



Artisan Thematic Fund

QUARTERLY
Commentary

Investor Class: ARTTX | Advisor Class: APDTX

As of 30 September 2019

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 30 September 2019	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTTX	3.03	23.07	12.35	—	—	—	26.73
Advisor Class: APDTX	3.10	23.33	12.49	—	—	—	26.79
S&P 500® Index	1.70	20.55	4.25	—	—	—	11.94

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
Semi-Annual Report 31 Mar 2019 ¹	1.38 ² /—	1.23/—
Prospectus 30 Sep 2018 ³	1.71/1.52 ^{4,5}	1.27/— ⁶

¹Unaudited, annualized for the six-month period. ²Excludes Acquired Fund Fees & Expenses as described in the prospectus. ³See prospectus for further details. ⁴Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2020. ⁵Includes 0.01% of dividend and interest expenses relating to short sales. ⁶Includes estimated expenses for the current fiscal year, of which 0.01% are dividend and interest expenses relating to short sales.

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

In Q3, our portfolio outpaced the S&P 500® Index to expand our YTD and since-inception outperformance. Our portfolio's strong relative returns continue to be driven by strong stock selection, though our allocation effects were also a contributor. Our network modernization theme was our largest contributor to return in Q3, followed by meaningful contributions from our payments transformation and data monetization themes. In all, four of our six current themes contributed positively during the period.

Network modernization—our newest and largest theme—is based on the growing digitization of society. Traditional network infrastructure is expected to evolve to address the exponential growth in network traffic, the ever-expanding Internet of things (IoT), and the growing need for businesses to capture, analyze and derive insights from their data. As a near-term catalyst, we look to the current 5G buildout to accelerate the adoption of IoT by providing a material boost in speed, latency and network reliability. The processing power required by edge computing (i.e., computation and data storage that occur closer to where data is generated and used, improving response times) will require a denser network of tower cell sites and data centers to facilitate the constant connectivity and compute needs of IoT devices. We expect the proliferation of new devices will meaningfully accelerate the demand for data. Today we have smartphones and smart TVs, but the digitization of society will extend into cars, the workplace, factories and hospitals. As of 2017, there were 1.5 billion PC users and 7 billion smartphones, but it is estimated there could be 1 trillion IoT devices by 2025.

As we look to the enablers of network overhaul, we've identified investment opportunities across a number of different end markets that we believe are best positioned to benefit from this paradigm shift. Among these are pure network infrastructure companies (cell towers and data centers), companies providing the processing power in IoT devices (semiconductors), and new types of hybrid cloud infrastructure required to run increasingly complex networks in a more agile fashion. Because this exposure is diversified across end markets, we believe we can rotate exposure within the theme to help balance risk across the portfolio when our risk analysis framework aligns with our fundamental research.

Among our top contributors in Q3 was network modernization theme holding Equinix. The company has been a portfolio holding for over a year due to favorable tailwinds we see for highly dense, retail colocation assets. We think the requirement to have more compute density closer to the edge of the network is a significant structural industry tailwind. Our research suggests hyperscale data center demand should positively inflect in 2019's back half and reaccelerate in 2020, following a digestion period over the past 12 months. As a result, we see Equinix—the largest provider of collocated data centers in the world—as best positioned to benefit from the growing demand for data and connectivity. The company's accelerating presence abroad, particularly in Europe and in Asia Pacific, remains a significant growth driver as those regions remain more than a couple of years

behind the US in cloud adoption. Additionally, the recent signing of a \$1 billion joint venture to develop hyperscale data centers in Europe, combined with reduced churn of its recently acquired domestic Verizon properties should improve the outlook for funds from operations (AFFO) growth in the coming years.

Transunion, a data monetization theme holding, also landed among top contributors. Multi-year efforts to modernize its technology and data infrastructure have positioned the company to build differentiated and new products across verticals and geographies. While its oligopolistic position in domestic credit reporting data remains its core growth driver, the company's push into non-traditional data sets in other industries with attractive economics—namely health care and insurance—introduces new long-term growth engines. We view these fast-growing, differentiated products as a way for Transunion to evolve into a diversified risk management solutions firm with a growing addressable market. During the quarter, the company's shares rallied after reporting strong, inflecting momentum across nearly all of its business lines, suggesting continued growth into 2020.

As we've discussed in previous commentaries, our payments transformation theme has benefited from the gradual consolidation that has occurred throughout the industry. The commoditization of provider core offerings has placed greater emphasis on scale and distribution, leaving acquisitions as a natural strategic maneuver to position for growth and new customers. A notable participant of this consolidation trend has been merchant acquirer Global Payments—a payments transformation theme holding. The company landed among our top contributors following positive sentiment around its finalized merger with Total System Services (TSYS)—another payments transformation theme holding. The complementary tie-up creates a market leader in integrated payments solutions given each company's focus on different parts of the payments value chain. TSYS' software solutions will provide Global Payments' operations additional scale that is critical to maintain the combination's competitive positioning. Importantly, the all-stock deal leaves Global Payments (the name the combination will operate under) with the balance sheet flexibility to pursue additional targets in the software space and across new geographies.

Among detractors in Q3 was our digital advertising theme holding Facebook. The company, whose stock price has yet to fully recover from its 2018 drawdown, is a dominant social media platform with unmatched scale, growth and profitability. Its flagship Facebook app, along with Instagram, Messenger and WhatsApp, is among the world's most popular apps based on users and usage time, making it one of the best investments to tap into mobile Internet growth. Importantly, Facebook's ad platform redevelopment should improve ad targetability and measurement amid a transition toward higher-quality formats, making Facebook increasingly attractive to advertisers over the long term, in our view. Still, heightened scrutiny around the platform's privacy policies continues to pressure shares as concerns of increased regulatory oversight remain. The company is

taking these challenges seriously with higher headcount, capex and expenses—near-term margin headwinds we expect to lapse in the coming quarters.

Other Q3 detractors included Tencent, a digital advertising theme holding. The company is a digital Goliath with the number-one global market share in video games. The company also runs China's largest social media platforms and is rapidly expanding into payments and cloud services—all of which have significant monetization potential. While we expect the company's mobile-game revenue to make a sustained recovery following the regulatory clampdown on new game approvals in 2018, macroeconomic weakness remains a notable headwind to the company's advertising growth. Because Tencent's advertising business is heavily exposed to brand advertising and other discretionary buys, China's slowing economy and prolonged trade battle with the US have resulted in more cautious activity, particularly in several key advertising markets like autos, financials and Internet services. We chose to exit our position, looking for economic uncertainty to lapse before we reinitiate our investment.

Portfolio Positioning¹

As of 30 September 2019, the portfolio consisted of six themes. The largest three themes by weight were network modernization (33.8%), data monetization (15.9%) and payments transformation (13.2%). At quarter end, we held 36 companies, with the largest 5 holdings comprising 24.0% of the portfolio's net assets. Non-US companies comprised 5.4% of net assets, and the weighted average market cap of the portfolio was \$167.1 billion².

Portfolio Exposure by Current Theme¹

Themes	% of net assets
Network Modernization	33.8
Data Monetization	15.9
Payments Transformation	13.2
Life Sciences	12.7
Industrial Gases	7.9
Digital Advertising	6.2
TOTAL	89.6%

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 8.8% of net assets. Statistics shown exclude ETFs and ETF options, which represented 0.0% and 0.0% of net assets, respectively. ²Weighted 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.

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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 30 Sep 2019: Equinix Inc 3.6%, Global Payments Inc 2.5%, Transunion 1.0%, Facebook Inc 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.

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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.

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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