Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX | Institutional Class: APHLX

As of 30 September 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

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

James C. Kieffer, CFA
Portfolio Manager

Thomas A. Reynolds IV
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**4.74**	**10.03**	**17.16**	**8.76**	**11.29**	**6.05**	**7.18**
Advisor Class: APDLX	**4.75**	**10.13**	**17.37**	**8.88**	**11.36**	**6.08**	**7.21**
Institutional Class: APHLX	**4.74**	**10.18**	**17.46**	**8.98**	**11.56**	**6.21**	**7.32**
Russell 1000® Value Index	3.11	7.92	15.12	8.53	13.20	5.92	6.92
Russell 1000® Index	4.48	14.17	18.54	10.63	14.27	7.55	8.26

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. Institutional Class performance is that of the Investor Class from 27 March 2006 through the inception of the Institutional Class on 26 July 2011, and actual Institutional Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Institutional Class for the period prior to the Class's inception, and Institutional Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTLX	APDLX	APHLX
Semi-Annual Report 31 Mar 2017[1]	0.97	0.84	0.78
Prospectus 30 Sep 2016[2]	0.97	0.84	0.78

[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

The bull market continued on in Q3, with US stocks advancing across the market-cap spectrum. Not even devastating hurricanes, high-profile cyber-attacks and a potential nuclear war with North Korea could temper sentiment. The US economy proved resilient, and corporate profits appear strong. The US Federal Reserve left the door open for another interest rate hike in December—a sign of confidence in the economic backdrop. Investor sentiment was further boosted by improvements in the labor market and renewed confidence in possible tax cuts.

Growth stocks outperformed value stocks and remain meaningfully ahead YTD. Global cyclical sectors (materials, energy) outperformed, while defensives (health care, consumer staples) lagged. Energy stocks found their footing in the quarter on the back of a strong rebound in oil prices in September. Oil prices climbed above the $50/barrel mark. However, even with the uptick in Q3, energy remains a laggard YTD.

Performance Discussion

Our portfolio outpaced the Russell 1000® Value Index in Q3, and remains ahead YTD. Strength in the quarter was fairly broad-based, with our top individual performers stemming from a variety of sectors and industries. LyondellBasell, a producer of petrochemical ethylene, was a top performer. Global ethylene prices tightened as Hurricane Harvey created supply disruptions. Further, ethylene prices are highly correlated to crude oil prices, which rallied to end Q3. Shares trade at around 8X-9X our estimates of normalized earnings, it has a healthy dividend yield, and the company is repurchasing shares.

Fertilizer company Agrium aided results as its shares advanced in anticipation of its pending merger with Potash Corp, as well as on firming potash prices. Potash Corp is the world's largest fertilizer company by capacity, with the majority of its business driven by potash. Conversely, Agrium is more of a nitrogen player with a substantial retail operation. Both companies are toward the end of their capex cycles and should generate ample cash over the next several years. The merger of equals will create the largest operator in the space, which we believe will provide synergies and scale advantages.

Shares of global aircraft leasing company Air Lease continued their ascent in Q3—the name has been a standout for us over the past year, as solid execution and healthy global air travel demand have buoyed shares. Air Lease places aircraft on long-term leases well before they are scheduled for delivery, locking in long-term cash flows. We believe the company is a best-in-class operator, and we like its management team, which operates with a long-term focus and conservative financial profile.

Bank stock Citigroup has been a standout over the past year. Bank stocks in general have performed well, supported by investor expectations for abating regulatory headwinds, increased deployment of excess capital and widening spreads that come with rising interest rates. In our Q2 letter, we discussed Citigroup receiving permission to return nearly $19 billion of capital to shareholders through dividends and share repurchases—a material change in the regulatory stance for the industry. Citigroup is now able to dip into its substantial excess cash and pay out over 100% of earnings, which we view as key in right-sizing the capital structure and getting to a reasonable ROE. We like Citigroup's strong balance sheet and focus on shareholders, evidenced by a healthy dividend yield and stock repurchasing program.

Tire manufacturer Michelin was also additive. Recovery in the commodities space is driving end-market mining-volume growth, while falling rubber prices have eased the headwind presented by raw material costs. Michelin has strong brand recognition, which we believe will be a source of strength as more consumers switch to high-performance tires where branding is more important. We view Michelin as a high-quality company with a globally diversified revenue base. Its balance sheet is in sound condition with low leverage.

Weakness in Q3 was concentrated primarily in our health care holdings, with three of our bottom five names stemming from the sector (Medtronic, Cardinal Health and Allergan). At medical device manufacturer Medtronic, a technical issue shut down the company's global ordering fulfillment and manufacturing system for a week in June, resulting in decreased sales. Further, Medtronic has a manufacturing presence in Puerto Rico, and expects fallout from Hurricane Maria to heavily weigh on near-term results. While not insignificant, we view these disruptions as near-term rather than a change in fundamentals. Medtronic remains on track in 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.

Shares of drug distribution company Cardinal Health were weak as continued deceleration in generic drug pricing and moderating inflation in branded drug pricing has weighed on investor sentiment and company profits. Further, a number of internal initiatives have resulted in tightened expectations for the coming year, disappointing investors with regard to the trajectory of margin improvements. There's also increasing concern about Amazon entering the marketplace. We believe the selloff has been overdone—drug distributors are critical to the health care system, as they have the scale and scope to get crucial pharmaceuticals to end users in a time-sensitive and cost-effective manner. It's a relatively low capital intensity business that generates significant amounts of free cash flow, resulting in high returns on capital.

Recent disappointments and guide-downs at global pharmaceutical company Allergan have weighed on sentiment as investors continue to monitor the company's ability to prevent entry of generics for the company's dry-eye drug, RESTASIS. However, Allergan recently transferred its patent covering the franchise to the Saint Regis Mohawk Tribe, a recognized sovereign tribal government that has sovereign immunity from patent challenges (a move that will certainly draw the eyes of Congress and other political leaders.) Regardless of the outcome of the trial, Allergan has a diversified product mix, solid management team, and one of the best balance sheets in specialty pharma. We used the weakness to add to our position as shares trade at a discount to peers on earnings multiples and our normalized range of earnings.

Shares of media company CBS also declined as negative investor sentiment surrounding secular changes in the industry pressured

shares. There have been early concerns surrounding NFL ratings as viewership has taken a hit. We don't view the early NFL ratings as material and continue to believe CBS is positioned well for evolution in the media industry. The company owns its content, has its own method for distribution (CBS All-Access), and can sell content into syndication with minimal damage to its brand. Further, the company has strong top-line growth and good interest coverage, affording it the ability to return cash to shareholders through share repurchases.

Portfolio Activity

We exited our positions in Qualcomm and Arrow Electronics in favor of network solutions provider Cisco Systems. Cisco is in the process of shifting its operating model, transitioning into a recurring software-subscription model. Shares have been weak on concerns surrounding the secular changes, as well as macroeconomic weakness and increasing competitive intensity. We acknowledge the headwinds, but believe they are more near-term in nature, and as long-term investors, we believe Cisco's outlook is attractive. While revenue growth has been challenged, the company has maintained healthy margins, has net cash on the balance sheet, and is trading at around 12X our estimates of normalized earnings.

Our other new purchase was Simon Property Group (SPG). The company is a mall and outlet center REIT operator, with what we view as some of the highest quality retail assets in the US. Our opportunity to invest came as shares were pressured in 2016 on the back of bricks-and-mortar retail underperformance. We view the selling as overdone—mall operator valuations have fallen in lock-step, failing to discriminate the quality of the underlying assets. While there are rightfully concerns about future net operating income generated at B, C and D rated malls and strip centers, SPG has limited exposure to these underperforming assets. In fact, fundamentals at A-rated malls (where SPG has exposure) have continued to improve as retailers consolidate their footprints in top malls where customer traffic is holding steady and sales productivity continues to improve. SPG has a high-quality, sustainable cash flow stream, a good balance sheet, offers a healthy dividend, and at the time of purchase was trading at a significant discount to NAV.

Business Update

We are pleased to announce that Thomas A. Reynolds IV has joined the firm as a portfolio manager on the U.S. Value Team. In this role, he will co-manage the team's two Funds—Artisan Value and Mid Cap Value Funds. Tom has 18 years' industry experience and 4 years' portfolio management experience overseeing a small-cap value strategy and, more recently, an all-cap value strategy.

Concurrently, George Sertl has announced his plans to retire from Artisan Partners. He has stepped back from portfolio management effective October 3, 2017, but will remain on the team to the extent necessary to aid in transitioning his research coverage to other team members. Since George joined the firm in 2000, he has played a key role alongside Jim Kieffer in building the U.S. Value team's franchise. We thank George for his contributions and wish him well in the next phase of his life.

Jim Kieffer and Dan Kane will continue in their roles as co-managers, along with Tom, of Artisan Value and Mid Cap Value Funds.

Perspective

With the recent business update, we feel it's important to reiterate our philosophy and process, which has remained consistent since our founding. We employ a bottom-up investment process to construct a diversified portfolio of value-oriented investments that we believe are undervalued, in solid financial condition and have attractive business economics. Our effort is geared toward stacking the deck in our favor, i.e., we want the business on our side, the balance sheet on our side and valuation on our side. Experience has taught us that investing in companies with these characteristics tilts the risk/reward in our favor over the long term.

We seek companies with healthy balance sheets, strong liquidity and financial flexibility. Focusing on financial condition helps us in many ways. A company with a strong financial position can reinvest in its business, make acquisitions at opportune times, buy back stock and/or pay down debt. Additionally, our experience has taught us that when we are wrong on an investment and it has a sound financial condition, we will still lose money, but we have found that we typically lose significantly less than if we were invested in a company that was highly levered.

For the business economics characteristic, we take a private businessman's perspective and focus on the free cash flow and return on capital capabilities of the business. These two elements are necessary ingredients for the long-term prosperity of a business. Focusing on these elements helps us avoid value traps and instead targets situations where the potential exists for growth in business value.

All three of these characteristics are critical to our investment process. Our goal is to find investments that are strong on all three counts. We think of these characteristics as analytical guardrails that help us avoid taking on excessive business and/or financial risk.

Our process aims to take advantage of market inefficiencies. We seek cash-producing businesses in strong financial condition that are selling at undemanding valuations. More to the point, we want to stack the odds in our favor by buying cash flows as cheaply and safely as possible.

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 Sep 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 Sep 2017: Air Lease Corp 4.6%; LyondellBasell Industries NV 4.5%; Citigroup Inc 4.4%; Cie Generale des Etablissements Michelin 3.5%; Agrium Inc 3.4%; Cisco Systems Inc 2.1%; Simon Property Group Inc 2.0%; Allergan PLC 2.0%; Cardinal Health Inc 1.9%; Medtronic PLC 1.9%; CBS Corp 1.7%. 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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Normalized Earnings are earnings that are adjusted for the cyclical ups and downs over a business cycle. **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.

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