Artisan Global Value Fund

QUARTERLY
Commentary

Investor Class: ARTGX | Advisor Class: APDGX | Institutional Class: APHGX

As of 31 March 2020

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Team Overview

Our team has worked together for many years and has implemented a consistent and disciplined investment process. Our team is organized by geographic regions, but within those regions we are generalists who look across all industries. We believe this model enables our analysts to become broad thinkers and gain critical insight across all economic sectors.

Portfolio Management

Daniel J. O'Keefe
Portfolio Manager (Lead)

Michael J. McKinnon, CFA
Co-Portfolio Manager

Justin V. Bandy, CFA
Co-Portfolio Manager

Investment Results (%)

As of 31 March 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTGX	**-29.60**	**-29.60**	**-21.72**	**-4.49**	**-0.41**	**6.07**	**4.50**
Advisor Class: APDGX	**-29.57**	**-29.57**	**-21.59**	**-4.34**	**-0.27**	**6.14**	**4.56**
Institutional Class: APHGX	**-29.60**	**-29.60**	**-21.57**	**-4.27**	**-0.17**	**6.26**	**4.65**
MSCI All Country World Index	-21.37	-21.37	-11.26	1.50	2.85	5.88	2.64

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (10 December 2007); Advisor (1 April 2015); Institutional (17 July 2012). 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	ARTGX	APDGX	APHGX
Annual Report 30 Sep 2019[1,2]	1.25	1.10	1.01
Prospectus 30 Sep 2019[2]	1.28	1.13	1.04

[1]Excludes Acquired Fund Fees & Expenses as described in the prospectus. [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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

The Great Pandemic of 2020

History never repeats itself, but it often rhymes.
–Mark Twain (allegedly)

Unless you lived through the Spanish Flu of 1918 *and* the Great Depression, I think it's safe to say we've never seen anything like this before. But you knew that already. Like most of us here, you are locked down at home, spending your days on Zoom meetings and conference calls with spotty connections and your nights burning through Netflix movies you've already seen. Twice. And hopefully you, like all of us here, are safe and healthy.

From a capital markets perspective, it was the swiftest and most violent selloff in our careers, a span of nearly 30 years which includes the global financial crisis, the dot.com bust, the Asian crisis and a few run-of-the mill recessions sprinkled in between. With 4 days of market declines greater than 5% over a period of just 2 weeks, this was in fact the fastest—which is another way of saying, most violent—bear market in history.

And this makes sense, given the circumstances. Bear markets are a price-discovery mechanism. Typically, a change in the economic environment forces a reassessment of earnings and earnings multiples. History is usually the best guide for price discovery—what happened in previous, similar situations? But in this case, there are few good historical analogs. Most modern economic downturns have been either demand shocks or financial crises. This pandemic has caused a supply shock because an otherwise healthy economy is locked down and businesses are not allowed to operate. Revenues of many otherwise viable businesses will likely go to zero—something we have not seen before in our lifetimes. In other words, it's a run on corporates, not a run on the banks, like we saw 12 years ago in the global financial crisis. And of course, the shock was caused by a novel virus about which there is not yet a consensus regarding its mortality rate or its level of spread across society. In short, we don't know for certain how long this is going to last, nor can we reliably forecast the ensuing recession's depth.

But one thing we do know: This will pass—just like SARS, MERS, the 1918 Spanish Flu and the 1957/58 Asian Flu pandemic. Whether we beat this virus through science—the development of vaccine and therapeutics—or assimilate it through herd immunity, we expect to put it behind us. As we write, there are some encouraging developments on both the vaccine and therapy fronts, but the odds of having a vaccine inside 18 months are very long indeed. And whether most governments' policy of hardline economic shutdown is the best one—as compared to, say, the less strict model used in Sweden—is a fair question, to which we will only have the answer with the benefit and safety of hindsight.

In the 1957 pandemic, GDP contracted 4% in Q4 1957 and 10% in Q1 1958, on an annualized basis. That was at the time the largest peacetime GDP contraction in US history, though the economy was not shut down as it is today. It's therefore reasonable to assume the GDP contraction in Q2 2020 will be far worse. Estimates for GDP declines of more than 30% annualized in Q2 and unemployment of 25% or more seem entirely plausible to us. Note the economy boomed in 1958's remaining quarters after the pandemic ended. We believe the economy will rebound sharply in the wake of COVID-19 as well. Whether it recovers to 2019 levels in 2020 or 2021, we do not know—but it will ultimately recover to 2019 levels and then likely exceed them.

We also know the US government's response—and, to a lesser degree, much of Europe's—has been rapid and unprecedented. This point is not to be underestimated. Within weeks of the pandemic's taking hold in the US, the government passed the CARES Act, a $2tn coronavirus relief package, in a bipartisan vote. Compare this to the fiscal response during the financial crisis which took roughly six weeks after the economy had printed its first quarter of contraction and amounted to only $787bn (the initial tranche; it was later increased to $831bn). Today's fiscal package is the largest peacetime spending in US history, comparable to the cost of fighting World War II as a percent of GDP. And it is not a stimulus per se: It is an income protection mechanism for working Americans and operational support for small business owners.

Consider the CARES Act's unemployment portion. Unemployment insurance in the US is a state-by-state program, generally replacing about half of individuals' lost income when they hit the unemployment rolls. For example, an unemployed individual in Illinois who was making $50,000 a year ($962 per week) gets a little over $400 a week in state unemployment benefits. There is also an additional benefit of $600, regardless of prior income. In our example, this unemployed individual would go from making $962 a week to receiving a little more than $1,000 a week. Those at lower income levels will see an even bigger increase in weekly income under the CARES Act, depending on their state of residence. For example, someone working 30 hours a week at $15 an hour takes home $450 a week. If they lose their job, the coronavirus relief package will provide them with $600 a week, in addition to their state unemployment benefit. The package also provides a one-time check of $1,200 per adult ($2,400 per couple), plus $500 per child under age 16 based on certain income limitations.

The provisions for small businesses and corporations have similar intentions. Though often referred to in the press as "bailouts" or "stimulus", the dollars allocated to corporations are in fact employment protection. In the case of the airline industry (which employs more than 700,000 Americans), the coronavirus relief provides grants and/or loans to cover employees' wages provided they are not laid off. Given industry revenue has gone almost to zero, the airlines will either furlough most of their employees, or they will use the grant money to retain them. Either way, the airlines will not incur the cost to maintain employment levels that cannot be sustained by a zero-revenue environment. Small business provisions have the same logic. The federal government is providing small businesses loans to cover their payrolls during the pandemic. If the

loans' recipients maintain their employee levels near pre-pandemic levels, the loans are forgiven.

We believe the coronavirus relief package provides significant life support to the economy—to understand why, consider this: A 25% annualized contraction in GDP cuts output by about $1.3tn in Q2, compared to the coronavirus relief package total of around $2tn. And we believe the coronavirus relief is likely to be only the first installment of several fiscal measures. Granted, the fiscal support has risks—though they are likely longer-term in nature. The level of indebtedness governments are assuming to combat the virus is unprecedented in peacetime—and these growing national debts will likely be financed in large part by central bank money creation. For the past decade, the Fed hid its monetary financing behind the fig leaf of only purchasing government securities in the secondary market. Once it starts buying government issuance directly—which will probably be necessary, given the amount of issuance—the leaf will be off the fig, so to speak. Just months ago, the idea of unrestrained deficit spending financed by central bank money creation was a fringe idea known as Modern Monetary Theory. That fringe theory may have just become policy, and nobody has any idea how well or badly it will work.

How does one value businesses in this environment? To a degree, equity investing is now a lot like credit investing in the sense that the question of survival is paramount. Many of the businesses in our portfolio will experience dramatic falls in revenue during Q2 and will only then begin slowly recovering. In some cases, revenue declines will be 90% to 100%. We have stressed all our companies' revenue, costs, balance sheets and liquidity for this type of environment. In some cases, we are assuming almost zero revenue for Q2. Of course, not all companies will experience similar declines in revenue and profits as some are relatively insulated, while others will fare much worse. In addition and depending on the company, we must also attempt to factor into our scenarios the meaningful impact of government fiscal support.

It sounds a bit like flying blind—and it is. But equity investing is always like this—only, sometimes you know it, and other times you don't. Three months ago, unemployment was at multi-generational low, economic growth was strong, and corporate earnings were robust: The skies supposedly looked clear ahead. But that view was actually in the rear-view mirror, and we flew right into this hurricane. Now that we are in the eye of the storm, it may feel impossible to see any clearing ahead—but it will clear. And we believe strong, well-capitalized businesses acquired at attractive prices relative to reasonable estimates of historical and future normalized earnings power will generate attractive returns from here.

Portfolio Review

This quarter notched the portfolio's worst absolute and relative performance in its more than 10-year history. The largest detractors from performance were our bank holdings—Citigroup, Wells Fargo, Lloyds and ING—down an average of 50%. Our next-largest detractors were Carnival Cruise and Expedia.

We purchased Carnival only last quarter, and we have exited the position. As you may recall, Carnival is the world's leading cruise-line operator, and the cruise industry is (or perhaps, was) a very attractive one with good growth prospects and attractive returns. As part of our initial analysis, we stressed the downside scenarios for earnings based on historical recessions, from which Carnival always recovered and subsequently reached new earnings records. We never contemplated a scenario in which Carnival would be forced to cease operations, which is effectively what came to pass. And because of its relatively high and inflexible fixed cost base, Carnival will generate large operating losses and accumulate meaningful debt levels until the economy begins normalizing. As a result, our estimate of fair value was impaired, and we sold our shares at a large loss.

Our bank holdings declined on the expectation of pain to come. Going into this crisis, each of the four was trading at single-digit earnings multiples and below or near book value. They are each well-capitalized—with capital levels multiples of what they were going into the global financial crisis—and maintain ample liquidity to weather an extended period without incremental funding. In addition, their loan books are seasoned and what we would call "plain vanilla." It didn't matter. The fear of impending credit costs has raised concerns about the ability to absorb losses and the potential for equity dilution—which has driven valuations to levels in some cases even lower than during the global financial crisis. Is this warranted? Let's examine Citigroup as an example.

Citigroup's loan book is a mixture of prime credit card lending (25% of lending), mortgages (12%) and large corporates' lending (56%.) Citi has enormous earnings power relative to its lending book. Its loan book is about $700bn, and its pre-provision profit (i.e., the profit it generates before provisions set aside to cover bad debts) was more than $30bn in 2019 and annualized at about $40bn in 2020 based on Q1's numbers. This means Citi can absorb significant loan losses before it incurs a loss and eats into book value. Specifically, based on 2019 pre-provision profit, it can absorb losses equal to 5% of its loan book, excluding any loss reserves already on its balance sheet. In Q1, Citi provided $7bn for credit costs, most of which was a reserve against future losses. Even after the $7bn charge, Citi remained profitable and generated a 6% return on tangible equity.

How much might it have to set aside, and will those losses eat into book value and require more equity capital? That's the trillion-dollar question. Every year, the Fed stress tests the banks it supervises for severely adverse economic scenarios (i.e., rapid GDP decline of about 10% followed by a slow recovery). Under such a scenario, Citi is estimated to suffer loan losses of about $47bn, or nearly 7% of its loan book. After the provision taken in this year's first quarter, Citi has a loan loss reserve of $23bn—about half of what would be required under the severely adverse scenario. Assuming quarterly pre-provision profit of $7.5bn (compared to $10bn in Q1), Citi could

absorb those additional provisions over the rest of fiscal 2020, resulting in a roughly breakeven result the rest of this year.

Of course, it could be worse than this—Citigroup's current valuation of about 50% of tangible book implies it will be. GDP will probably fall more than 20% at an annualized rate in Q2 but should do better than that in the second half of the year as the economy moves slowly out of lockdown. Will it average out to a more than 10% decline for the full year? It very well might, but there is a significant mitigating factor in the $2tn coronavirus relief that was not contemplated in the Fed's stress test and which should help offset at least part of the GDP decline in excess of the base assumption.

Another of our largest detractors in Q1 was Expedia. Expedia is one of the world's largest online travel agencies (OTAs). The company is at the center of the storm. With travel basically at a standstill, Expedia's revenues are likely near zero.

There is no doubt this will be a difficult year for Expedia. It will lose money, consume cash and likely fully utilize its balance sheet. Fortunately, Expedia has a flexible cost structure which mostly consists of online advertising and can be quickly scaled down. The company entered the crisis with a net cash balance sheet and significant liquidity—a combination which should enable them to survive a period of very low levels of travel demand.

Expedia's business should be well-positioned after the crisis. This is a fundamentally attractive industry—with secular growth and only a few players. We believe the OTAs will be more even more important to the hotels, who will be scrambling to fill rooms.

We think Expedia's valuation is attractive. In 2019, it earned $2bn in adjusted free cash flow, a level we believe will be recovered within the next couple years. The market cap is currently $8bn.

There were not that many bright spots in the portfolio this quarter. We only had one stock that was up: Progressive Insurance. Progressive is one of the US's largest auto insurance companies. Auto insurance is an indirect beneficiary of the pandemic. The shelter-in-place orders have resulted in fewer cars on the road and therefore fewer accidents—creating a very profitable underwriting cycle.

Other outperformers include those stocks that merely declined by 10% to 20%, rather than 30% to 50%. This group includes companies such as Oracle (-8%), Alphabet (-13%), Samsung Electronics (-19%) and Tesco (-16%.) Tesco should in fact be a beneficiary of the crisis. As the UK economy is locked down, residents will eat at home more, boosting all grocery store operators' sales. In addition, this spike in demand will certainly result in less discounting within the industry. Price promotions are used to drive foot traffic and stimulate demand, and in this environment, there is no shortage of either. However, Tesco is facing rising costs to meet this demand, and it remains to be seen if rising revenue will translate into rising profits this year. But in an economy where most businesses are collapsing, merely holding steady is a huge victory.

Oracle, Alphabet and Samsung will likely not benefit from the crisis in the same way as Tesco. Their share prices held up in Q1 because they will likely remain strongly profitable, generate good free cash flow and have strong balance sheets.

We were active during the quarter. We drew down our cash to record-low levels, investing across existing names as well as four ones: Southwest Airlines, Compass Group, Visa and Berkshire Hathaway.

Southwest is the largest low-cost carrier in the world, operating almost exclusively in the US. The US market is highly consolidated, with four main participants, all of whom are focused on margins and returns. Southwest has a long track record of cash-flow generation and good returns on capital—which will come to an end when Southwest reports Q2 results. The airline industry is effectively grounded due to the pandemic, and Southwest could see revenue down as much as 90%. Our thesis in a nutshell is the industry will improve gradually from here. People will fly again, and we believe Southwest has the balance sheet and financial strength to survive this crisis and thrive on the other side. Southwest entered the downturn with a net cash balance sheet, significant untapped liquidity and billions' worth of unencumbered aircraft. Our stressed scenario assumes revenue down about 60% this year and a slow rebound to 2015/2016 levels of revenue and profitability by 2022. The stock sells for about 6-7X our estimate of normal EPS.

Compass is the world's largest contract catering business, and our long-term investors will recognize this as a name we have owned before. Compass operates onsite food service for corporations, health care, academic and sports and leisure facilities. There is a secular shift to outsourced providers such as Compass, and Compass is the largest and best such operator in the world. Compass has long been a steady grower due to a favorable industry backdrop and an excellent management team. Just a few months ago, these characteristics justified a multiple of about 25X earnings. But the pandemic will hit Compass hard. Many parts of its business will see revenue declines of 100%. Universities are closed, corporations are shut down, and sporting events are cancelled. These declines will hit Compass' earnings this year, and it is possible Compass will earn very little profit in 2020. However, we believe the business will start recovering slowly in the second half of 2020 and into 2021. We estimate we paid about 10X-12X recovered earnings and that Compass will again be valued at 20X earnings or more.

Visa is the largest payment network in the world. The business has a long growth runway underpinned by the transition from cash to electronic payments, which are currently just 55% of personal consumption expenses. Visa also benefits from the growth in e-commerce, where its network's usage rate is 3X higher compared to in-person transactions. The business has been highly profitable with

excellent returns and cash generation. The balance sheet and capital allocation are excellent.

Visa is not immune to the pandemic. Overall retail spending is down, and this will impact Visa's business. The decline in international travel will result in lower cross-border spending, a valuable source of revenues. While Visa's revenues might decline this year, we expect the business to remain profitable and continue to generate cash.

We estimate we paid ~20X earnings, which we believe is a very attractive price for this business with a wide moat, great economics and long-term double-digit earnings growth.

Berkshire is one of the world's largest industrial conglomerates. This is a well-known company that checks all our boxes. Berkshire is essentially a collection of cash-generative businesses, with a flush balance sheet, and run by one of the world's best investors. It can be thought of in three parts: industrial businesses, insurance businesses and a $280bn investment portfolio. The investment case here is simple: This is a well-capitalized conglomerate that was trading at a discount to intrinsic value. In addition, the business had a roughly $120bn cash hoard on the balance sheet that was available for Warren Buffet to deploy in what we believe is an attractive market environment. We estimate we paid 14X look-through earnings.

We exited a few positions in Q1 as well. We had been selling our remaining small stakes in Bankia, Bharti and Royal Bank of Scotland even before the crisis and exited them completely in the quarter. The reasons for our exit range from a variety of issues over the past year—including poor execution (RBS), meaningful deterioration in the regulatory environment (Bharti) and sustained low European interest rates which make it impossible to earn an acceptable ROE (Bankia). We also sold our shares in Nestle—a decision worth exploring.

Nestle is one of the few businesses that will hold up well during the crisis. People will continue to eat and drink water and coffee, and Nestle's earnings are unlikely to decline. In the near term, Nestle has outperformed the market and likely will continue to do so until the crisis is over and investors have clear line of sight to economic normalization. It may therefore seem counterintuitive for us to have sold it. It feels reassuring to own a steady business like Nestle when the world feels like it's coming apart in the same way it feels reassuring to hold cash. But when the environment starts improving—and it will improve—owning Nestle at 25X earnings with very little growth will probably feel as uncomfortable as owning Citi and Compass Group today.

And that in a nutshell partly explains not only our recent underperformance, but also our excitement. We are not focused on near-term relative performance—and this is painful in the near term. But we are accumulating shares in businesses that are suffering significantly from the pandemic and at prices that imply no recovery on the other side. We believe the returns that can be earned from these levels in many of these beaten-down securities are very attractive. The overall portfolio discount is the widest it has been since the financial crisis. We are in the eye of the storm, and for a week or two in March, it felt like the world was ending and stock prices had no floor. But we expect that this, too, shall pass, just as it did in 1918 and in 1957.

We appreciate your support. We are invested heavily alongside you. We look forward to reporting back in the months and years ahead as the world returns to a more normal state.

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.

Current and future portfolio holdings are subject to risk. 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.

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This summary represents the views of the portfolio managers as of 31 Mar 2020. 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. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Mar 2020: Samsung Electronics Co Ltd 5.1%, Oracle Corp 4.0%, Alphabet Inc 3.4%, Citigroup Inc 2.7%, The Progressive Corp 2.7%, Southwest Airlines Co 2.6%, Expedia Group Inc 2.5%, Tesco PLC 2.3%, Lloyds Banking Group PLC 2.1%, Compass Group PLC 1.9%, Alphabet Inc 1.6%, Wells Fargo & Co 1.1%, ING Groep NV 1.1%, Visa Inc 1.0%, Berkshire Hathaway Inc 0.9%. 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. This material does not constitute investment advice.

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Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Adjusted Free Cash Flow** is free cash flow normalized for economic cycles. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Return on Tangible Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders tangible equity. **Tangible Book Value** is a measure of a company's shareholder equity after removing any intangible assets.

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

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