Artisan Thematic Fund

QUARTERLY
Commentary

Investor Class: ARTTX

As of 30 September 2017

Investment Process

Our investment approach is based on thematic idea generation, a systematic framework for analyzing companies and proactive risk management. Utilizing this approach, we seek to construct a focused portfolio designed to maximize alpha while limiting downside risk over the long term.

Thematic Idea Generation

We believe a key element in alpha generation is finding areas where our views on industry fundamentals differ from consensus estimates. In this pursuit, we seek to identify inflections in multi-year trends which may be caused by changes in supply/demand dynamics, societal behavior, market conditions, technology, laws/regulations and business models, among other variables. We believe these inflections are often misunderstood by market participants, and can lead to powerful re-ratings of industries and companies. After identifying a theme, we develop a focused universe of companies to analyze more thoroughly.

Systematic Analytical Framework

We apply a systematic framework for analyzing companies across sectors and themes, creating a repeatable and methodical decision-making process. Our proprietary company models focus on multi-year earnings power differentiation, expected outcome scenario analysis, return on invested capital and discounted cash flow valuations. Visual outputs are then produced through our internally developed technology solutions, allowing us to consistently evaluate positions across the portfolio.

Proactive Risk Management

We incorporate risk management into all stages of our investment process. Metrics evaluated include crowding, correlation, volatility, stress tests, liquidity, factor analysis and macro drivers, all of which inform portfolio construction and position sizing. We also use various instruments, such as options, in an effort to magnify alpha and minimize downside.

Team Overview

The investment team applies the same approach to thematic idea generation and fundamental company analysis that Portfolio Manager Chris Smith has honed throughout his career. Team members are sector specialists with deep knowledge of their coverage areas. Our process blends a collaborative team mentality with individual accountability.

Portfolio Management

Christopher Smith
Portfolio Manager

Investment Results (%)

As of 30 September 2017	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1,2]
			Average Annual Total Returns				
Investor Class: ARTTX	**12.17**	—	—	—	—	—	**18.00**
S&P 500® Index	4.48	—	—	—	—	—	7.08

Source: Artisan Partners/S&P. [1]Returns for periods less than one year are not annualized. [2]Fund inception: 24 April 2017.

Expense Ratios	Gross	Net[1]
Semi-Annual Report 31 Mar 2017	—	—
Prospectus 5 Mar 2017[2,3]	1.56%	1.50%

[1]Reflects a contractual Fund expense reimbursement agreement in effect through 30 Jun 2018. [2]Includes estimated expenses for the current fiscal year. [3]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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect. The Thematic Fund's investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future. The Fund's returns may vary greatly over shorter periods due to the limited operating period since inception.

Introduction to Artisan Thematic Fund

As the Fund was newly launched this year, we'd like to take this opportunity to reiterate the key elements of our investment approach—thematic idea generation, systematic analytical framework and proactive risk management.

We believe that in order to generate alpha, one must take a variant view from the street. Our thematic idea generation is central to developing that variant view and allows us to find more actionable ideas across sectors. However, it is important to note this approach is not macro-driven. Our aim is to identify inflection points in multi-year trends and analyze large, total addressable markets (TAMs) where changes may be driven by technology, new business models, societal behavior, market conditions, new regulation and/or other shifts. Further, we focus on inflections because these shifts are often misunderstood by market participants. If we can identify an inflection point that the street has missed or misunderstood, we believe that we can benefit as certain companies may experience a powerful re-rating, either at the industry or company-specific level. Selecting the right themes is the first step in effective portfolio construction.

Once we have identified themes we believe are inflecting, we focus on areas (industries or end markets) most exposed to those themes, and then create a focused universe of companies to analyze more thoroughly. Our goal here is to identify which companies provide the greatest opportunity for us to take a differentiated view on company fundamentals and valuation upside.

At this stage, we want to assess whether thematic inflection points can be quantified in a company's business model. To make that determination, we utilize a systematic analytical framework designed to impart objectivity in our decision-making process. For every company we track, we build proprietary fundamental models focusing on multi-year earnings power differentiation and expected outcome scenario analysis. We also look for increasing return on invested capital, as this has a tendency to drive multiple expansion. Finally, we perform a discounted cash flow valuation for each company, which serves as an important comparison to our expected outcome analysis. Visual outputs are then produced through our internally developed technology solutions, plotting our risk-adjusted position sizes based on the deep fundamental work that we've done. Our visual analysis allows us to consistently evaluate positions across the portfolio, with a goal of understanding whether we have allocated capital to the areas with the greatest potential risk-adjusted upside. This standardized and rigorous approach allows for open dialogue and iterative discussions among the portfolio manager, risk manager and all analysts. As we look to construct a focused portfolio of 20-35 positions, significant fundamental research hurdles must be overcome before a position is initiated. By systematically tracking company-specific inputs and overall portfolio metrics, we can better evaluate our decision-making process with the goal of creating better outcomes over time.

Another key process component is proactive risk management, which is designed to help ensure that all portfolio risks are intended. We specify "proactive" because risk management is incorporated into all stages of our investment process, and it informs portfolio construction and position sizing. Metrics evaluated include crowding and correlation to determine the amount of overlapping exposure with other managers' portfolios and within our own portfolio. We also run stress tests and shock specific inputs or factors to understand how individual positions and the portfolio as a whole would likely be impacted during periods of broader market duress. Additionally, we are factor-aware, and we consider liquidity and monitor a range of macro and technical drivers. We also use options strategies in an effort to magnify alpha and minimize downside.

Our investment process consisting of thematic idea generation, a systematic analytical framework (for both evaluating company fundamentals and constructing a portfolio using visual outputs) and proactive risk management provides us with the conviction to focus capital in our best ideas. We look forward to discussing the results of our process to date, and in the coming quarters.

Performance Discussion

Our portfolio outpaced the S&P 500® Index by more than 750 basis points in the third quarter. Portfolio strength was relatively broad-based with all of our themes contributing positively. Our defense theme was our largest contributor in Q3, while data monetization, video games and software added to their Q2 gains.

Our defense theme is based on a recent inflection in defense-industry spending. US defense spending is currently at an all-time low relative to GDP, and the US Department of Defense (DoD) budget grew in 2016 after seven years of declines. We believe we are in the first year of a potentially decade-long reinvestment cycle focused on modernizing outdated equipment. While this inflection is becoming more apparent to the street, we think its implications across industry segments and companies are not widely understood, which has allowed us to apply our bottom-up process to establish differentiated views on individual company growth rates. We also find the defense industry compelling from a fundamental perspective given favorable industry dynamics. Defense contractors operate in a highly consolidated industry with high barriers to entry and, thus, low risk of disruption. They also tend to have low leverage and generate both high and predictable cash flows—a function of their low capital requirements (expenses are generally reimbursed within government contracts) and the long-term visibility of defense industry budgets. These dynamics often leave companies with excess cash to return to shareholders through dividends and buybacks.

In order to evaluate the theme and quantify our differentiated views, we created a bottom-up build out of the US defense budget, modeling growth by individual programs. This led us to the areas where we expect the strongest likely budget support and highest forecasted growth, such as missile defense, army recapitalization, space, cyber, aerial platform production and international sales. After identifying a dozen companies that have exposure to these areas, we prepared detailed models on six companies and narrowed the opportunity set to a handful of defense industry contractors in which we invested. These include our current holdings, Northrop Grumman, Harris and Raytheon—all three of which were among our top contributors this quarter.

Northrop Grumman is a leader in manned aircraft, unmanned aircraft, spacecraft and missile-defense systems. We expect Northrop's revenue to accelerate over the next few years as key military modernization programs, such as the F-35 fighter jet, transition from

the costly design and development phase to full-scale production. Additionally, we see Northrop's competitive cost structure as an underappreciated advantage that should continue to support high win rates. We expect this advantage to become more apparent over the coming years, helping Northrop stand out relative to peers. We also hold Northrop's management in high regard and appreciate management's high insider ownership, strong program execution abilities and record of reducing outstanding shares by more than 50% over the past decade. Northrop's shares were up this quarter as the company announced a planned acquisition of missile- and rocket-maker Orbital ATK—a testament to management's strong business acumen, in our view. We believe this acquisition will create long-lasting financial benefits, helping expand Northrop's missile capabilities and further cementing its leadership in space—two areas of increasing military significance. Given these positive dynamics, we believe Northrop Grumman can increase margins and ROIC over the next five years.

Harris is a contractor with expertise in communications equipment, electronics and space applications. Over the past couple of years, the company has undertaken a restructuring—making strategic acquisitions, shedding non-core businesses and focusing on higher-margin segments, including its core competency in tactical radios. Our defense budget analysis indicates that army communications spending is in the early stages of an inflection, which could significantly accelerate Harris's high-margin tactical radio sales, in excess of street expectations. The company continues to bolster its leadership position in this area, most recently evidenced by a key competitor's decision not to pursue the next phase of a $12.7 billion army radio contract. We believe Harris' streamlined structure, improving balance sheet and disciplined capital allocation can contribute to higher ROIC levels over the next five years. Increasing sales and an optimized balance sheet would put Harris in a strong position to generate excess cash that could be utilized for share repurchases and accretive M&A. Finally, we believe Northrop Grumman's proposed acquisition of Orbital highlights the scarcity value in mid-cap defense assets such as Harris.

Raytheon is a US defense company with significant exposure to missile defense, international spending and cyber. We expect strong demand for missile-defense systems as more sophisticated threats emerge globally. The company's Patriot missile defense system remains a key franchise program, continuing to benefit from upgrade cycles. Raytheon also generates significant revenues from supplying content to Lockheed Martin's Terminal High Altitude Area Defense (THAAD) missile-defense system, which continues to generate interest from Middle Eastern and Asian countries in light of escalating military tensions. Because Raytheon's contribution to THAAD is not as visible, we think the street has underestimated its significance. Additionally, the THAAD system is actually a stronger missile deterrent when used in combination with the Patriot system, which further reinforces the growth opportunity for Raytheon. International sales of these systems often have substantially higher margins than the company's average, which we believe can support Raytheon's ROIC expansion over the next five years. Given Raytheon's underleveraged balance sheet and substantial cash holdings, the company also has the potential to deploy capital more aggressively over time, which would provide additional upside to our investment case.

Our broadband theme, though positive in aggregate, was a weaker contributor this quarter. Comcast's shares were particularly pressured by a slowdown in video subscriber momentum. This was driven by a confluence of factors, including elevated promotional intensity from telecom operators, the launch of new over-the-top streaming television services and disruptions caused by the storms in Texas and Florida. As our investment thesis remains intact, and we believe some of these issues are transitory in nature, we took the opportunity to add to our broadband theme. We remain attracted to our cable companies' valuable broadband pricing power and faster Internet speeds versus their telco competitors across the majority of their footprints. Because broadband networks are largely built out, costs are relatively fixed, leading to exceptionally strong margins. As a result, secular growth of broadband is driving margins and ROIC higher for cable companies, and improving these companies' terminal multiples as lower-margin video services continue to become a smaller contributor to overall profitability. Cable industry M&A is an additional tailwind we see likely to continue given the scale advantages of consolidation. We also believe broadband infrastructure's strategic importance can grow as wireless networks migrate toward 5G, which relies to some extent on fixed-line networks. Within our broadband theme, we are focused on companies with strong cash flow growth and shareholder-friendly capital return policies. We also believe that cable companies are underappreciated beneficiaries of potential tax reform given their position as high cash tax payers and the prospective opportunity to reduce taxable earnings by expensing capital investments upfront.

Portfolio Positioning[1]

As of 30 September 2017, the portfolio consisted of seven themes, with each theme including between two and five companies. The largest three themes by weight were software (23%), turnaround (16%) and broadband (16%). At quarter end, we held 26 companies with the largest five holdings comprising 37% of the portfolio's net assets. US companies comprised 85% of net assets and the weighted average market cap of the portfolio was $87 billion[2].

Portfolio Exposure By Theme[1] (% of net assets)

Software	23.1
Turnaround	16.0
Broadband	15.7
Defense	15.1
Data Monetization	13.6
Video Games	8.4
Balance Sheet Financials	5.3
Other	1.5
TOTAL	**98.7%**

Source: Artisan Partners/Bloomberg. Theme classifications determined by investment team.
[1]% of net assets represents the Fund's exposures based on the economic value of investments and options are delta-adjusted. Cash and cash equivalents represented 0.5% of net assets. Statistics shown exclude ETFs and ETF options, which represented 0.0% and -1.3% of net assets, respectively.
[2]Weighted average market cap excludes cash and cash equivalents, ETFs and ETF options.

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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.

A non-diversified portfolio may invest a larger portion of assets in securities of a smaller number of issuers and performance of a single issuer may affect overall portfolio performance greater than in a diversified portfolio. Private placement and restricted securities are subject to strict restrictions on resale and may not be able to be easily sold and are more difficult to value. The use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. 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. Growth securities may underperform other asset types during a given period. 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.

S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 comprise the following percentages of the Fund's total net assets as of 30 Sep 2017: Comcast Corp 7.0%; Harris Corp 3.5%; Northrop Grumman Corp 7.9%; Raytheon Co 3.6%. 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.

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Market Cap is the aggregate value of all of a company's outstanding equity securities. **Weighted Average** is the average of values weighted to the data set's composition. **Weighted Harmonic Average** is a calculation of weighted average commonly used for rates or ratios. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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