



Artisan Value Fund

MONTHLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 January 2022

Commentary

In January, fears of higher interest rates and reduced liquidity due to tighter monetary policies resulted in US stocks experiencing their biggest drawdown since March 2020. Due to evolving inflation and interest rate expectations, discount rates used to value future earnings have been ratcheted higher, which naturally has had a greater impact on longer duration assets (i.e., higher multiple growth stocks). This was evident in the style indices' extreme divergence in monthly returns. The Russell 1000® Growth Index fell 8.58% compared to the Russell 1000® Value Index's 2.33% decline. Declines were led by the technology, consumer discretionary and real estate sectors. The energy sector's high-teens gain was a positive outlier as the sector benefited from higher oil prices.

Our portfolio generated a positive return and outperformed the Russell 1000® Value Index as our orientation toward quality and value provided ballast in an environment where richly priced and non-earning stocks were especially penalized. Our energy holdings EOG Resources (EOG) and Schlumberger (SLB) were our top contributors. EOG is a US shale-focused E&P company, and SLB is the world's largest oil services company. Value investing can often be uncomfortable. One of those periods was in late 2020 when there was considerable skepticism regarding the energy industry's prospects. As energy prices have recovered and the industry adjusts to the new supply and demand dynamics, investors have begun to appreciate the earnings power of these businesses. EOG enjoys a low-cost production position and a strong balance sheet which enabled the company to increase production capabilities during the downturn. EOG's management focuses on return on invested capital and cash flow generation, which distinguishes it from most of the company's competitors. SLB is performing well in a competitive marketplace. New management has driven the company's refocused efforts to increase free cash flow and expand profit margins, a task made easier with the cooperating price of oil. We like that the business model is becoming nimbler and more adaptive to market forces, as evidenced by its recent focus on contributing to the production of cleaner energy.

Though the health care sector was the largest contributor to our relative performance, health care technology company Philips was one of our biggest detractors. Our opportunity to initiate our position in Q3 2021 came after shares had fallen on concerns regarding a recall of its first-generation CPAP machine. The stock has remained under pressure since our initial purchase due to concerns around the recall expanding to additional products, the potential for legal recourse and potential market share losses arising in the sleep division. Nonetheless, the sleep division is a small part of the overall business—which we do not believe is going to zero. The company has a large installed base of medical diagnostic equipment (e.g., MRI/PET/CT/ultrasound scanners) that offers a high recurring stream of software-like maintenance revenues. This is a sticky business as medical providers are reluctant to switch over to competitors. Despite the recent turbulence in Philips' stock, we believe our entry point should make for a successful investment over the long term.

Investment Results (%)

As of 31 January 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	0.73	0.73	0.73	27.96	17.28	11.50	11.43	8.34
Advisor Class: APDLX	0.74	0.74	0.74	28.17	17.47	11.68	11.55	8.41
Russell 1000® Value Index	-2.33	-2.33	-2.33	23.37	13.84	10.48	12.28	7.86
Russell 1000® Index	-5.64	-5.64	-5.64	20.32	20.51	16.59	15.32	10.40

As of 31 December 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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.

Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$15.15	\$15.07
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)	3.6
FedEx Corp (Industrials)	3.3
Booking Holdings Inc (Consumer Discretionary)	3.2
Comcast Corp (Communication Services)	3.1
Samsung Electronics Co Ltd (Information Technology)	3.0
Arch Capital Group Ltd (Financials)	2.9
Compass Group PLC (Consumer Discretionary)	2.9
Philip Morris International Inc (Consumer Staples)	2.9
Morgan Stanley (Financials)	2.8
TOTAL	32.9%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RIV ¹
Communication Services	17.7	7.4
Consumer Discretionary	12.6	5.5
Consumer Staples	6.9	7.5
Energy	6.4	6.2
Financials	18.4	21.3
Health Care	14.2	17.6
Industrials	14.5	11.2
Information Technology	9.3	9.7
Materials	0.0	3.7
Real Estate	0.0	4.9
Utilities	0.0	5.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.8% of the total portfolio. ¹Russell 1000® Value Index.

Average Annual Total Returns

	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	27.96	17.28	11.50	11.43	8.34
Advisor Class: APDLX	28.17	17.47	11.68	11.55	8.41
Russell 1000® Value Index	23.37	13.84	10.48	12.28	7.86
Russell 1000® Index	20.32	20.51	16.59	15.32	10.40

Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RIV ¹
260.0+	15.3	18.0
128.0–260.0	21.5	22.3
53.0–128.0	34.9	20.0
24.0–53.0	13.3	19.4
0.0–24.0	14.9	20.4
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
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. Russell 1000® Growth Index measures the performance of US large-cap companies with higher price/book ratios and forecasted growth values. 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 Jan 2022: Schlumberger NV 2.7%. 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. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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