Artisan Thematic Fund

QUARTERLY
Commentary

Investor Class: ARTTX

As of 31 March 2018

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. Identifying themes helps us 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. Research analysts 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 31 March 2018	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Investor Class: ARTTX	**6.77**	**6.77**	—	—	—	—	**38.88**
S&P 500® Index	-0.76	-0.76	—	—	—	—	13.32

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

Expense Ratios	Gross	Net[1]
Annual Report 30 Sep 2017[2]	2.70%	1.52%
Prospectus 30 Sep 2017[3,4]	1.63%	1.57%

[1]Reflects a contractual expense limitation agreement in effect through 31 Jan 2019. [2]For the period from commencement of operations 24 Apr 2017 through 30 Sep 2017 and includes 0.02% of dividend and interest expenses relating to short sales. [3]Includes estimated expenses for the current fiscal year, of which 0.07% are dividend and interest expenses relating to short sales. [4]See prospectus for further details.

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 reflects agreements to limit the Fund's expenses, which would reduce performance if not in effect. The 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 approaches its one-year anniversary, we'd like to use this space once more 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 and is ultimately based on bottom-up company analysis. 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 variables. Further, we focus on inflections because these changes 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 a critical step in effective portfolio construction.

Identifying themes we believe are inflecting helps us focus on areas (industries or end markets) most exposed to those themes, and 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. The team will also consider compelling idiosyncratic positions that are a good fit based on the team's rigorous fundamental analysis.

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's Q1 and since-inception (April 24, 2017) performance was driven by positive contributions in holdings across most of our current themes. Stock selection relative to the index was solidly positive as was our sector allocation. Our use of derivatives was also additive to our returns. Our defense theme (discussed in detail in our Q3 2017 letter) was the top contributor in Q1 and since inception. Our software theme was also a top Q1 contributor and another since-inception standout. Conversely, our cash flow inflection theme was a detractor.

Software, one of our larger themes, is based on the secular growth potential in the public cloud. Compared to traditional, on-premise data storage models (i.e., those offered by Oracle and SAP), the SaaS/cloud model provides customers numerous, compelling benefits, including lower costs, better data-analysis capabilities, faster software upgrades, etc. These are especially compelling in the "digitization of the enterprise" era in which tech industry budgets are focusing on mega trends in the Internet of things (IoT), big data, machine learning and artificial intelligence (AI). We have found that the high upfront capital investment to develop software by these companies is often followed by multiple years of meaningful monetization with low client churn. The very high (often around 95% or more) client retention rates can translate into expanding margins and higher ROICs—which we look at to understand a company's earnings power differentiation.

We believe companies in this theme may also benefit from increased M&A activity. With the recently enacted US tax reform, a number of tech giants have incentive to repatriate massive stockpiles of overseas cash (Microsoft and Oracle together have approximately $190 billion parked overseas), and the low leverage of SaaS companies make them attractive acquisition candidates.

At the company level, we develop differentiated views on growth rates by focusing on companies with multiple growth drivers, making it challenging for the street to model company growth-rate projections accurately. For example, we look for companies with underappreciated and/or less visible secondary products that we think significantly increase overall enterprise growth rates, companies such as Veeva, salesforce.com and Splunk.

We purchased Veeva, a supplier of cloud-based software for the life sciences industry, in September 2017, based on our thesis that Veeva's new product launches would create higher revenue growth, expanding Veeva's overall total addressable market (TAM). We modelled materially higher revenue estimates for FY 2018 and FY 2019 than the street, giving us considerable differentiation. Veeva's quarterly results, released in February, proved our forecast to be accurate—as such, consensus has taken its earnings estimates up and our differentiation went away. Therefore, we exited the position and rotated capital into other names we believed had more differentiation and valuation upside.

As for salesforce.com, client relationship management (CRM) is at the heart of the cloud paradigm shift and the trend toward enterprise digitization, and salesforce is the dominant leader in this space. We believe salesforce's multi-cloud approach should enable it to more than double revenues in the next four years. Further, its emphasis on economies of scale and a mix shift toward its enterprise business should result in meaningfully improved incremental margins and ROIC. Despites salesforce having four of the top five enterprise cloud applications by revenue, as well as better growth and margin-expansion prospects, it trades at a discount to its high-growth peers.

We believe Splunk is hitting a period of inflection from both an operating and a financial perspective. In terms of its operations, we think we are at an inflection point in the usage of machine data for making data-driven decisions within enterprises. Data is expected to grow at a 33% CAGR through 2025, and machine data at 50X that rate, which is where Splunk's platform can be leveraged. We think Splunk's software is central to enabling enterprises to make data-driven decisions rather than those based on intuition. To paraphrase Splunk's CEO, inherently, humans are not good logic processors, which means that organizations, as a collective of individuals, are also not making decisions based on accurate, real-time data. Effectively, Splunk is trying to create the tools and interface to enable all employees to have the skill sets to be data scientists, without needing to be able to write code. The total addressable market (TAM) is large at $62 billion, and the company is in the very early innings of adoption with penetration of just 3%. We expect adoption to accelerate as important use cases are emerging of how best to leverage the software. For example, Splunk is increasingly being used as a nerve center to tie together disparate cyber-security endpoint solutions in order to monitor the escalating cyber-threat environment.

From a financial perspective, the business is undergoing a shift from a perpetual license and maintenance model to a recurring-subscription model. With accelerating adoption of its software and 90% of revenues generated from existing customers, we think the street is underestimating both the growth potential and margin leverage in the model. Cohort analysis shows users expand usage by 8X and bookings by 5X within 4 years. We believe that Splunk's technology is becoming easier to use, which should accelerate new customer additions.

Our top individual contributor was video game theme holding, Nintendo—a company we wrote about in detail in our Q4 letter. To recap, our thesis on Nintendo is based on sales of the Switch™ gaming console outpacing consensus estimates. Sales continue to vastly outstrip expectations—7 million units were sold in the most recent quarter and 14.6 million since the March 2017 launch—making it Nintendo's fastest-ever launch for hardware while giving it a massive installed base for its iconic gaming IP.

Though our video game theme was a positive contributor overall in Q1, it included one of our bottom individual contributors, Take-Two Interactive. Shares of video game software developer Take-Two underperformed in Q1 due to concerns surrounding the viral adoption of the free-to-play game *Fortnite* and its perceived impact to engagement levels for other games in the industry, including Take-Two's *Grand Theft Auto Online*. Looking forward, we continue to see the stock as attractively priced based on what appears to be a catalyst-rich next 12 months, with the expected release of two AAA-rated titles, *Red Dead Redemption 2* and *Borderlands*.

Portfolio Positioning[1]

As of 31 March 2018, the portfolio consisted of 6 themes, with each theme including between 3 and 5 companies. The largest three themes by weight were defense (28.3%), data monetization (20.7%) and cash flow inflection (17.5%). At quarter end, we held 26 companies with the largest five holdings comprising 41.4% of the portfolio's net assets. US companies comprised 88% of net assets and the weighted average market cap of the portfolio was $60.8 billion[2].

Portfolio Exposure by Current Theme[1]

Themes	% of net assets
Defense	28.3
Data Monetization	20.7
Cash Flow Inflection	17.5
Video Games	13.9
Software	12.2
Balance Sheet Financials	8.4
TOTAL	**101.1%**

Source: Artisan Partners. Theme classifications are at the sole discretion of the team. Themes and constituents are as of the date indicated and subject to change. Idiosyncratic positions are issuers held outside of a theme. [1]% of net assets represents the portfolio's exposures based on the economic value of investments and options are delta-adjusted. Cash and cash equivalents represented -2.8% of net assets. Statistics shown exclude ETFs and ETF options, which represented <0.1% and -1.5% of net assets, respectively. [2]Weighted average market cap excludes cash and 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. The portfolio's use of derivative instruments may create additional leverage and involve risks different from, or greater than, the risks associated with investing in more traditional investments. High portfolio turnover may adversely affect returns due to increased transaction costs and creation of additional tax consequences. 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. 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.

This commentary represents the views of the manager as of 31 Mar 2018 and do not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

For the purpose of determining the Fund's holdings, exposures are delta-adjusted at the issuer level and may include multiple securities of the same issuer. The holdings mentioned above comprise the following percentages of the portfolio net assets as of 31 Mar 2018: Splunk Inc 3.1%, salesforce.com Inc 6.8%, Nintendo Co Ltd 4.6%, Take-Two Interactive Software Inc 3.1%. 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.

Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Artisan Partners excludes outliers when calculating portfolio characteristics. If information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio statistics. All options positions are displayed on a delta-adjusted basis. Delta adjustment is necessary to properly account for the sensitivity of options to changes in price of the underlying security, as well as for making exposure comparisons to the underlying security (measuring options exposure as premium will understate the economic exposure and risk, while measuring exposure as notional value will overstate the economic exposure). Delta-adjusted exposure is a measure for the exposure on the equity market created by the options. This estimation of the equity exposure of a fund is only approximate. The delta-adjusted exposure changes over time and is a function of the size and the precise composition of the options portfolio.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Contribution to return (Contribution) is derived from a holdings-based methodology, which does not account for the performance impact of securities that are bought and sold on the same day or IPO investments and may materially vary from the Funds' returns. Attribution and Contribution are not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

Theme classifications are at the sole discretion of the team. Themes and constituents are as of the date indicated and are subject to change. Certain holdings have been reclassified subsequent to initial investment, which has impacted theme performance during the period. Portfolio sector classifications are defined by the investment team based on Bloomberg Industry Classification System (BICS).

Market Cap is the aggregate value of all of a company's outstanding equity securities. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Weighted Average** is the average of values weighted to the data set's composition. **SaaS** stands for software as a service. **Compound Annual Growth Rate (CAGR)** is the year-over-year average growth rate of an investment over a period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

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.

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A R T I S A N P A R T N E R S

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