Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 December 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

James C. Kieffer, CFA
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Investment Results (%)

As of 31 December 2016	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**6.48**	**29.04**	**29.04**	**7.18**	**11.96**	**6.00**	**6.75**
Advisor Class: APDLX	**6.57**	**29.13**	**29.13**	**7.26**	**12.02**	**6.02**	**6.77**
Russell 1000® Value Index	6.68	17.34	17.34	8.59	14.80	5.72	6.66
Russell 1000® Index	3.83	12.05	12.05	8.59	14.69	7.08	7.53

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
Annual Report 30 Sep 2016	0.96	0.84
Prospectus 30 Sep 2015	1.00	0.82[1]

[1]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

US stocks advanced across the market-cap spectrum in Q4, finishing 2016 with meaningful gains. The sharp post-election rally was enough to erase a negative start to the quarter as investors weighed the potential for tax reform and deregulation to bolster economic growth. Gold prices fell following the election, but remain ahead in the year. Undeterred by political uncertainty, M&A activity saw an uptick, with several large deals announced. The US Federal Reserve raised its benchmark interest rate a quarter point, citing steady employment growth among other economic measures. Oil prices advanced on news OPEC voted to implement its first production cut in eight years.

In a reversal of 2015, value stocks bested growth stocks in 2016, and small-cap stocks outpaced both mid- and large-cap stocks. Looking at Q4, the Russell 1000® Value Index outperformed the Russell Midcap® Value Index, though it trailed the Russell 2000® Value Index. On a sector level, financials was a standout, driven by post-election strength in bank stocks. Materials, industrials and energy outperformed, while health care, consumer staples and real estate lagged.

Performance Discussion

Our portfolio posted strong returns, roughly in-line with the Russell 1000® Value Index in Q4, and outperforming meaningfully in 2016. Areas of the market that previously had been unloved for some time seemed to find their footing in 2016, as the strong momentum factors that had been a headwind to good quality but deeply discounted companies over the last few years abated—at least in the near term.

Our below-benchmark positioning to real estate, health care and consumer staples was a tailwind to relative performance in Q4 and 2016. Our exposure to these areas has not been driven by any top-down, macro views. Rather, it's derivative of our approach. Through the challenging market environment over the past few years, our approach has led us away from these perceived "safe" areas of the market, as valuations appeared stretched.

In that same vein, a number of our more global cyclical holdings (energy, industrials, materials) were standout performers this year. Energy exploration and production companies Devon, Apache, and Hess rebounded following a weak start to the year, finishing 2016 with strong returns. As the stocks dipped with commodity prices in Q1 2016, we built on our positions. In our view, the price of oil was unsustainable—but markets can be irrational for much longer than most suspect. We believed these quality companies were positioned well to make it to the other side of the downturn, even if it lasted a while longer. As fundamental supply and demand pressures in oil markets showed signs of rebalancing, oil prices rebounded, boosting our holdings. Shares advanced further on news of OPEC's production cut agreement. Our conviction in these names remains—we believe the equities are still pricing in the lower end of our normalized oil price range.

Bank stocks were generally strong in Q4, and ours were no exception—three of our top five performers were bank stocks, with shares of Goldman Sachs, Citigroup and Wells Fargo posting strong returns. Investor expectations for alleviating regulatory headwinds, more economical deployment of excess capital, and widening spreads that come with rising interest rates lifted shares. While we have had below-benchmark exposure to banks over the past nine or so years, we added to our weighting in 2016, resulting in higher—(albeit still below-benchmark) exposure. We were able to build on our positions in Citigroup and Goldman Sachs earlier in the year as shares were pressured by Brexit, and established a position in Well Fargo in Q4 on company-specific weakness. As shares rallied substantially in the quarter, we trimmed our exposure to Goldman Sachs and Wells Fargo on success.

Industrials sector holding Air Lease was a source of strength in Q4 and 2016. Similar to our energy holdings, we were able to selectively add to our position during the year on stock price dips. Shares of the global aircraft leasing company have taken off in part on news of acquisitions in the industry at premiums to book value, while shares of Air Lease traded at a discount to book value. The valuation gap has closed a bit with Air Lease's strong performance, but we continue to believe it's one of the best operators in the leasing space with one of the best management teams. As the industry enters a replacement cycle, we believe Air Lease's newer fleet inventory, experience in the industry and conservatively run management style will be beneficial.

Shares of media companies Time Warner and CBS Corp rallied strongly, putting both among our top performers in Q4 and 2016. We had initiated our positions in the stocks in the second half of 2015 following a broad selloff in media names. The industry has fared better than feared, and the stocks have rebounded meaningfully. Shares of Time Warner were boosted further on news the company entered into an agreement to be acquired by AT&T. In both cases, we trimmed our positions on success.

On the downside, shares of goldminers Goldcorp and Kinross Gold weighed on results in Q4 as the stocks tumbled with gold prices following the US election. Even with the pullback in the quarter the names remain ahead in 2016. We still believe the long-term price of gold will move higher, subsequently benefiting our holdings.

Shares of News Corp were weak. News Corp is a diversified media company, whose assets include the *Wall Street Journal*, Harper Collins book publishing and Fox Sports Australia. The company is often thought of as the "old media" spinoff of parent company Twenty-First Century Fox, and investors have punished shares on weakness in the newspaper industry. We acknowledge the fears—they are what initially allowed us to establish our position—but we'd note that the newspaper segment is a small portion of News Corp's business. The company has a diverse asset base, strong balance sheet, and is a solid

generator of free cash flow. Further, shares trade at an undemanding valuation at a large discount to our estimate of the sum-of-the-parts.

While our-below benchmark exposure to health care (the weakest sector in the quarter) was a source of absolute strength, a couple of our holdings (Gilead Sciences, Medtronic) were down on an absolute basis, weighing on results. We believe weakness in these names was more a reflection of industry-wide sentiment, rather than any shift in fundamentals. We've had limited exposure to health care over the past few years as we've felt valuations were generally stretched. However, as the broader industry sold off, we were able to initiate positions in Gilead and Medtronic this year, as well as in Allergan. Our exposure in the health care sector went from around 1% at the beginning of the year to about 7% at year end. We believe our health care holdings are best-in-class players with diversified product offerings, solid balance sheets and ample free cash flow generation.

Portfolio Activity

We were fairly active in the quarter, establishing five new positions and exiting two. As cyclical areas of the market outperformed some of the more stable areas, we saw opportunities to invest in areas we've had limited exposure to for some time. To that end, we established positions in two health care companies in Q4—the aforementioned Allergan and Medtronic. Allergan is a global pharmaceutical company with a diversified portfolio of leading brands such as BOTOX. Shares were punished as Pfizer moved away from its acquisition bid on the back of government scrutiny, presenting us with what we view as an attractive opportunity to invest. We think the company has one of the best balance sheets in specialty pharma, a solid management team, and shares currently trade at a discount to peers on earnings multiples, despite Allergan having less leverage and what we believe is higher growth potential.

Our opportunity to invest in Medtronic came as earnings-guidance disappointments pressured shares. The company is one of the largest medical device manufacturers in the world, operating in four segments. The common thread among all segments is the company is shifting its approach—from buying and developing new products and therapies to becoming a health care solutions company, wrapping services around its existing suite of products. This reflects Medtronic's efforts to get away from the pricing game that buyers like to employ, and instead move toward developing more strategic relationships. While the company will take on a different kind of risk with this newer approach, we believe it appears manageable and more within its control.

We initiated a position in Jones Lang LaSalle (JLL), the number-two commercial real estate broker and property services firm. While JLL is categorized as a real estate stock, we'd emphasize that it's not providing real estate but rather services. We believe the company's increasing scale versus its fragmented peers is developing into a sustainable competitive advantage, with increasing barriers to competition that are built on global scale, market knowledge, and broader service offerings. In our view, this advantage is benefiting from a positive feedback loop, where increasing size leads to superior commercial real estate market knowledge and ability to deploy services, which in turn attracts more clients, resulting in sustainable organic market-share gains that only increase the advantage further.

Other purchases included Wells Fargo, a diversified financial services and bank holding company. We were able to establish our position at around 11X our estimate of normalized earnings in October as allegations surrounding sales tactics pressured shares. We felt the fears were largely overdone—in our view, Wells Fargo is well capitalized, has a low-cost deposit base, scale and solid characteristics in place regardless of who is CEO. We also like that the company is returning capital to shareholders through a healthy dividend yield and repurchasing stock. Shares rebounded sharply in the quarter, and we trimmed our position on strength.

We established a position in exploration and production (E&P) company Occidental Petroleum. The company is a stable, enhanced oil recovery producer in the Permian basin (an area where we, along with the market, are bullish on growth in the next 5 to 10 years). We believe Occidental offers us some diversification from our existing oil assets—it has a massive midstream operation in the Permian basin, and it owns the majority of the processing plants. (The latter point is key, as other oil companies utilize third parties to separate out the natural gas and natural gas liquids from the oil, which is less cost effective.) Further, in our view, the company is uniquely positioned between the large integrated/majors and the independent E&P's/shale players. Similar to the majors, Occidental has a strong balance sheet, generates cash, pays a dividend, and has midstream, long-term international assets. However, unlike the majors, we believe Occidental will be able to grow over the longer-term. Shares have lagged peers since the summer, presenting us an opportunity to invest. We believe investors may be overlooking Occidental's land position and mid-stream assets in the Permian, as they focus instead on short-cycle shale.

Over the last seven or eight years, we owned a number of older, more established, technology names, as it was an area of the market where we identified a number of companies meeting our three margin of safety criteria. However, we believe that more recently, valuations have increased materially, along with the secular-change risk versus the last five to seven years. To that extent, our exposure to technology has decreased, falling about 7% in the year, as we either completely exited or trimmed a number of our holdings. In addition to exiting EMC Corp in Q1 2016, we completely exited our position in network solutions provider Cisco Systems this quarter following a long, successful holding period. Valuations had increased, and we grew concerned around secular changes affecting its business.

As cyclical areas of the market outperformed this year, we trimmed or sold names on success. We exited railroad Union Pacific as shares hit our estimate of fair value. The sale of Union Pacific this quarter and CSX Corp in Q2 2016 brings our direct exposure to rails to zero. Our

industrials exposure was further reduced in 2016 as we exited our positions in Precision Castparts and Joy Global.

Perspective

While we are pleased with our strong absolute and relative returns in 2016, we'd be remiss to look at them in a vacuum. You've heard us use the Herb Stein quote, "If something cannot go on forever, it will stop," numerous times over the past few years as we felt momentum factors in the market were working against us. In 2016, a number of those factors that had been a headwind on performance either reversed or abated, serving instead as a tailwind to performance.

With that said, we'd note that our portfolio positioning is an active decision based on our bottom-up investment approach. We stayed true to our philosophy and process the past few years despite the challenging market environment, building a portfolio that looks significantly different from the index. As there was a big push into "safer," less cyclical names, shares with momentum behind them continued to do well. Money flowed out of the more cyclical areas, widening valuation spreads. We felt valuations in these perceived-stable areas of the market had gone too far, and that there was bound to be some sort of regression. Instead of chasing momentum, we went toward fear and uncertainty—as we always do—investing in stocks that had lived through a massive bear market as the broader market hit new highs. It is our belief that valuations, business strength and financial condition ultimately matter, much more than any sentiment swings.

As sentiment seemed to reverse in 2016, we began to see pockets of opportunity open up in the market. And while the less cyclical names still don't appear cheap, the valuation gap between cyclicals and non-cyclicals has been reduced. However, it's important to note that stocks were generally positive across the board, with fewer significant areas of pain and suffering in the market. Cyclical names were strong in absolute terms, while weakness in non-cyclical names came largely on a relative basis.

We will continue to focus on what we can control, aiming to put the business, balance sheet and valuation on our side. We believe that by investing in companies that meet our three margin of safety criteria—i.e. cash producing businesses in strong financial condition that are selling at undemanding valuations—we will continue to tilt the risk/reward in our favor over the long term.

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 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 2000® Value Index measures the performance of US small-cap companies with lower price/book ratios and forecasted growth values. Russell Midcap® Value Index measures the performance of US mid-cap companies with lower 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 31 Dec 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 31 Dec 2016: Devon Energy Corp 5.0%; Air Lease Corp 4.0%; Citigroup Inc 3.9%; Goldcorp Inc 3.5%; Hess Corp 3.4%; Apache Corp 3.1%; Allergan PLC 2.8%; The Goldman Sachs Group Inc 2.7%; Occidental Petroleum Corp 2.6%; Gilead Sciences Inc 2.1%; Kinross Gold Corp 1.9%; Medtronic PLC 1.9%; News Corp 1.6%; Jones Lang LaSalle Inc 1.0%; Time Warner Inc 0.7%; Wells Fargo & Co 2.0%; CBS Corp 2.1%. 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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Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **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.

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

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