



# Artisan Value Fund

## MONTHLY Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 30 November 2023

### Commentary

Top month-to-date contributors: US Bancorp; Meta Platforms Inc; Netflix Inc; The PNC Financial Services Group Inc; Bank of America Corp

Bottom month-to-date contributors: The Cigna Group; Schlumberger NV; Arch Capital Group Ltd; EOG Resources Inc; Merck & Co Inc

In this space, we discuss one top contributor (US Bancorp) and one bottom contributor (Cigna) from the recent month.

A huge rally in the Treasury market—its best month since the 1980s—that was driven by easing inflation and other signs that the Federal Reserve is likely done hiking interest rates, as well as increased hopes of a US economic soft landing, led to strong gains by cyclical stocks, including bank shares such as US Bancorp (USB). When bank stocks sold off in Q1 due to fears of contagion following Silicon Valley Bank's failure, we took advantage of the market dislocation by purchasing USB, along with PNC Financial—another top 10 US bank—at cheap prices. USB is a bank we have known for years. It is well managed and has a solid balance sheet. As one of the largest banks, it was less impacted by the turmoil that affected smaller institutions as depositors sought the safest places to store their money. However, the dynamic of low-cost deposits flowing out of the system and into higher yielding money markets and bond markets, the increased price competition for remaining deposits and the inverted yield curve are headwinds for bank earnings prospects generally. Nevertheless, we believe the range of probabilities and long-term outcomes are tilted in our favor at current valuations.

Shares of Cigna fell on reports of a potential merger with Humana that would combine two of the US' largest managed care companies. The deal makes strategic sense as it would significantly increase Cigna's scale and provide greater diversification to earnings given minimal business overlap. However, the US health care market is already highly consolidated, so regulatory approval could be a challenge. Whether the deal gets done or not doesn't materially impact our investment case. Cigna is one of the few managed care organizations in the US with the scale and size to compete effectively. The company consistently generates significant free cash flow, much of which is returned to shareholders via buybacks and dividends. In 2022, free cash flow was \$7.4 billion, up \$1.3 billion from 2021. Cigna paid down \$3.5 billion of debt, repurchased \$7.6 billion in stock and sold its life, accident and supplemental benefits business in Asia to Chubb, which helped fund the share repurchases. In short, the business is performing well, and management has shown prudent capital allocation. Additionally, the stock is selling cheaply, for less than 10X next year's earnings.

### Portfolio Details

	ARTLX	APDLX
Net Asset Value (NAV)	\$13.78	\$13.71
Inception	27 Mar 2006	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2023 <sup>1,2</sup>	1.09/1.06 <sup>3</sup>	0.97/0.88
Prospectus 30 Sep 2022 <sup>2</sup>	1.06/—	0.96/0.88 <sup>1</sup>

<sup>1</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. <sup>2</sup>See prospectus for further details. <sup>3</sup>There was no expense limit prior to July 1, 2023. Effective July 1, 2023, expense limit was 0.98%.

### Top 10 Holdings (% of total portfolio)

Meta Platforms Inc (Communication Services)	4.7
Alphabet Inc (Communication Services)	4.4
Arch Capital Group Ltd (Financials)	3.7
Comcast Corp (Communication Services)	3.3
EOG Resources Inc (Energy)	3.0
US Bancorp (Financials)	3.0
Visa Inc (Financials)	3.0
Schlumberger NV (Energy)	2.9
Safran SA (Industrials)	2.9
Airbus SE (Industrials)	2.9
<b>TOTAL</b>	<b>33.8%</b>

Source: Artisan Partners/GICS.

### Sector Diversification (% of portfolio securities)

	Fund	RIV <sup>1</sup>
Communication Services	20.4	4.9
Consumer Discretionary	9.3	4.9
Consumer Staples	9.2	8.2
Energy	6.1	8.2
Financials	26.2	21.6
Health Care	10.5	14.7
Industrials	12.4	13.6
Information Technology	5.8	9.3
Materials	0.0	4.9
Real Estate	0.0	4.8
Utilities	0.0	5.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.9% of the total portfolio. <sup>1</sup>Russell 1000® Value Index.

### Investment Results (%)

As of 30 November 2023	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	6.66	4.31	18.08	13.42	11.66	11.28	8.88	7.85
Advisor Class: APDLX	6.61	4.34	18.19	13.49	11.83	11.47	9.03	7.93
Russell 1000® Value Index	7.54	3.75	5.61	1.36	8.27	7.52	8.09	7.02
Russell 1000® Index	9.34	6.70	20.58	13.57	8.72	12.25	11.56	9.48
Average Annual Total Returns								
As of 30 September 2023								
Investor Class: ARTLX	-3.65	-2.22	13.20	29.09	15.07	8.47	8.94	7.67
Advisor Class: APDLX	-3.67	-2.23	13.28	29.30	15.25	8.66	9.09	7.75
Russell 1000® Value Index	-3.86	-3.16	1.79	14.44	11.05	6.23	8.45	6.86
Russell 1000® Index	-4.70	-3.15	13.01	21.19	9.53	9.63	11.63	9.17

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>
277.0+	16.5	13.5
123.0–277.0	21.1	23.4
53.0–123.0	40.7	21.8
23.0–53.0	13.1	19.0
0.0–23.0	8.6	22.3
<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	24
Daniel L. Kane, CFA	25
Craig Inman, CFA	24

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 and less developed markets, including frontier 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 Nov 2023: Bank of America Corp 2.5%; Merck & Co Inc 1.8%; Netflix Inc 2.9%; The Cigna Group 2.4%; The PNC Financial Services Group Inc 2.5%. 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.

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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.

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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