



# Artisan Thematic Fund

QUARTERLY  
Commentary

Investor Class: ARTTX | Advisor Class: APDTX

As of 31 December 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 31 December 2019	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTTX</b>	<b>7.49</b>	<b>32.29</b>	<b>32.29</b>	—	—	—	<b>27.32</b>
<b>Advisor Class: APDTX</b>	<b>7.56</b>	<b>32.65</b>	<b>32.65</b>	—	—	—	<b>27.41</b>
S&P 500® Index	9.07	31.49	31.49	—	—	—	14.40

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 (%)	ARTTX	APDTX
Annual Report 30 Sep 2019 <sup>1,2</sup>	1.37	1.17
Prospectus 30 Sep 2019 <sup>2</sup>	1.39	1.19

<sup>1</sup>Excludes Acquired Fund Fees & Expenses as described in the prospectus. <sup>2</sup>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

In Q4, our portfolio modestly trailed the S&P 500® Index but finished solidly ahead for the year and since inception. While security selection weighed on relative returns in Q4, strong stock selection continues to be the main driver of outperformance for the year and since inception. From a theme standpoint, our data monetization theme was our largest contributor to return in Q4 and for the year, followed by meaningful contributions from our network modernization and payments transformation themes. Overall, all six of our current themes contributed positively during the period.

As we've detailed in previous commentaries, our data monetization theme—also our top-contributing theme since inception—is focused on the growth and availability of data driving increasingly critical data analytics tools and systems, like machine learning, artificial intelligence and the cloud. In turn, more companies are attempting to monetize their significant data sets through new products and applications for customers. These companies tend to have license-based, recurring revenue business models, which contribute to higher incremental margins and stickier client relationships—a combination that should lead to structurally higher ROICs and expanding multiples over time.

Among our individual top contributors in Q4 was network modernization theme holding Nvidia. The company is the leading designer of graphics processing units (GPU) for computing platforms with exposure to several end-markets experiencing long-term structural growth—including gaming, data centers and more nascent markets like artificial intelligence and self-driving vehicles. Nvidia's gaming division, which accounts for roughly half of its revenues, has been the dominant contributor to its growth story, but going forward, we expect its data center segment to be a key driver of its success. Nvidia's data center total addressable market is expected to rise to \$50 billion from \$37 billion over the next five years, driven by the accelerating processing needs of data science and the growing artificial intelligence phenomenon. As a result, we expect its data center business to compound at 30% over the next five years, complementing an already strong gaming growth story.

Charter Communications, a network modernization theme holding, also landed among our top Q4 contributors. As the second-largest US cable company, Charter's networks provide a comprehensive platform to easily meet growing bandwidth demands. To be sure, the headwinds from the well-documented cord-cutting trend remain, but Charter has been able to successfully replace cable subscriptions with higher-margin broadband subscribers. Shares rose to all-time highs in Q4 after reporting better-than-expected Internet subscriber growth. Importantly, Charter subscription adds came with higher than average price increases, improving its overall margin profile. The combined picture shows Charter leveraging the benefits of its multi-year investments, setting the company up for outsized operating earnings and inflecting free cash flow margins.

Other top contributors included our digitization of commerce theme holding Global Payments—a top performer for the second straight quarter. As we've discussed in previous commentaries, the commoditization of core offerings in payments processing places an emphasis on scale, leaving acquisitions as a natural strategic maneuver to position for growth and new customers. Global Payments' Q2 merger with Total System Services (TSYS) creates a leader in integrated payment solutions. Given each company's focus on different parts of the payments value chain, the new Global Payments combines a differentiated acquiring business with TSYS's leading credit issuer processing business. In Q4, shares rallied after management reported strong progress with the execution of its TSYS integration and the expectation for additional cost and revenue synergies—guidance that appears conservative relative to other comparable payments deals.

Among detractors in Q4 was our network modernization theme holding Equinix. The company has been a portfolio holding since late 2018 due to favorable tailwinds for highly dense, retail colocation assets and the requirement for more edge computing infrastructure. As the largest provider of collocated data centers in the world, we believe Equinix is well positioned to benefit from the growing demand for data and connectivity. Its accelerating presence abroad, particularly in Europe and Asia Pacific, remains a significant growth driver as those regions are a few years behind the US in cloud adoption. The company's underperformance in Q4 was largely driven by exogenous pressures rather than a change in fundamentals. Despite its Q4 relative underperformance, it remained one of the portfolio's top 2019 contributors.

Other Q4 detractors included IQVIA, a life sciences theme holding. The company is a leader in clinical research and health care data, providing end-to-end solutions for outsourced clinical trial oversight for biotechnology and pharmaceutical companies. The company is disrupting the contract research organization (CRO) space by utilizing data to reduce overall costs and shortening clinical trials completion times. As the largest CRO, it is best positioned given its scale, breadth of data and ability to differentiate itself through increasingly complex clinical trials. Nonetheless, shares underperformed in Q4 after reporting results in line with Street expectations, though with modestly higher associated costs. We exited our investment in IQVIA based on valuations in the context of growth and earnings.

### Portfolio Positioning<sup>1</sup>

As of 31 December 2019, the portfolio consisted of six themes. The largest three themes by weight were digitization of commerce (24.9%), network modernization (23.7%) and automation of the industrial complex (15.2%). At quarter end, we held 36 companies, with the largest 5 holdings comprising 26.1% of the portfolio's net assets. Non-US companies comprised 10.7% of net assets, and the weighted average market cap of the portfolio was \$203.0 billion<sup>2</sup>.

### Portfolio Exposure by Current Theme<sup>1</sup>

Themes	% of net assets
Digitization of Commerce	24.9
Network Modernization	23.7
Automation of the Industrial Complex	15.2
Data Monetization	14.5
Life Sciences	7.0
Industrial Gases	5.3
<b>TOTAL</b>	<b>90.7%</b>

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. <sup>1</sup>% 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 14.1% of net assets. Statistics shown exclude ETFs and ETF options, which represented 0.0% and 0.0% of net assets, respectively. <sup>2</sup>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.

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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 2019: NVIDIA Corp 4.0%, Charter Communications Inc 1.9%, Global Payments Inc 3.0%, Equinix Inc 1.0%. 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 obtained from various data sources and intended to provide a general view of the portfolio, or Index, at a point in time. Artisan Partners excludes outliers when calculating portfolio characteristics and may use data from a related security to calculate statistics if information is unavailable for a particular security. 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<sup>®</sup> 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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