Artisan Value Fund

QUARTERLY
Commentary

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

As of 31 December 2019

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.

Portfolio Management

James C. Kieffer, CFA
Portfolio Manager

Thomas A. Reynolds IV
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Craig Inman, CFA
Portfolio Manager

Investment Results (%)

As of 31 December 2019	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	**8.84**	**30.29**	**30.29**	**8.74**	**8.56**	**10.26**	**7.18**
Advisor Class: APDLX	**8.83**	**30.38**	**30.38**	**8.88**	**8.70**	**10.33**	**7.23**
Institutional Class: APHLX	**8.84**	**30.45**	**30.45**	**8.95**	**8.78**	**10.48**	**7.33**
Russell 1000® Value Index	7.41	26.54	26.54	9.68	8.29	11.80	7.31
Russell 1000® Index	9.04	31.43	31.43	15.05	11.48	13.54	9.12

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (27 March 2006); Advisor (1 April 2015); Institutional (26 July 2011). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios (% Gross/Net)	ARTLX	APDLX	APHLX
Annual Report 30 Sep 2019	1.06/—	0.93/0.88[1,2]	0.84/—
Prospectus 30 Sep 2018[2]	1.02/—	0.90/0.89[1]	0.80/—

[1]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2021. [2]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.

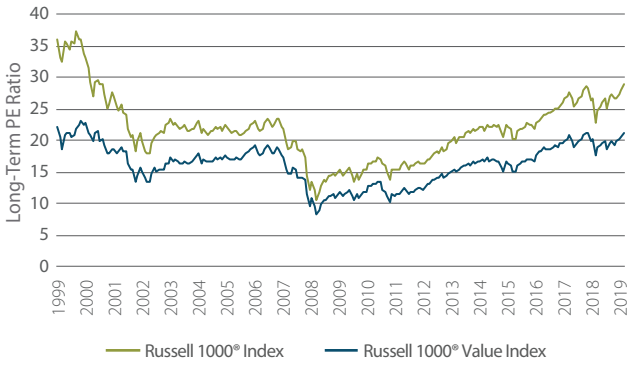
Investing Environment

As you may know from reading our past letters, we are bottom-up stock pickers. We look for companies that have attractive business economics, are of sound financial condition and are attractively valued. These margin of safety criteria define our disciplined value investing style. The fundamental analysis at the core of our process keeps us focused on knowing a business—its management, its industry, its financial returns and capital profile and its prospects for delivering value to shareholders over time. From this perspective, the broader investing environment is often less important—and often less predictable—to us than any of the particular drivers of a business. For us, the investing context matters in a couple specific ways. First, macroeconomic and geopolitical issues can affect how a company's management makes strategic decisions. Slowing secular growth trends, ultra-easy central banks, negative interest rates, global trade wars and national elections all factor into that. Of course, we keep an eye on these issues as part of our fundamental analytical work, but we rarely ever use these factors as filters to narrow our investable universe or select a holding for the portfolio. In fact, we seek to capitalize on the fear other investors have when assessing these macro factors. The other, more salient way the market environment matters to us is in valuations.

As dedicated active managers, we'll never look at a historically high P/E ratio and declare the whole thing too rich, close Excel, cancel the Value Line subscription, pack it in and go home. We are humbled by the trust our clients have in us, and we relish the challenge of providing strong absolute returns through whatever market environment prevails.

Exhibit 1 illustrates the post-crisis evolution of P/E multiples, using a long-term P/E ratio. After the sharp sell-off in December 2018, valuations surged, reaching some of the highest levels since the dot-com bubble burst. Whether future earnings continue to support multiples at these levels is, of course, unknown. But what we do know is that being disciplined on valuations increases the probabilities of success when it comes to generating alpha over the long run.

Exhibit 1: Higher Prices on Slower Earnings Growth



Source: Artisan Partners/Russell/Bloomberg. As of 31 Dec 2019. Long-term price to earnings ratio is based on averaging the trailing ten years of earnings-per-share, adjusted for inflation. **Past performance does not guarantee future results.**

Overall, equity markets delivered stellar returns in 2019, with the S&P 500® Index up 31.5%, which stacks up well against the 90-year average annual return of 9.4%. Among the Russell family of indices, large-cap growth and mid-cap growth beat both the core and value versions, with value lagging by a considerable margin. This pattern has persisted for 7 out of the last 10 years. With earnings growth declining, returns have been driven by multiple expansion, and investors have been more and more willing to pay up for companies that can produce earnings growth, with a less discerning eye in assessing the quality of that growth.

Performance Discussion

The Russell 1000® Value Index returned 7.4% in Q4 and finished the year up 26.5%. The financials, health care and industrials sectors were the index's top contributors; real estate was the only sector to post negative total returns.

Our portfolio outpaced the benchmark in Q4, led by stock-picking in the consumer staples and technology sectors. By avoiding the utilities sector altogether, we have added to relative performance. Materials and financials sector holdings detracted from relative returns.

Consumer electronics giant Apple was our top contributor in Q4 and for the whole year, returning 31.5% and 88.9% respectively. At the end of 2018, investors were concerned about Apple's sales in China and a slowing iPhone product cycle. As these fears rose to the surface, the falling asking price allowed investors to buy a stake in an extraordinary cash-producing company at around 11X earnings. As the year progressed, the market could not ignore Apple's return of capital to shareholders and the growing likelihood of a strong iPhone cycle in the years to come as 5G is rolled out globally. With the market's improved enthusiasm for Apple's prospects, we have trimmed into strength but continue to own a stake in the business due to Apple's cash-generating capabilities, sound balance sheet and ability to innovate existing hardware products while growing services revenues.

Financials was a top performing sector in Q4, and global financial services holding company Citigroup was a top performer in our portfolio. The market has been overly critical of this name in our view but is now recognizing this global bank is cheap relative to peers and on track for strong return-on-equity performance. By continuing to be disciplined on expenses, even slight revenue improvements can lead to improving returns on tangible equity. Lower tax rates haven't hurt, either. The company is highly diversified by region and product, which can create sentiment headwinds or tailwinds but which over the long term should serve as a benefit. Citi has built one of the strongest balance sheets among all international banks—coupled with the prudent amounts of diversification we expect, this should help build intrinsic value over time.

Another top contributor was tobacco products marketer and manufacturer Altria. Before we added it to the portfolio in Q3, Altria's share price had been cut nearly in half from its all-time high. More recently, the weakness compounded thanks in part to a failed merger

with Philip Morris, as well as the rapidly evolving regulatory environment around e-cigarettes. In 2018, Altria took a 35% stake in Juul, a startup synonymous with the e-cigarette market. At our purchase price, we believe Altria's investment in Juul was being ascribed little to no value by investors. What's more, prospects of an FDA ban on flavored e-cigarette cartridges may actually benefit market-leading Juul—at least on a relative basis. Altria also owns 10% of Anheuser-Busch InBev. Using a sum-of-parts approach, we believe the market gave us a large margin of safety when we purchased Altria in Q3. The shares have recovered since purchase as regulatory concerns have started abating and investors are focusing again on the extraordinary cash-producing capabilities of Altria's core cigarette and oral tobacco products.

NXP Semiconductors—one of the two dominant suppliers of semiconductors to the automotive industry and one of the top-five suppliers of analog semiconductors for general industrial uses—benefited from better-than-expected Q3 earnings. Semiconductors more broadly performed well in Q4. While NXP's exposures to the auto sector may create headwinds not faced by other manufacturers, strong margin improvements and significant free cash flow have reassured investors NXP will likely weather the current downturn and come out of it even stronger.

Of our portfolio holdings, seven had negative total returns in Q4. Top detractor DuPont was down 9.5% on concerns over pending legislation and litigation related to hazardous chemical disposal practices. Because the alleged problems are the responsibility of Chemours, a DuPont spin-off, indemnification agreements ought to limit potential losses. However, DuPont nonetheless expects to incur some costs and expenses related to any litigation. In addition to litigation fears, the lingering macroeconomic impact of the trade war has weighed on DuPont's end markets. Supporting the stock at year end was an agreement with International Flavors & Fragrances to purchase DuPont's nutrition and biosciences businesses.

Automobile retailer AutoNation was a detractor in Q4. Distinct from the cyclical pressures globally for autos, the US car market is in a relatively better position. The car dealer business isn't growing rapidly, but it remains a good business, generating a lot of cash and creating worthwhile returns on capital. We think an underappreciated aspect of auto retailing is its variable cost model which allows the business to stay highly profitable through the cycle. The predictable, high-margin parts and service business is growing as well, due to rising auto complexity. In addition, shareholders appreciated recent C-suite changes, and the company's renewed emphasis on cost controls has supported the margin-focused efforts—a welcome surprise for investors.

In addition to DuPont and AutoNation, multinational networking and business communications conglomerate Cisco Systems was a notable detractor from relative returns in Q4. The business is facing cyclical headwinds. Near-term order growth is flattening as corporate IT spend appears to be slowing, and various challenges are affecting the company's different business segments. On top of this, management recently lowered guidance, and the market has re-rated the stock. Yet we believe Cisco remains a compelling investment given its undemanding multiple, management's credible commitment to address costs, a net cash balance sheet and a product portfolio that looks well-positioned for retaining industry prominence.

Portfolio Activity

We added two names to the portfolio in Q4: Philip Morris International and Fresenius Medical Care.

In addition to Q3 purchases Altria and Swedish Match, we initiated a position in tobacco company Philip Morris International in Q4. Largely due to regulatory uncertainty, tobacco company multiples have fallen precipitously. Philip Morris was viewed as less exposed to US regulatory concerns than peers, so when news broke that Altria and Philip Morris were exploring a possible merger, investors reacted negatively and put pressure on Philip Morris shares. When combined with our constructive view of Altria, we were able to take advantage of the selling and add a diversified global tobacco business at a compelling valuation. By virtue of its globally known brands, Philip Morris is the best-in-class operator with a well-diversified business, particularly by geography. Next-generation heat-not-burn product IQOS is growing rapidly and shows great promise as consumers continue migrating to safer tobacco delivery systems. Looking at Philip Morris through our margin-of-safety criteria, the business trades for an undemanding valuation and has extraordinary business economics and a strong credit profile.

Fresenius is a vertically integrated provider of dialysis equipment and services, reaching the large and growing global population of chronic kidney disease (CKD) patients. It is a market share leader in terms of both supplying dialysis equipment and treating dialysis patients. Headquartered in Germany, Fresenius operates 3,900 clinics across almost 50 countries, but 80% of revenues come from the US. Management has been smart and disciplined when it comes to growth. The company provides services not only within its expanding clinical network, but also in private homes, an offering made possible by the recent acquisition of NexStage, the leading provider of home hemodialysis equipment. In addition to the clinics and equipment, Fresenius has expanded its efforts into ancillary businesses like care coordination and value-based care, extending a trend and evolution of the health care industry toward a more integrated model intended to control patient costs and improve outcomes. As with many health care providers in the US, profits depend on Medicare reimbursement rates. Approximately 90% of Fresenius' business comes from patients on Medicare and other government-supported programs. The other 10% of patients is paying higher, margin-supporting rates, through private insurance. We anticipate growth in both segments, improved operating margins and expansion into new lines of business can propel Fresenius forward. We purchased the stock around 10X normalized earnings after the price had fallen 39.6% over the trailing 12 months. Historically, the stock has traded nearer 16X earnings, presenting attractive upside potential, although we believe the stock can provide good returns without multiple expansion.

Perspective

Our portfolio construction is rooted in a conscientious, risk-aware stock selection process that emphasizes margin of safety. The result is a stable of stocks that looks very different from the index. We believe these companies are differentiated because of the sensible way they

deploy and allocate capital, the strength of their balance sheets and how they run the businesses for long-term value creation. We want to be aligned with these types of companies, especially at this point in the cycle when elevated prices pervade.

Despite recent headwinds to our style and strategy, we have continued to stick to our philosophy of owning better businesses with solid balance sheets that are trading at cheaper valuations. While there are many areas of the market that are quite uninteresting from a valuation perspective, there are also some priced with substantive margins of safety due to the effects of cyclicality and controversy. Our ability to look through negative fluctuations in investor sentiment and focus on the health of the business is what makes our process time-tested and relevant.

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. 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 31 Dec 2019. 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 2019: Citigroup Inc 4.2%, Apple Inc 3.7%, NXP Semiconductors NV 3.7%, AutoNation Inc 2.8%, Cisco Systems Inc 2.7%, Altria Group Inc 2.7%, Fresenius Medical Care AG & Co KGaA 2.1%, Philip Morris International Inc 2.0%, DuPont de Nemours Inc 1.4%, Swedish Match AB 2.1%. 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.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages. This material does not constitute investment advice.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

The S&P 500® ("Index") is a product of S&P Dow Jones Indices LLC ("S&P DJI") and/or its affiliates and has been licensed for use. Copyright © 2020 S&P Dow Jones Indices LLC, a division of S&P Global, Inc. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). None of S&P DJI, Dow Jones, their affiliates or third party licensors makes any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and none shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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.

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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **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%.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

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

1/29/2020 A19869L_vR