



# Artisan Value Income Fund

MONTHLY  
Commentary

Investor Class: APFWX

Advisor Class: APDWX

As of 30 June 2022

## Commentary

Top month-to-date contributors: CME Group Inc; Sysco Corp; H&R Block Inc; Raytheon Technologies Corp; Merck & Co Inc

Bottom month-to-date contributors: Altria Group Inc; EOG Resources Inc; Samsung Electronics Co Ltd; Blackstone Inc; Synchro Financial

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

Merck is a provider of health care solutions including prescription medicines, vaccines, biologic therapies, animal health and consumer care products. The stock price was essentially flat during the month, which made it a strong outperformer in a month when US stock indices were down high single-digit percentages. Shares are up about 20% YTD as investors have sought safety in areas with less economic and interest rate sensitivity. With about one third of its sales generated by blockbuster oncology drug Keytruda, the key issue for investors is the success of its large R&D pipeline to replace those sales when Keytruda comes off patent in 2028. Merck seems to be getting little credit from investors for the 60+ programs it has in clinical development, despite having several solid and large new product opportunities. Additionally, the company's strong balance sheet and robust free cash flow (FCF) provide it multiple options for future partnerships and acquisitions. FCF is also used to funnel cash back to shareholders via dividends (current yield of 3%) and stock repurchases.

Shares of Altria, a tobacco products maker, have been challenged on multiple fronts. First, Philip Morris International's (PM) acquisition of Swedish Match poses a new competitive threat as it will allow PM to enter the US market with its IQOS heated tobacco product seeking to take share from cigarettes. We also hold PM in the portfolio and were investors in Swedish Match prior to the takeout announcement; thus gains in the other two stocks have helped offset losses in Altria. Secondly, in late June, the Food and Drug Administration ordered Altria to pull its Juul e-cigarettes off the shelves in the US market due to their uncertain health effects. In early July as we write this, the FDA has agreed to suspend its order while the government reopens its review of the company's e-cigarettes allowing Juul sales in the meantime. While Altria's 35% stake in Juul is not a big financial contributor, it is clearly a large setback given Altria's sizable investment and the implications that Altria will likely need to pursue additional M&A in the vaping market to remain relevant. Understandably, the stock now prices in these negatives. Despite these possible outcomes, we are not concerned about the company's ability to continue its tremendous FCF generation that easily covers its dividend, yielding more than 8%.

## Investment Results (%)

As of 30 June 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: APFWX	-9.13	-11.04	—	—	—	—	—	-10.87
Advisor Class: APDWX	-9.23	-11.14	—	—	—	—	—	-10.93
S&P 500® Index	-8.25	-16.10	—	—	—	—	—	-12.99
Dow Jones US Select Dividend Index	-8.93	-7.44	—	—	—	—	—	-3.64

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized.

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. The Fund's returns may vary greatly over shorter periods due to the limited operating period since inception. Call 800.344.1770 for current to most recent month-end performance.

## Portfolio Details

	APFWX	APDWX
Net Asset Value (NAV)	\$8.84	\$8.83
Inception	28 Feb 2022	28 Feb 2022
Expense Ratios (% Gross/Net)		
Semi-Annual Report 31 Mar 2022 <sup>1,2,3</sup>	80.50/1.19	32.61/1.07
Prospectus 26 Feb 2022 <sup>2,3,4</sup>	1.48/1.20	1.33/1.10

<sup>1</sup>Unaudited, for the period from commencement of operations 28 Feb 2022 through 31 Mar 2022. <sup>2</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. <sup>3</sup>See prospectus for further details. <sup>4</sup>Includes estimated expenses for the current fiscal year.

## Top 10 Holdings (% of total portfolio)

Philip Morris International Inc (Consumer Staples)	3.5
Lamar Advertising Co (Real Estate)	3.1
Altria Group Inc (Consumer Staples)	3.1
EOG Resources Inc (Energy)	3.0
Cable One Inc (Communication Services)	2.8
nVent Electric PLC (Industrials)	2.7
Comcast Corp (Communication Services)	2.5
Tyson Foods Inc (Consumer Staples)	2.5
Raytheon Technologies Corp (Industrials)	2.3
Merck & Co Inc (Health Care)	2.3
<b>TOTAL</b>	<b>27.8%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	S&P 500 <sup>1</sup>
Communication Services	7.3	8.9
Consumer Discretionary	5.5	10.5
Consumer Staples	15.0	7.0
Energy	3.0	4.4
Financials	20.6	10.8
Health Care	8.9	15.1
Industrials	15.1	7.8
Information Technology	7.7	26.8
Materials	0.0	2.6
Real Estate	8.7	2.9
Utilities	8.1	3.1
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/S&P. Cash and cash equivalents represented 2.2% of the total portfolio. <sup>1</sup>S&P 500® Index.

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	S&P 500 <sup>1</sup>
200.0+	10.1	43.0
140.0–200.0	10.1	11.7
90.0–140.0	4.7	7.8
60.0–90.0	10.8	10.0
30.0–60.0	11.4	14.0
15.0–30.0	12.1	9.4
5.0–15.0	26.8	4.2
0.0–5.0	10.8	0.0
Not Applicable	1.1	—
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/S&P. <sup>1</sup>S&P 500<sup>®</sup> Index.

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Thomas A. Reynolds IV	23
Daniel L. Kane, CFA	24
Craig Inman, CFA	23

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. Dividend payments are not guaranteed and the amount declared, if any, could vary over time. 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.

S&P 500<sup>®</sup> Index measures the performance of 500 US companies focused on the large-cap sector of the market. The Dow Jones US Select Dividend Index measures the performance of the US's leading stocks by dividend yield. 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 Jun 2022: Blackstone Inc 1.5%; CME Group Inc 1.7%; H&R Block Inc 2.2%; Samsung Electronics Co Ltd 2.2%; Synchrony Financial 1.2%; Sysco Corp 1.6%. 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. **Current Yield** is the annual income (interest or dividends) divided by the current price of a security. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

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