



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 28 February 2022

Commentary

With omicron case counts receding, markets were squarely focused in February on geopolitical uncertainty related to Russia's invasion of Ukraine and monetary policy headwinds amid high inflation. Investors naturally rotated to energy and materials stocks on higher commodity prices. Also noteworthy was the continued outperformance of value versus growth as rising interest rates have pressured more richly valued stocks.

Our portfolio modestly trailed the Russell 1000® Value Index in February but remains ahead YTD. Our biggest detractor was Meta Platforms (formerly known as Facebook). The company's social media business is facing challenges from increased TikTok competition and changes to Apple's iOS mobile operating system that make it harder for platforms and apps to track users across other apps and websites—a potential \$10bn hit to 2022 sales. While we don't want to minimize these long-term headwinds, we believe the stock's selloff is substantially overdone. Meta now trades at a meaningful discount to the S&P 500® Index, both on price to earnings and enterprise value to EBIT—but we don't believe Meta's issues are necessarily worse than those of the rest of the market. Thus, we've been actively adding to our position during the current downdraft. Facebook is still a highly successful enterprise generating \$130bn of revenue annually on a run-rate basis, with a fortress balance sheet consisting of \$48bn in cash and zero debt to help it navigate its future course.

One of our top performers for the month was Safran, a French aerospace company, which we first purchased in January. Safran generates most of its profits from CFM International (CFMI)—a 50/50 joint venture with General Electric to manufacture narrow-body aircraft engines. The narrow-body industry is a duopoly with high barriers to entry and long product cycles. CFMI has a dominant market share in narrow-bodies, an attractive category expected to grow mid-single digits over the next two decades. The engines business is a razor/razor blade model as they are sold at a loss and significant profits are generated in the aftermarket during “shop visits.” An engine's useful lifetime is typically more than 20 years, providing recurring cash flows and long-term visibility. Strong free cash flow generation has allowed it to maintain a strong balance sheet with 1.4X net leverage. Safran, along with the broader aerospace industry, was deeply impacted by COVID disruptions. Typically, aftermarket activity largely correlates with flight activity. Nevertheless, during downturns it takes longer to recover as airlines seek to postpone maintenance in difficult times and actively manage their fleet to optimize cash flow. The market is currently focusing on next year's earnings as opposed to the long-term recovery, which we expect to happen in 2024 to 2025. This allowed us to purchase shares at an attractive 12.5X our estimate of normalized operating profits.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$14.90	\$14.83
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)	5.3
EOG Resources Inc (Energy)	3.8
Arch Capital Group Ltd (Financials)	3.0
FedEx Corp (Industrials)	3.0
Samsung Electronics Co Ltd (Information Technology)	3.0
Comcast Corp (Communication Services)	2.9
Compass Group PLC (Consumer Discretionary)	2.9
Booking Holdings Inc (Consumer Discretionary)	2.9
Philip Morris International Inc (Consumer Staples)	2.9
Schlumberger NV (Energy)	2.8
TOTAL	32.5%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RIV ¹
Communication Services	18.4	7.4
Consumer Discretionary	12.2	5.3
Consumer Staples	6.8	7.5
Energy	6.6	6.6
Financials	17.9	21.5
Health Care	14.1	17.5
Industrials	14.9	11.1
Information Technology	9.0	9.4
Materials	0.0	3.9
Real Estate	0.0	4.8
Utilities	0.0	5.0
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.0% of the total portfolio. ¹Russell 1000® Value Index.

Investment Results (%)

As of 28 February 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-1.65	-0.93	-0.93	16.21	15.99	10.74	10.73	8.19
Advisor Class: APDLX	-1.59	-0.87	-0.87	16.42	16.20	10.93	10.85	8.26
Russell 1000® Value Index	-1.16	-3.46	-3.46	14.99	12.22	9.45	11.71	7.74
Russell 1000® Index	-2.74	-8.23	-8.23	13.72	18.08	15.07	14.51	10.16

As of 31 December 2021

Investor Class: ARTLX	6.74	4.48	23.08	23.08	21.06	11.85	11.91	8.34
Advisor Class: APDLX	6.78	4.55	23.25	23.25	21.24	12.03	12.02	8.41
Russell 1000® Value Index	6.31	7.77	25.16	25.16	17.64	11.16	12.97	8.07
Russell 1000® Index	4.05	9.78	26.45	26.45	26.21	18.43	16.54	10.87

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+	17.7	20.5
128.0–260.0	19.0	18.9
53.0–128.0	37.3	20.3
24.0–53.0	10.8	18.5
0.0–24.0	15.1	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. 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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 28 Feb 2022: Meta Platforms Inc 2.6%; Safran SA 2.2%. 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. **Price-to-Earnings (P/E)** is a valuation ratio of a company’s current share price compared to its per-share earnings. **Enterprise Value to Earnings Before Interest and Taxes (EV/EBIT)** is a valuation multiple defined as an enterprise value (EV) divided by earnings before interest and tax (EBIT). **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. **Normalized Operating Profit** are profits adjusted to remove unusual or one-time occurrences. **Net leverage** is the ratio of net debt to EBITDA.

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