Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX

As of 30 June 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 30 June 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**1.32**	**5.05**	**18.37**	**5.67**	**11.63**	**5.33**	**6.91**
Advisor Class: APDLX	**1.40**	**5.14**	**18.49**	**5.79**	**11.71**	**5.36**	**6.94**
Russell 1000® Value Index	1.34	4.66	15.53	7.36	13.94	5.57	6.79
Russell 1000® Index	3.06	9.27	18.03	9.26	14.67	7.29	8.03

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 2017[1]	0.97	0.84
Prospectus 30 Sep 2016[2]	0.97	0.84

[1]Unaudited, annualized for the six month period. [2]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

Markets continued to rally in Q2, with US stock returns up across the market-cap spectrum, capping off a strong first half of the year. Growth stocks sustained their outperformance over value stocks, meaningfully outperforming in Q2 and YTD. Volatility remained subdued and valuations appeared broadly stretched. A slew of positive earnings results helped support stocks, offsetting fading expectations for fast action on tax reform and infrastructure spending as well as a regulatory overhaul.

Oil prices reached YTD lows in June, as sentiment turned negative on investor worries that the market could take longer-than-expected to balance. Toward the end of 2016, OPEC jammed production and pulled down inventories, meaning the production cut didn't effectively start until March, not the first of the year. From March to now, inventories globally have fallen, but not as much as expected. There's concern that some of the off-line countries (namely Libya, Nigeria and Venezuela) will be able to sustain a snap-back in production. Further, though in our view the market is currently undersupplied, there's general concern whenever oil gets into the $50s that US shale will instantly turn on, resulting in oversupply. In our view, the fundamentals haven't changed, and current prices do not encourage sufficient investment to provide enough future supply to meet growing demand.

Given the oil price dip, on a sector level, energy was a notable market laggard. Materials also underperformed, weighed down by weakness in metals and mining. Conversely, the health care, financials and consumer discretionary sectors outperformed.

Performance Discussion

Our portfolio advanced in Q2, finishing roughly in line with the Russell 1000® Value Index and remaining ahead YTD. Top performers in the quarter stemmed largely from the consumer discretionary and information technology sectors. In the consumer discretionary sector, shares of Liberty Interactive QVC and Liberty Ventures rallied as Liberty Ventures announced the acquisition of Alaskan cable and wireless firm General Communications, forming GCI Liberty. We believe the acquisition and subsequent reshuffling of assets at Liberty Ventures increase the likelihood that the company will ultimately merge or trade assets with Charter Communications, of which Liberty Ventures owns a large stake. Further, part of the deal transitions Liberty Ventures and Liberty Interactive QVC from tracking stocks to asset-backed securities. In our view, the complicated tracking-stock structure of the stocks was a headwind on multiples, and the transition provides better visibility.

At Liberty Interactive QVC, results suggest early signs that the turnaround story may be taking hold. After Q2 ended, the company announced it would acquire the remaining portion of the Home Shopping Network (HSNI) that it did not already own, a move we have long anticipated and view favorably.

Shares of tire manufacturer Michelin were also additive. Mining-volume growth has accelerated while falling rubber prices have eased the headwinds from raw material costs. The company operates in a stable business environment and is backed by strong brand recognition and a globally diversified revenue base. Its balance sheet is in sound condition with low leverage, and the company is funneling excess cash back to shareholders via dividend payments and share repurchases. We've owned the stock for a number of years—it's done well for us and is still trading at what we view as an attractive valuation, at around 12X our estimates of normalized earnings.

Technology holdings Samsung Electronics and Cognizant Technology were key contributors. Samsung is seeing improvements across the board. In its semiconductor division, higher prices coupled with lower costs have buoyed margins. Meanwhile, the company's flagship smartphone, the Galaxy S8, has been met with enthusiasm. Management continues to shift its focus toward more shareholder friendly initiatives, announcing the cancellation of treasury shares. The stock has been a standout over the past year, and we've been trimming on success, dropping it to a smaller, yet still significantly sized, holding.

Shares of Q1 2017 purchase Cognizant Technology advanced as its renewed focus on fundamentals and more efficient capital allocation begins to take hold. The company is an IT services vendor, providing consulting and business process outsourcing largely to the health care and financial services industry. Despite a tepid operating environment, the company is growing revenues and benefiting from increased demand for integrated solutions. Cognizant's balance sheet is strong, with a large amount of net cash, and it generates ample free cash flow. We trimmed our position on strength.

Bank stock Citigroup was also a top performer. The company received permission after passing the Fed's 2017 comprehensive capital analysis review (CCAR) to return nearly $19 billion of capital to shareholders through dividends and share repurchases. This is a material change in the regulatory stance for the industry. It allows Citigroup to pay out over 100% of earnings, which we view as key in right-sizing the capital structure and getting to a reasonable ROE. 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. Beyond Citigroup, we have exposure to banks through Goldman Sachs and Wells Fargo. We like these companies' strong balance sheets and focus on shareholders, evidenced by healthy divided yields and stock repurchasing programs.

Our gold miners saw a performance divergence in Q2—Kinross Gold was a top performer and Goldcorp a detractor. Shares of Kinross advanced on a better-than-anticipated full-year outlook, with solid project progress and strong cash flow generation. Conversely, shares of Goldcorp were weak as investors responded negatively to the company forming a long-term joint venture in Chile. In our view, they are solid businesses with low-cost reserves and below-industry costs trading at undemanding valuations.

Five of our bottom 10 performers in Q2 stemmed from the energy sector—Devon, Hess, Apache, EOG Resources and Occidental Petroleum. We believe their weakness was tied to general sector weakness, as opposed to any company-specific deterioration in fundamentals. As with all our energy-exposed holdings, we own what we believe are high quality companies in an unloved area capable of delivering value by better weathering a sustained, weaker operating environment.

Shares of chemicals company LyondellBasell, a producer of petrochemical ethylene, also detracted. Ethylene prices are highly correlated to crude oil prices, so chemicals companies are often pressured by oil price weakness. Further, refinery maintenance and headwinds in the company's intermediates and derivatives segment weighed on results. We used weakness in the quarter to add to our position—shares currently trade at around 8X-9X our estimates of normalized earnings, it has around a 4% dividend yield, and the company is repurchasing shares.

Portfolio Activity

We moved on from commercial real estate broker and property services firm Jones Lang LaSalle (JLL). We had initiated our position in Q4 2016, but we were only able to get half of a low-end position as the stock quickly ran up. While we continue to like the business, we successfully exited as valuations appeared fair, redeploying capital to what we view as more attractive long-term opportunities.

In the health care space, we sold our position in biopharmaceutical company Gilead Sciences. When we got involved in the name, we thought we were buying cash flows cheap and felt we were paying nothing for the future R&D pipeline. However, the fundamentals weakened, and earnings fell a lot more and faster than we anticipated. The name represented our lone health care holding when we initiated our position in Q2 2016, and while it never grew to a sizable position in the portfolio, our weighting in the health care space has climbed from 0% to around 8% as we've increasingly found opportunities in the space, including Q2 purchase Cardinal Health.

Cardinal Health is an integrated health care services and products distribution company. The stock has been pressured by higher-than-expected deceleration in generic drug pricing and difficult contract renegotiations, presenting us an opportunity to initiate our position. In our view, it's a high quality company with attractive size and market-share advantages. Further, we believe the company's recent acquisition of Medtronic's patient recovery business provides additional attractive diversification into medical supplies.

Our other new purchase was North American auto retailer AutoNation, a name we also hold in our mid-cap portfolio. Our opportunity to invest came as cyclical headwinds weighed on results, pressuring shares from around $65 in 2015, to its current price in the low $40s. We believe the cycle has likely peaked, and we are valuing the company with an eye toward normalized results (as we always do). We know the business is cyclical, and we believe a well-financed dealer like AutoNation earns good returns on capital at many points in the cycle. In our view, the company has an underappreciated parts and services revenue stream that provides some shelter from the cyclicality (people need to get their car serviced regardless of the economic environment). We have a long-term investment time horizon, and we believe shares are pricing in enough of a discount to make valuations compelling. We also like the company's management team, which thinks and acts like owners, with a goal of maximizing shareholder value.

Perspective

There's a saying that any order has to go through disorder before it can experience reorder. Business doesn't move in a straight-line—it's often two steps forward, one step back. However, as we sit here today, over eight years into a bull market, markets have essentially gone straight up. Investors have been searching for stability and dividend yield because of the depressed interest rate environment, and they've been prizing growth in an environment where there's been very little growth to be had.

We believe that chasing momentum, yield or particular economic sectors in an attempt to chase the hot dot may work in the short-term, but is not a long-term investment approach. Instead, our efforts are geared toward stacking the deck in our favor by finding companies that are better, safer and cheaper. We want to put the business on our side (attractive business economics), the balance sheet on our side (sound financial condition) and valuation on our side (attractive valuations). To do so, we employ a benchmark-agnostic, bottom-up investment approach.

In our view, any time you bring in the thought process of aiming to be overweight or underweight a particular sector in the benchmark, you're getting away from the key concept—is this or isn't this a good investment? We are not going to add a security to the portfolio without its individual merit being the star point for why we're interested. The weight of the holding in the portfolio doesn't have to do with the index weighting; it has to do with the appeal of the name and how it stands up to our three margin of safety criteria. We want to place best ideas in the portfolio while being mindful of diversification. Said another way, we want to lean into areas of exposure where we see particular value, which tend to be where fear and uncertainty are present. But we also want to ensure that we don't take it so far as to turn the portfolio into a macro or top-down bet.

An important part of our process is taking advantage of time horizon inefficiency, which is about stretching your time horizon. We believe there's a reward for not getting caught up in the short-term games, focusing instead on the business and the reality of what is happening to the business fundamentals. By stretching our time horizon and allowing the business to return to its normal level of performance, we believe we're playing a different game than investors who are caught up in all the short-term movements.

We believe we're in an interesting moment in the market—not only do we think there's embedded alpha in our portfolio (we say that because we essentially had a large number of holdings live through a bear market while a broader bull market was going on), but we think that what you don't own at this moment in the market is just as important. We see a large number of individual names that are selling at much higher valuations than normal. We think it's very important to be different from the index, as we believe one of the benefits that will occur from that is a double dip in alpha.

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 30 Jun 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 30 Jun 2017: Liberty Interactive Corp QVC Group 2.9%; Liberty Ventures 2.0%; Cie Generale des Etablissements Michelin 3.3%; Samsung Electronics Co Ltd 2.5%; Cognizant Technology Solutions Corp 2.5%; Citigroup Inc 4.2%; The Goldman Sachs Group Inc 2.4%; Wells Fargo & Co 1.9%; Goldcorp Inc 3.2%; Kinross Gold Corp 2.4%; Devon Energy Corp 3.5%; Hess Corp 3.0%; Apache Corp 2.0%; EOG Resources Inc 1.8%; Occidental Petroleum Corp 2.9%; LyondellBasell Industries NV 4.0%; Cardinal Health Inc 2.1%; AutoNation Inc 2.1%; Medtronic PLC 2.2%. The holdings mentioned above comprised the following percentages of the Mid Cap Value Fund's total net assets as of 30 Jun 2017: AutoNation Inc 2.6%. 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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Return on Equity (ROE) is a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **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. **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%.

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