Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 30 June 2016

Investment Process

We seek to invest in companies that are undervalued, in solid financial condition and have attractive business economics. We believe that companies with these characteristics are less likely to experience eroding values over the long term.

Attractive Valuation

We value a business using what we believe are reasonable expectations for the long-term earnings power and capitalization rates of that business. This results in a range of values for the company that we believe would be reasonable. We generally will purchase a security if the stock price falls below or toward the lower end of that range.

Sound Financial Condition

We prefer companies with an acceptable level of debt and positive cash flow. At a minimum, we seek to avoid companies that have so much debt that management may be unable to make decisions that would be in the best interest of the companies' shareholders.

Attractive Business Economics

We favor cash-producing businesses that we believe are capable of earning acceptable returns on capital over the company's business cycle.

Team Overview

Our team has worked together for a long time and each member has a high level of trust and confidence in each other's capabilities. Everyone on the team functions as a generalist with respect to investment research and the entire team works together on considering potential investments. The portfolio managers are supported by two research analysts who share a common mindset and focus on the key elements of our investment process.

Portfolio Management

George O. Sertl, CFA
Portfolio Manager

Scott C. Satterwhite, CFA
Portfolio Manager

James C. Kieffer, CFA
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Investment Results (%)

As of 30 June 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**5.45**	**14.52**	**2.92**	**7.28**	**8.80**	**6.13**	**5.85**
Advisor Class: APDLX	**5.56**	**14.58**	**3.07**	**7.36**	**8.84**	**6.15**	**5.87**
Russell 1000® Value Index	4.58	6.30	2.86	9.87	11.35	6.13	5.97
Russell 1000® Index	2.54	3.74	2.93	11.48	11.88	7.51	7.10

Source: Artisan Partners/Russell. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 27 March 2006. Advisor Class performance is that of the Investor Class from 27 March 2006 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTLX	APDLX
Semi-Annual Report 31 Mar 2016[1]	0.95	0.82
Prospectus 30 Sep 2015	1.00	0.82[2]

[1]Unaudited, annualized for the six month period. [2]Includes estimated expenses for the current fiscal year.

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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

Investing Environment

The quarter ended on a volatile note, as Britain voted to leave the European Union. Our investment approach leads us to not make impulsive reactions to exogenous events—we are fundamental, bottom-up investors with a long-term investment horizon. Realistically, the UK's exit will likely take years to execute, and we anticipate several twists along the way—therefore we do not feel making specific projections at this time is worthwhile. If market volatility gives us opportunities to buy quality, well-financed companies based on fears and overreaction, we will try to take advantage of it, as our process is designed to seek out areas of fear and uncertainty.

US stocks advanced across the market-cap spectrum. The Russell 1000® Value Index meaningfully outperformed the Russell 1000® Growth Index. Gold prices extended their rally, and oil prices sustained their rebound off February lows, buoying the energy and materials sectors. The low-interest rate phenomenon continued, with investors gravitating toward stability—telecom, utilities, consumer staples and REITs outperformed. These areas of the market have outperformed over the past few years as investors reached for yield and stability, despite valuations that look stretched to us.

Performance Discussion

Our portfolio advanced, outperforming the Russell 1000® Value Index in Q2 and remaining ahead YTD. We benefited from strong stock selection across most sectors, with particular strength in the energy, consumer discretionary and materials sectors. Much of what weighed on performance last year (e.g., industrials, materials and energy) continued to rebound, driving our outperformance in the period.

Our energy holdings (Devon, Apache, Hess and EOG Resources) were strong across the board this quarter. Our process is geared toward investing in low expectation situations, which often occur in areas of the market where high levels of fear and anxiety exist. Over the past few years, fear and anxiety in energy stocks have been palpable, leading us to invest in a number of quality energy companies selling at attractive valuations. To that end, we used the dip in commodity prices in Q1 2016 to build on our positions in these names. As fundamental supply and demand pressures in oil markets show signs of rebalancing, oil prices have rebounded, benefiting a number of our holdings. As inventories decline, we believe oil prices should eventually stabilize within our long-term price range.

Our energy weighting remains slightly above the index, but the bulk of our strength in the sector was driven by strong stock selection. Unlike the index, we don't own any of the major oil companies, as we believe they are pricing in much more of a rebound than the names we own. To that end, our E&Ps outperformed, driven by strength in Devon. Among our energy holdings, Devon was the standout performer on the back of better-than-expected operations and ongoing asset sales exceeding expectations, which should lower the company's leverage.

The uptick in gold prices boosted shares of gold miners Kinross Gold and Goldcorp, putting them among our top performing stocks both QTD and YTD. We're by no means gold bugs, and for years we owned no gold miners, as we believed they priced in too rosy of an outlook on the underlying commodity price. More recently, gold price weakness made a handful of quality gold mining companies look inexpensive. (Many gold miners were down around 70%-90% from their 2011 peaks—a classic example of us moving toward fear and uncertainty.) Further, both Goldcorp and Kinross have low-cost reserves and are controlling their below-industry costs.

We build our portfolio on a stock-by-stock basis, and our weighting in the financials sector is a good example of this, as we look very different than the index. Our below-benchmark exposure to banks aided results, while our below-benchmark exposure to REITs proved a headwind. Our insurance holdings were beneficial, driven by strength in property and casualty insurance companies Alleghany and Chubb. In both cases, the companies are executing well, generating free cash flow and returning it to shareholders through share repurchases. We think the businesses are well-run with well-respected management teams, and are selling at undemanding prices.

The results of our industrials holdings were mixed in Q2. On the upside, we benefited from strength in Jacobs Engineering, Joy Global and Union Pacific. Jacobs Engineering (one of the world's largest engineering and construction companies) has exposure to the oil and gas industry, and shares benefited from recovering oil prices. We like that the company's new management team is focusing efforts on long-term capital returns, discipline in pricing and cost controls. Further, its balance sheet is solid, and the company is using its ample free cash flow to reduce debt and repurchase shares.

Conversely, industrials holding Air Lease, a global aircraft leasing company, weighed on results. Concerns surrounding over-building in the industry and slowing growth in emerging markets (China in particular) have weighed on shares. The stock looks very cheap to us—it's trading below book value and at a single-digit P/E, and its fundamentals look solid. We believe the company is one of the best operators in the leasing space with one of the best management teams. Further, it has an investment-grade credit rating, helping mitigate financing risks while providing a competitive advantage.

Shares of Apple were pressured on lackluster iPhone® sales. Smartphone sales in China—a large market for the company—have eased on the back of smartphone-market saturation and slowing economic growth. We believe the slowdown is temporary, as consumers delay purchases in anticipation of the iPhone® 7 release. Besides Samsung Electronics, which we also own in the portfolio, Apple has a dominant position in smartphone and tablets and has its own proprietary operating system. The company has substantial cash on the balance sheet and returns free cash flow to shareholders through dividends and share repurchases. We used weakness in the

quarter to build on our position as it sells at a material discount to the market based on our estimate of normalized earnings.

Technology holdings Avnet and Arrow Electronics were also weak in Q2. Both companies are IT distributors with European exposure, whose results are largely a function of global IT spending. Shares traded down in large part due to global economic uncertainty. We believe the selling is overdone. Ingram, an industry competitor, was acquired in Q1 2016 at around a 39% premium, and we believe the bid highlights the industry's attractive valuations. Both stocks currently sell for below 10X our estimates of normalized earnings, are generating strong cash flow and are repurchasing shares.

Portfolio Activity

We were fairly active in the quarter, purchasing three new names and exiting three. We sold insurer Allstate in favor of more attractive opportunities. We exited our position in CSX Corp, one of the largest railroads in North America, as shares hit our target selling range. We had originally initiated a position in the company as we believed the potential for railroads to hit a consolidation phase was high. The railroads didn't consolidate, and we felt fundamentals were weak, so we used share-price strength as an opportunity to sell. We continue to own railroad Union Pacific, as we believe it's better positioned as a long-haul carrier and has a stronger balance sheet.

In the case of mortgage REIT Annaly Capital Management, we exited our position as valuations moved towards fair value. Proceeds went in part to our position in American Capital Agency (AGNC), as we consolidated our limited REIT exposure. In our view, AGNC has an attractive return profile, solid management team, and trades at a more undemanding valuation.

New purchases included Liberty Ventures, also a holding in our mid-cap portfolio. The company owns stakes in privately- and publicly-traded companies, including Expedia. Uncertainties surrounding Charter's acquisition of Time Warner Cable (which was ultimately approved) spurred volatility in the stock, providing us an opportunity to initiate our position. We believe the company is exceptionally well managed, and shares look attractively valued on a sum of the parts basis.

We reestablished a position in LyondellBasell Industries, a low-cost chemical company. It's a name we're familiar with, having held shares previously and selling last summer as valuations hit our estimates of fair value. We were able to reestablish our position as shares came under pressure due to high levels of capacity coming into the industry, spurring uncertainty as to whether demand will match supply, or if utilization rates will fall. We believe too much pessimism is baked into the price. We were able to initiate our position at roughly 8X our estimate of normalized earnings. We believe LyondellBasell has a cost advantage and is a good allocator of capital—it has around a 4.4% dividend yield, and the company has repurchased about a quarter of shares outstanding since 2012.

We've complained for some time that valuations in the health care space generally appear stretched. However, more recently, earnings-guidance disappointments and negative sentiment surrounding drug pricing practices have weighed on investor sentiment, presenting us an opportunity to initiate our position in biopharmaceutical company Gilead Sciences. The stock currently represents our lone health care holding, and our positioning is still well below the index. Gilead Sciences develops and markets therapies for life-threating infectious diseases, particularly HIV and hepatitis B and C. We were able to initiate our position at around 7X our estimate of normalized earnings and felt we were paying nothing for the future R&D pipeline. The company has a solid balance sheet and financial flexibility, generating ample free cash flow and returning it to shareholders through dividends and share repurchases.

Perspective

Although markets still broadly look expensive, we're finding pockets of opportunities. The market environment remains challenging for our investment philosophy and process, as the low interest-rate phenomenon continues to have an effect on valuations—when rates are this low, the discounting mechanism becomes disjointed. In an environment with low interest rates and high valuations, unloved areas of the market tend to get cheaper still. However, we believe that one of the best ways to find quality investments at a distinct discount to intrinsic value is to show a willingness to go where there is fear and uncertainty in the market place.

While we're outperforming YTD, we're not yet firing on all cylinders. Relative performance is tied not only to what you own, but to what you don't own—we look considerably different from the index, and that's by design. We had effectively zero direct exposure to the two top-performing sectors of the index YTD (utilities and telecom). Indeed, as stability has outpaced cyclicality over the last few years, there has been a big push into safer, less cyclical areas (e.g., consumer staples, telecom, utilities). These names had momentum behind them and continued to do well, resulting in money flowing out of more cyclical elements, widening valuation spreads.

Meanwhile, over the past few years, as investors reached for yield and stability, fear and uncertainty have been discounted in a big way. We moved heavily into those areas, building on our positions in many cyclical businesses, including those with international exposure. In doing so, we've maintained disciplined adherence to our value process, building the portfolio on a stock-by-stock basis—caring less about what the index owns and caring more about where we think the value is in the market.

It can make sense to like stability, and you should pay more for a more stable business with high returns—but that doesn't mean there isn't a price for a cyclical business, or too high a price for stability. Ultimately, we believe our below-benchmark exposure to these areas of stability

will be beneficial going forward, as valuations in these areas appear broadly stretched.

In order for a security to be included in the portfolio, it must meet all three of our margin of safety criteria. We are thoughtful and selective in our buying process, and while we may find a holding in sound financial condition with attractive business economics, valuations have increasingly and broadly appeared stretched. As such, we've reached into those unloved areas in order to find opportunities, and many of our stocks have lived through a massive bear market over the last few years while the broader market hit new highs. Where we sit today, we believe the return potential of our portfolio on both an absolute and relative basis looks compelling.

We've been able to selectively add to a number of our higher-conviction names, and our cash position is down below 2%. With only 34 holdings, we believe the portfolio is diversified, yet focused enough to allow our highest conviction ideas to meaningfully impact returns (to put this in perspective, the Russell 1000® Value Index consists of around 692 stocks, of which 508 have position sizes of 10bps or less). In our view, having a concentrated portfolio allows us to focus our capital in our highest conviction ideas, with portfolio results driven by stock selection.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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.

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 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.

This summary represents the views of the portfolio managers as of 30 Jun 2016. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Value Fund's total net assets as of 30 Jun 2016: Samsung Electronics Co Ltd 5.8%; Goldcorp Inc 4.6%; Devon Energy Corp 4.5%; Apache Corp 4.5%; Jacobs Engineering Group Inc 3.3%; Hess Corp 3.3%; LyondellBasell Industries NV 3.0%; Air Lease Corp 3.0%; Apple Inc 2.9%; Chubb Ltd 2.8%; Alleghany Corp 2.8%; Kinross Gold Corp 2.7%; EOG Resources Inc 2.7%; American Capital Agency Corp 2.5%; Liberty Ventures 2.3%; Arrow Electronics Inc 2.2%; Joy Global Inc 2.1%; Union Pacific Corp 2.0%; Gilead Sciences Inc 2.0%; Avnet Inc 2.0%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Investment Grade** indicates above-average credit quality and lower default risk and is defined as a rating of BBB or higher by Standard and Poor's and Fitch rating services and Baa or higher by Moody's ratings service. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings.

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A R T I S A N P A R T N E R S

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