Artisan Value Fund

QUARTERLY
Commentary

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

As of 31 December 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 31 December 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTLX	**5.41**	**15.98**	**15.98**	**10.81**	**12.42**	**7.34**	**7.50**
Advisor Class: APDLX	**5.43**	**16.11**	**16.11**	**10.94**	**12.50**	**7.38**	**7.53**
Institutional Class: APHLX	**5.49**	**16.23**	**16.23**	**11.04**	**12.69**	**7.51**	**7.65**
Russell 1000® Value Index	5.33	13.66	13.66	8.65	14.04	7.10	7.24
Russell 1000® Index	6.59	21.69	21.69	11.23	15.71	8.59	8.66

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
Annual Report 30 Sep 2017	1.01	0.85	0.80
Prospectus 30 Sep 2016[1]	0.97	0.84	0.78

[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

2017 proved to be a stellar year for stocks, which largely moved in one direction—up. Q4 was no anomaly, as stocks advanced across the market-cap spectrum. Strong corporate profits and a strengthening US economy helped buoy shares. Adding to positive investor sentiment was tax overhaul, passed in December, which is anticipated to provide sizable tax savings to US corporations and encourage companies to return foreign profits held overseas.

Looking at the year, US large-cap stocks outperformed both mid- and small-cap stocks, while growth stocks meaningfully outperformed value. The majority of sectors posted double-digit gains, led by technology. Telecom and energy were the only down sectors in the year, with energy down despite oil prices hitting their highest levels since mid-2015 in December.

Performance Discussion

Our portfolio outperformed the Russell 1000® Value Index in Q4 and in 2017. Shares of global aircraft leasing company Air Lease advanced in part due to ongoing solid execution and healthy global air travel demand. Air Lease is also perceived to be a large beneficiary of tax reform. Specifically, AL's book value per share could increase ~$3 and GAAP EPS should increase 20%. The stock advanced in line with the increase in book value and the trading multiple; however, we highlight that nothing changes on a cash flow basis for AL as it is not a cash tax payer and its lenders grant credit on cash flow. While much of the focus in the near term is on tax reform, the continued strength in Asian economies has led to increased investor confidence in the region's long-term air travel growth trajectory. We believe Air Lease is a best-in-class operator, and we like its management team, which founded the industry and has been through several cycles. AL operates a conservative financial profile and focuses on creating long-term shareholder value.

LyondellBasell, a producer of petrochemical ethylene, was among our top performers. Tropical storms created supply disruptions, causing global ethylene prices to tighten. Further, ethylene prices are highly correlated to crude oil prices, which posted a positive Q4. Shares trade at around 8X to 9X our estimates of normalized earnings, the company has a healthy dividend yield, and it is repurchasing shares.

Shares of pharmacy benefits manager Express Scripts (ESRX) advanced. The company recently completed its acquisition of eviCore, an integrated medical benefit management services (MBM) solutions provider. The buyout should present cross-selling opportunities and enhanced customer retention rates. ESRX is also slated to be a large beneficiary of tax reform, as the majority of its profits are derived in the US. We continue to like ESRX's dominant position in the pharmacy benefit management (PMB) space, which provides it the scale and scope to negotiate decreased pricing and cost savings—the majority of which it passes through to clients.

Energy exploration and production company Devon had a strong Q4 as the stock rallied along with oil prices. Further, the company's emphasis on returns on capital over growth will likely translate to more cash returned to shareholders, which has been well received by the market. We believe Devon is a high-quality company selling at undemanding valuations.

On the downside, global pharmaceutical company Allergan worked against us. Shares remained pressured following a US district court ruling in favor of the generic filers in the Restasis® patent cases. However, Allergan will likely file an appeal, and it's unclear when the generic filers will be able to meet the bioequivalence guidance. Regardless of the Restasis® outcome, Allergan has a diversified product mix, solid management team and one of the best balance sheets in specialty pharma. Shares trade at a discount to peers on earnings multiples and our normalized range of earnings. We used the weakness to add to our position.

Liberty Expedia, which owns a stake in online travel company Expedia, also detracted. The company pushed out targets on HomeAway's (a vacation rental marketplace) growth, and room-night growth was lower than expected—both factors weighed on investor sentiment. We view the setback as near term, and we continue to like the company's strong market position. In our view, the market is underappreciating the value of its margin improvement potential.

Shares of drug distribution company Cardinal Health detracted as continued deceleration in generic drug pricing and moderating inflation in branded drug pricing have weighed on investor sentiment. The potential for Amazon to enter the marketplace is also stoking concerns. We believe the selloff has been overdone and used weakness to add to our position. 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. Further, it's a relatively low capital-intensity business that generates significant amounts of free cash flow, resulting in high returns on capital.

Portfolio Activity

We established a position in Synchrony Financial (SYF), the largest provider of private-label credit cards in the US. SYF works to drive above-average retail sales by designing marketing and loyalty programs for its customers (e.g., PayPal, Wal-Mart, Amazon). To us, SYF looks cheap on an absolute basis—it has excess capital of ~20% of market capitalization and is a large beneficiary of lower federal income taxes. We also believe SYF's importance to retailers should continue to grow as heightened competition forces retailers to know more about their customers and be able to track customers' purchases across channels. Additionally, SYF is well positioned to provide credit for next-generation transactions, as evidenced by its recent 10-year contract to provide private-label services for PayPal. Unlike its financials peers, SYF is not over-earning on credit. After a credit hiccup in late 2015 into early 2016, SYF tightened underwriting standards and raised its allowance for loan losses. SYF does not fully take the losses through its P&L, and the market may not fully

appreciate the loss-sharing agreements with retailers which help limit SYF's losses in adverse credit environments. At the time we established the position, we believed consensus estimates could be too low by ~10%-15%. Additionally, we established before tax reform passed, which should lead to higher earnings revisions for 2018-2020.

DowDuPont (DWDP) was another new purchase in the quarter—the company is the result of a merger between two chemical conglomerate leaders, forming world class, market-leading segments in specialty materials, chemicals and agricultural products. The company intends to separate into three distinct entities over the next 12 to 24 months through spin offs. Each of these companies will be compelling on its own merit, and there is potential for the specialty materials company to revalue significantly higher as the market appreciates its strong margin and growth profile as well as strong competitive position in its markets. We have confidence in CEO Edward Breen, who is well regarded for his value creation at Tyco. We believe we are investing alongside a great capital allocator in an environment where capital allocation choices are critical. Its balance sheet is solid and getting better, with no new debt issuance or M&A planned in 2018/2019, only debt retirement. The company also generates ample free cash flow, which it returns shareholders though a ~2% dividend yield and a ~$4bn share repurchase program (~2.5% of shares outstanding, with more repurchases coming in 2018 and 2019). We were able to establish our position at a compelling valuation as shares trade at a discount to our estimate of the sum-of-the-parts.

We moved on from our positions in gold miners Goldcorp and Kinross Gold as business fundamentals didn't advanced as we'd hoped. We also exited our position in Avnet as we continued our move away from some of our smaller technology names in favor of Q3 purchase Cisco Systems.

Perspective

As 2017 proved to be another strong year for stocks, we'd remind investors that businesses don't move in a straight line—and neither should stocks. That's why, as investors have chased momentum, yield and particular hot sectors of the economy over the past eight-plus years, we've instead stayed true to our investment approach—employing our 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.

We often discuss how there are two ways to generate alpha: from what you own in the portfolio and from what you don't own. We look a lot different from the index, and that's by design. We build our portfolio on a stock-by-stock basis, caring less about what the index owns and more about how attractive the investment opportunity is. Hence, our sector exposure is the result of our individual selections rather than an intentional top-down, sector allocation strategy. At the same time, we stay keenly aware of where our economic exposures are and of other correlation factors.

Though we build our portfolios one stock at a time, it has been (and remains) our contention that the largest source of alpha in the current market may very well come about from the avoidance of more expensive sectors. An example of this would be our aversion to REITs and utilities over the past few years (about a 2% combined weight in our portfolio vs. 10% in the Russell 1000® Value Index as of December 31, 2017). In spite of valuations that appear full to us, these interest-rate proxies outperformed in 2014 through 2015 as investors' thirst for yield in a low interest-rate environment pushed them higher. However, over the past 18 months or so, these areas meaningfully underperformed, and our lower exposure proved a source of relative alpha.

Valuations, business strength and financial condition ultimately matter much more than any sentiment swings. We believe that what you don't own at this moment in the market is just as important as what you do own. We see a large number of individual names that are selling at much higher valuations than normal. We like how the portfolio is positioned, and at this point in the economic cycle, we believe avoiding some of these high-valuation areas can 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 Dec 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 Dec 2017: Air Lease Corp 4.8%; LyondellBasell Industries NV 4.2%; Devon Energy Corp 4.1%; Express Scripts Holding Co 2.9%; Allergan PLC 2.4%; Cardinal Health Inc 2.1%; Synchrony Financial 2.0%; DowDuPont Inc 2.0%; Liberty Expedia Holdings Inc 0.8%; Cisco Systems Inc 2.3%. 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.

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Generally Accepted Accounting Principles (GAAP) are the common set of accounting principles, standards and procedures that companies use to compile their financial statements. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **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. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **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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