APDLX	-6.73	-6.73	-7.35	-1.81	11.40	9.59	10.03	7.72
Russell 1000® Value Index	-5.64	-5.64	-6.34	1.32	9.58	9.06	11.17	7.46
Russell 1000® Index	-8.91	-8.91	-13.59	-2.10	13.57	13.44	13.53	9.64

As of 31 March 2022

Investor Class: ARTLX	0.20	-0.73	-0.73	10.29	15.84	10.88	10.60	8.16
Advisor Class: APDLX	0.20	-0.67	-0.67	10.53	16.05	11.07	10.72	8.23
Russell 1000® Value Index	2.82	-0.74	-0.74	11.67	13.02	10.29	11.70	7.89
Russell 1000® Index	3.37	-5.13	-5.13	13.27	18.71	15.82	14.53	10.33

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 portfolio securities)

\$ in billions	Fund	RIV ¹
260.0+	16.1	20.3
128.0–260.0	18.4	17.8
53.0–128.0	34.8	21.0
24.0–53.0	12.3	19.1
0.0–24.0	18.4	21.8
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
Thomas A. Reynolds IV	23
Daniel L. Kane, CFA	23
Craig Inman, CFA	22

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. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. 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 Apr 2022: AutoNation Inc 2.5%; Comcast Corp 2.7%; Merck & Co Inc 2.8%; Netflix Inc 1.4%; Vertex Pharmaceuticals Inc 2.7%; Warner Bros Discovery Inc 1.5%. 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.

Price-to-Earnings (P/E) is a valuation ratio of a company’s current share price compared to its per-share earnings. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Enterprise Value (EV)** is a measure of a company’s value. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** is an indicator of a company’s financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization.

Source: Artisan Partners/FactSet. Contribution to Return includes the securities with the highest positive and negative contribution to the portfolio’s return and is calculated by multiplying a security’s portfolio weight by its in-portfolio return for the period. Purchases/sales are accounted for by using end of the day prices, which may or may not reflect the actual purchase/sale price realized by the portfolio. Contribution to return is not exact, but should be considered an approximation.

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