Artisan Thematic Fund

QUARTERLY Commentary

Investor Class: ARTTX | Advisor Class: APDTX

As of 31 December 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 December 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTTX	**-8.71**	**11.23**	**11.23**	—	—	—	**24.46**
Advisor Class: APDTX	**-8.79**	**11.14**	**11.14**	—	—	—	**24.40**
S&P 500® Index	-13.52	-4.38	-4.38	—	—	—	5.34

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. Class inception: Investor (24 April 2017); Advisor (31 July 2018). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different if such expenses were reflected.

Expense Ratios (% Gross/Net)	ARTTX	APDTX
Annual Report 30 Sep 2018[1,2,3]	1.70/1.51	2.74/1.40
Prospectus 1 Jun 2018[1,4,5]	—/—	1.59/1.47
Prospectus 30 Sep 2017[1,4,5]	1.63/1.57	—/—

[1]Reflects a contractual expense limitation agreement in effect through 31 Jan 2020. [2]ARTTX: Includes 0.01% of dividend and interest expenses relating to short sales. [3]APDTX: For the period from commencement of operations 31 Jul 2018 through 30 Sep 2018. [4]Includes estimated expenses for the current fiscal year, of which 0.07% are dividend and interest expenses relating to short sales. [5]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.

Performance Discussion

Though down in absolute terms, the portfolio held up relatively well amid Q4's increased volatility, outpacing the S&P 500® Index. For the year, the portfolio's absolute returns were solidly positive while the index was down. Our market hedges and lower net exposure were helpful in Q4—both result from our proactive risk management approach and are differentiating features of our portfolio. For the year and since-inception periods, the primary driver of relative performance remains fundamental stock selection.

Top contributors in Q4 were mixed by theme. Among them was Lamb Weston, a holding in our cash flow inflection theme. Lamb Weston was also a top contributor YTD and since inception. We purchased Lamb Weston at the portfolio's inception believing it was an underfollowed and misunderstood company. Its leading position in a global oligopoly gave it tremendous pricing power, while its location in the Pacific Northwest offered ideal climate conditions for potato farming and easy access to Pacific ports. At the same time, growing popularity of quick-service restaurants—particularly across emerging markets—has supported heightened global demand. As our thesis played out, its multiple expanded to a premium relative to other branded staples companies. We sold the name in November to rotate capital to names where we believe we now have more upside potential.

Top Q4 contributors also included CME Group and Intercontinental Exchange (ICE), both data-monetization theme holdings. CME is one of the largest financial exchanges in the world, with an effective monopoly on most futures, currencies, equities and Treasuries, giving it significant pricing power. ICE is in a similar position as an exchange for global commodities. Both companies have significant proprietary data sets they can monetize—a newer source of cash flow generation that we believe should accelerate in the coming years. They are also lower-beta holdings and less correlated to the rest of the portfolio, which was a benefit in Q4. Further, market volatility is a positive for these companies, as volumes tend to rise.

Bottom Q4 contributors included Equinix, a retail data center and a holding in our communications infrastructure theme—a new theme in Q3. There are two sides to our communications infrastructure theme—towers and data centers—Equinix being among the latter.

Based on what we see as durable growth in cloud storage demand, revenues for interconnection (connecting companies' networks within a data center) are growing faster than revenues for colocation (facilities-based outsourcing of data center services) and at higher incremental margins. Further, contracts are long and sticky with annual price escalators, while customer fragmentation lowers churn risk and improves pricing power. Taken together, this can create strong moats and high incremental margins.

Equinix operates globally, and we believe there is a long runway for growth outside of the US, where interconnection has significant headroom to expand relative to US levels. We anticipate well-positioned companies, such as Equinix, can benefit from scale advantages while growing profitability. Meanwhile, more focus on core operations can lead to an acceleration in ROIC over the next five years.

Equinix's weakness in Q4 was due in part to general market weakness and elevated worry around hyperscale demand. However, bookings globally remain strong—notably so in its cloud business.

Also among Q4's bottom contributors were IHS Markit, a provider of critical data and analytics, and Automatic Data Processing (ADP), a provider of cloud-based human capital management solutions (holdings in our data monetization and cash flow inflection themes, respectively). Similar to Equinix, these two remain fundamentally sound—recent earnings reports were solid. Rather, they seemed caught in Q4's downdraft. ADP traded down in sympathy with technology stocks, and IHS Markit was pressured by falling oil prices, as the energy industry is an important end client.

YTD top individual contributors by name included the aforementioned Lamb Weston and CME Group. Our top contributing theme YTD was software, which included Salesforce.com, Alteryx and Veeva Systems—the latter two we exited in Q3 and Q1, respectively. Data monetization, defense and video games were also top contributing themes in 2018. The defense and video games themes had been in the portfolio since inception, and we exited both in Q4 in favor of themes we believe have more upside potential.

YTD bottom individual contributors included Equinix and NetEase (NTES)—a video game holding we exited in Q2. NTES builds apps and video games for users predominantly in China. It regularly launches new video games that have uncertain success rates. If a game is a massive success, it may have a significant impact on potential upside, but if a game underwhelms, or the decay curve from a game accelerates, the estimates come down considerably. The success of these games has a material impact on the stock's price, but accurately predicting the success of these games is challenging and requires a significant time investment from our team.

Early in 2018, volatile fluctuations in NTES revenue estimates made it challenging to assign a target price we could be confident in. While it may be possible to uncover alpha in NTES, we found that we did not have sufficient insight to justify the time spent modeling the company. As a result, we exited and eventually ceased coverage of NTES so we could focus our time on stocks that we believe can offer a better return on time invested.

From a theme standpoint, our life sciences theme was among our bottom contributors, including PerkinElmer and Agilent. Similar to communications infrastructure, this is a newer theme we wrote about in our Q3 letter. We continue to believe that strong and accelerating secular tailwinds in biopharmaceuticals and precision medicine, innovation related to diagnostics speed, and proliferation of sequencing should drive organic growth above expectations for well-positioned companies. And the rapid pace of innovation here creates opportunities for fundamental stock selection. As such, it remains our second-largest theme as of quarter end.

Portfolio Positioning[1]

As of 31 Dec 2018, the portfolio consisted of six themes. The largest three themes by weight were data monetization (31.4%), life sciences (19.6%) and software (13.6%). As mentioned, we exited the video games and defense themes and added industrial gases as a new theme in Q4. At quarter end, we held 28 companies, with the largest 5 holdings comprising 31.4% of the portfolio's net assets. Non-US companies comprised 11% of net assets, and the weighted average market cap of the portfolio was $78.0 billion[2].

Portfolio Exposure by Current Theme[1]

Themes	% of net assets
Data Monetization	31.4
Life Sciences	19.6
Software	13.6
Industrial Gases	13.4
Communications Infrastructure	9.4
Cash Flow Inflection	9.2
TOTAL	**96.6%**

Source: Artisan Partners. Theme categorizations are at the sole discretion of the team and exclude market hedges and idiosyncratic positions, which 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 -4.6% of net assets. Statistics shown exclude ETFs and ETF options, which represented 0.0% and 0.0% 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 Dec 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.

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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 Dec 2018: CME Group Inc 1.5%, Intercontinental Exchange Inc 4.7%, Equinix Inc 3.7%, IHS Markit Ltd 6.0%, Automatic Data Processing Inc 6.0%, Salesforce.com Inc 2.0%, PerkinElmer Inc 3.3%, Agilent Technologies Inc 3.3%. 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.

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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 (options exposure measured as premium will understate economic exposure and risk, while exposure measured as notional value will overstate the economic exposure). Delta-adjusted exposure estimates the approximate exposure to the equity market created by the options and is subject to change over time as a function of the size and composition of the options positions.

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.

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 GICS.

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. **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%.

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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