



# Artisan Value Fund

MONTHLY  
Commentary

Investor Class: ARTLX | Advisor Class: APDLX As of 30 September 2022

## Commentary

Top month-to-date contributors: Netflix Inc; Vertex Pharmaceuticals Inc; Merck & Co Inc; Heineken Holding NV; Arch Capital Group Ltd

Bottom month-to-date contributors: FedEx Corp; Alphabet Inc; Comcast Corp; Samsung Electronics Co Ltd; Meta Platforms Inc

In this space, we discuss one top contributor (Vertex Pharmaceuticals) and one bottom contributor (FedEx) from the recent month.

Biotechnology company Vertex Pharmaceuticals dominates the market for treatment of cystic fibrosis (CF) with limited competition. In addition to solid growth in CF revenues that has driven better-than-expected results, positive progress in its development pipeline has lifted shares. At the time of our Q2 2021 purchase, the stock was under pressure due to regulatory hurdles and Vertex's decision not to pursue late-stage development of VX-864 after an unexpectedly unfavorable outcome. VX-864 is designed to treat alpha-1 antitrypsin deficiency (AATD), which is an inherited disorder with a strong correlation to pediatric liver disease. Irrespective of Vertex's AATD pipeline, the company has nearly two decades of patent protection remaining for its CF franchise. Management maintains a healthy reserve of cash and is focusing on research and development. We believe near-term growth is likely to be driven by Vertex's expanding geographic presence and expansion of medicines to lower age groups, with long-term gains rising from the company's diversifying pipeline.

Earnings results at FedEx, a global shipping and logistics firm, disappointed due to slowing volumes—principally in its Express segment, which resulted in negative operating leverage—in addition to continued cost pressures. The Express business has been affected by trade disruptions in Asia from China's COVID lockdowns, as well as the mix of global consumer spending trending back toward services and away from goods—a normalization of pandemic-driven consumer behavior. A key question for investors is how much of this demand slowdown is idiosyncratic and therefore less likely to repeat and how much is the start of a possible cyclical slowdown. To counter these headwinds, FedEx is looking to achieve cost reductions while it continues to implement multi-year structural cost reduction initiatives focused on technology investments and efficiency gains. Given a mixed track record and the recent earnings miss, there is a high degree of skepticism embedded in the current stock price as it sells for less than 8X our estimate of normalized earnings. While operating results can be choppy, the longer term business economics are highly favorable given the global shipping industry's consolidated structure and massive barriers to entry that afford operators with pricing power to counter cost inflation and earn respectable returns on capital over the business cycle.

## Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$12.02	\$11.97
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Semi-Annual Report 31 Mar 2022 <sup>1</sup>	1.07/—	0.96/0.88 <sup>2,3</sup>
Prospectus 30 Sep 2021 <sup>3</sup>	1.05/—	0.96/0.89 <sup>2</sup>

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2023. <sup>3</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Alphabet Inc (Communication Services)	5.0
EOG Resources Inc (Energy)	4.0
Arch Capital Group Ltd (Financials)	3.5
Compass Group PLC (Consumer Discretionary)	3.4
Northrop Grumman Corp (Industrials)	3.4
Cigna Corp (Health Care)	3.3
Booking Holdings Inc (Consumer Discretionary)	3.2
Philip Morris International Inc (Consumer Staples)	3.1
Merck & Co Inc (Health Care)	3.0
Morgan Stanley (Financials)	2.9
<b>TOTAL</b>	<b>34.7%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RIV <sup>1</sup>
Communication Services	18.1	8.0
Consumer Discretionary	11.5	6.0
Consumer Staples	6.7	7.2
Energy	7.0	7.8
Financials	19.2	20.0
Health Care	12.0	17.3
Industrials	14.5	10.0
Information Technology	11.0	8.8
Materials	0.0	4.1
Real Estate	0.0	4.8
Utilities	0.0	6.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.1% of the total portfolio. <sup>1</sup>Russell 1000<sup>®</sup> Value Index.

## Investment Results (%)

As of 30 September 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	-9.56	-7.04	-20.08	-16.50	5.81	4.92	8.06	6.49
Advisor Class: APDLX	-9.59	-7.07	-19.99	-16.35	5.98	5.09	8.18	6.57
Russell 1000 <sup>®</sup> Value Index	-8.77	-5.62	-17.75	-11.36	4.36	5.29	9.17	6.42
Russell 1000 <sup>®</sup> Index	-9.25	-4.61	-24.59	-17.22	7.95	9.00	11.60	8.48

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 <sup>1</sup>
260.0+	12.8	17.1
128.0–260.0	19.2	19.0
53.0–128.0	36.1	20.1
24.0–53.0	20.0	19.4
0.0–24.0	11.9	24.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/Russell. <sup>1</sup>Russell 1000® Value 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. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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 Sep 2022: Comcast Corp 2.6%; FedEx Corp 2.9%; Heineken Holding NV 0.8%; Meta Platforms Inc 2.7%; Netflix Inc 2.0%; Samsung Electronics Co Ltd 2.3%; Vertex Pharmaceuticals Inc 2.0%. 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.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

Sector exposure percentages reflect sector designations as currently classified by GICS.

**Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle.

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.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2022 Artisan Partners. All rights reserved.

10/6/2022 A22771L\_vR