Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 31 March 2017

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 March 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**3.68**	**3.68**	**23.19**	**7.47**	**10.32**	**5.91**	**6.94**
Advisor Class: APDLX	**3.69**	**3.69**	**23.36**	**7.56**	**10.38**	**5.94**	**6.97**
Russell 1000® Value Index	3.27	3.27	19.22	8.67	13.13	5.93	6.82
Russell 1000® Index	6.03	6.03	17.43	9.99	13.26	7.58	7.92

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 2016[1]	0.97	0.84

[1]See prospectus for more information.

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.

Investing Environment

Overall, markets posted strong gains to begin the year, despite selling off a bit to end Q1. Through January and February, optimism from Q4 carried on, pushing stocks higher and pricing in expectations of tax cuts, regulatory reform and expansionary infrastructure spending at the hands of the new US administration. Then, the failure to repeal the Affordable Care Act called into question President Trump's ability to push through tax reform and increase infrastructure spending, worrying investors. Still, the bull market celebrated its eighth year, as broad market indices were largely positive. Large-caps outperformed both mid and small caps, and growth bested value.

Sectors were broadly positive in Q1, with the notable exception of energy, which was by far the worst performing sector. Optimism surrounding OPEC's production cuts buoyed oil prices toward the end of 2016, and while production cuts have occurred, oil inventories haven't been dropping as investors expected, pressuring oil prices and stocks in the sector.

The real estate and utilities sectors saw a performance divergence in the quarter—utilities outperformed, while real estate lagged. These sectors have largely been used as interest-rate proxies over the past few years, and both sectors rallied in the quarter's latter half as investors gained greater clarity on the path of future interest rate movements. However, REITs did not capture all of the upside, as investors seemed to (at least) question the underlying fundamentals of the group, fearing that the cycle may have peaked.

Performance Discussion

Our portfolio advanced in Q1, outperforming the Russell 1000® Value Index. Our consumer discretionary holdings meaningfully outperformed, driven by strength in Liberty Ventures. The John Malone-led company owns stakes in privately and publicly traded companies, including Charter Communications. The stock is, in part, an inexpensive way to capture value from Charter, whose shares rallied in the quarter on merger speculation and strong execution. After the quarter, Liberty Ventures announced the acquisition of Alaskan cable and wireless firm General Communications, forming GCI Liberty. As part of the deal, a mix of assets and liabilities are being reattributed to Liberty Interactive QVC (which we own), transitioning Liberty Ventures and Liberty Interactive QVC from tracking stocks to asset-backed securities. We believe the complicated tracking-stock structure of the companies was a headwind on multiples. In our view, both companies are exceptionally well managed, and shares look attractively valued.

Technology holdings Apple and Samsung Electronics were standouts. At Apple, solid execution in its services segment and strong demand for the iPhone® 7 Plus contributed to record revenues. News that Berkshire Hathaway (also a holding) made Apple one of its largest equity purchases in history underscores the strength of Apple's outlook, in our view. We had used stock-price weakness to build on our position in Q4 2016 and again in January this year. We'd note that we do remain somewhat cautious, as the majority of Apple's profits come from the iPhone®, and single-product companies carry a unique type of risk. That said, we believe Apple's business economics are strong (it's a dominant player in smartphones and tablets with its own proprietary operating system), its financial condition is solid (it has substantial cash on the balance sheet, and returns free cash flow to shareholders through dividends and share repurchases), and its shares trade at an attractive discount based on our estimates of normalized earnings.

Shares of Samsung Electronics advanced as strong semiconductor and organic light-emitting diode (OLED) results have driven impressive operating profits. Smartphone sales proved resilient (despite the discontinuation of the Galaxy Note7), and the company unveiled the new model of its flagship smartphone, the Galaxy S8 to positive initial feedback. The stock has been a standout over the past year, and we've been trimming on success, dropping it to a smaller, albeit still significantly sized, holding.

The majority of headwinds on performance in Q1 stemmed from the energy sector. In fact, four of our bottom five names in the quarter were in the sector—Hess, Apache, Devon and Occidental—all detracted along with oil prices.

We remain of the belief that oil inventories are going to rebalance, and our long-term theses in these names remain intact. In our view, the forces are in motion to pressure the commodity price higher over time, returning it to the marginal cost of production—perhaps higher. We would expect inventory withdrawals to eventually accelerate as supply growth slows to a level below maintenance, contributing to firmer oil prices against a backdrop of low spare capacity levels. In the interim, we believe these are high-quality names, and valuations look to us to be particularly undemanding.

Portfolio Activity

It was a fairly quiet quarter—we initiated two positions and exited two. The market environment remains challenging for our investment process. Valuations broadly appear stretched, and in cyclical areas of the market where valuations look relatively more compelling, we're cognizant of our economic risk exposure. New purchases in the quarter were not concentrated in any one sector; rather, they were a result of one-off opportunities given our bottom-up investment approach.

We added Cognizant Technology Solutions to the portfolio. This IT services vendor provides consulting and business-process outsourcing largely to the health care and financial services industries. A slowdown in earnings, coupled with fears surrounding US visa reform pressured shares, presenting us with an opportunity to establish our position in what we view as an above-average business at a slightly below-average price. In our view, it's a quality company with a solid management team and long track record of success. We like that it has recently renewed its focus on fundamental improvements and more efficient capital allocation, and we believe the business is well-positioned for evolution in the industry. Further,

its balance sheet is strong with a large amount of net cash, and it generates ample free cash flow.

Over the past year, our health care exposure has grown from 0% to over 7% by the end of Q1 (though our exposure is still below the benchmark). This is an example of our process leading us toward areas of fear and uncertainty, as myriad concerns have caused headwinds for the sector and depressed share prices—unfairly in some cases—creating opportunities for us. We now have four health care holdings in the portfolio: global pharmaceutical company Allergan, medical device manufacturer Medtronic, biopharmaceutical company Gilead Sciences, and new Q1 purchase, pharmacy benefits manager Express Scripts (ESRX).

ESRX is a name we're familiar with, having held shares previously and selling as valuations hit our target price range. Recent share-price weakness presented us an opportunity to reinvest in what we believe is a quality company in strong financial condition. Express Scripts remains a dominant player in the pharmacy benefit management (PBM) space, with the scale and scope to negotiate decreased pricing and cost savings—the majority of which it passes through to clients. The PBM industry continues operating as it has historically, negotiating significant discounts for HMOs and their clients on prescription drugs. Despite this, PBMs have recently been publicly shouldering the blame for drug-price inflation. Further, shares of ESRX have been pressured due to a public contract dispute with Anthem, its largest customer. We acknowledge the fears but believe the long-term outlook for ESRX remains solid.

On the sale side, we exited our position in fertilizer company Mosaic. We had been shifting our exposure away from Mosaic on growing concerns surrounding its financial condition and fully exited as the company added substantial leverage and cut its dividend in order to fund its acquisition of Vale Fertilizers (which it bought at a fair price, not a cheap price, which is disappointing at the bottom of the cycle). Fertilizer markets remain depressed, and with more leverage, the risk profile has increased. We still have fertilizer exposure through Agrium, which differs from Mosaic in that it's more of a nitrogen player, with a substantial retail operation.

We said, "That's all folks," to our position in Time Warner, selling shares on success as valuations hit our estimates of fair value. We had initiated our position in Q4 2015 as media stocks came under pressure due to fears of advertising weakness and cord-cutting trends. We acknowledged the skepticism, but thought the selloff was overdone. Shares have since rallied on better-than-feared industry conditions, and on an acquisition agreement with AT&T.

Perspective

There's an old saying that it's easier to fall for anything than to stand for something. Our job, as we see it, is to stick to our time-tested investment philosophy. Our goal is to focus on what we can control—aiming to put the business, balance sheet and valuations on our side. As investors have chased yield and momentum over the past few years trying to keep pace with the market, we've done what we always do—heading toward areas of fear and uncertainty, building a portfolio that looks significantly different from the index.

We often tell investors that there are two ways to create alpha: it's from what you own in the portfolio and from what you don't own. The index is often treated as a directive in the industry—the index weight is treated as a starting point, and the decision becomes whether you want to be overweight or underweight relative to what's in the index. We don't think that's a good way to make investment decisions. For example, interest-rate proxies make up about 11% of the Russell 1000® Value Index vs about 1% in our portfolio. If you are using the index as a directive, you are automatically leading your portfolio into heavy exposure to interest-rate movements. We don't see that as an investment orientation, particularly for value investors.

Our view is that what the index owns is its own problem. The index is a passive conglomerate, a collection of economic exposures with no consideration of business quality, financial strength or valuation of the underlying companies. We believe in stacking the deck in our favor—taking account of those factors the index, by definition, ignores—and building a portfolio of companies that combines the strength of our margin of safety criteria with a longer-term time horizon. Our belief is that if a high level of pessimism is already baked into the stock, then the risk/reward will be tilted in our favor. Our portfolio positioning is a result of our bottom-up investment approach—we want to lean into areas of exposure where we see particular value, but also ensure we don't take our economic exposure too far to turn the portfolio into a macro bet.

We've reached into unloved areas of the market in order to find opportunities, and many of our stocks have lived through a bear market over the last few years while 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. At this point in the economic cycle, we believe avoiding some of these high-valuation areas is going to be a source of alpha for the portfolio on a go-forward basis.

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. 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 Mar 2017. 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 Mar 2017: Devon Energy Corp 4.6%; Berkshire Hathaway Inc 3.9%; Apple Inc 3.4%; Occidental Petroleum Corp 3.1%; Hess Corp 3.0%; Cognizant Technology Solutions Corp 3.0%; Samsung Electronics Co Ltd 2.8%; Apache Corp 2.4%; Liberty Interactive Corp QVC Group 2.4%; Agrium Inc 2.2%; Liberty Ventures 2.2%; Medtronic PLC 2.0%; Express Scripts Holding Co 1.9%; Gilead Sciences Inc 1.9%; Allergan PLC 1.4%. 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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Alpha is a quantitative measure of the volatility of the portfolio relative to a designated index. A positive alpha of 1.0 means the fund has outperformed its designated index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. **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. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle.

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