Artisan Value Fund

QUARTERLY
Commentary

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

As of 30 September 2020

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 30 September 2020	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	**8.29**	**-7.80**	**0.35**	**2.51**	**9.48**	**9.05**	**6.20**
Advisor Class: APDLX	**8.41**	**-7.62**	**0.54**	**2.69**	**9.65**	**9.14**	**6.26**
Institutional Class: APHLX	**8.39**	**-7.53**	**0.64**	**2.77**	**9.73**	**9.29**	**6.36**
Russell 1000® Value Index	5.59	-11.58	-5.03	2.63	7.66	9.95	6.02
Russell 1000® Index	9.47	6.40	16.01	12.38	14.09	13.76	9.10

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
Semi-Annual Report 31 Mar 2020[1]	1.06/—	0.91/0.88[2,3]	0.82/—
Prospectus 30 Sep 2019[3]	1.07/—	0.94/0.89[2]	0.85/—

[1]Unaudited, annualized for the six-month period. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2021. [3]See prospectus for further details.

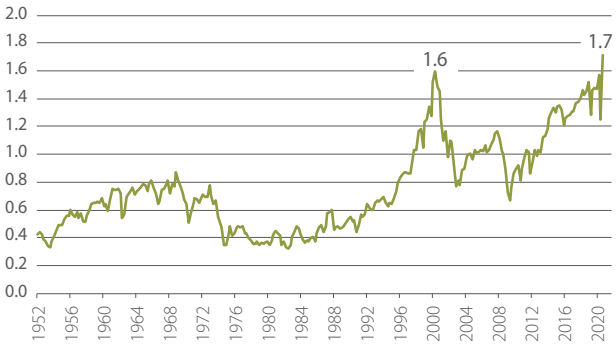
Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance.

Investing Environment

Equity market momentum carried over from Q2's rapid reflation as summertime brought a modest reopening of economic activity across the US. With the return of business operations, albeit not to pre-pandemic levels, we started to get a clearer picture of earnings after a period where there was effectively no guidance and the economy was in free fall. Sell-side analysts translated the new information into upwardly revised earnings estimates over the first couple months of Q3. As the equity rally continued, however, it became clear market leadership was narrowing. Ultimately, a few large-cap tech stocks powered headline indices. The top 5 contributors in the Russell 1000® Index's Q3 returns accounted for 33% of the total performance: Apple, Amazon, Tesla, NVIDIA, Facebook. Number 6 on the list was Berkshire Hathaway. This phenomenon implies increasing dispersion of returns within our investable universe. Prospectively, this is fertile ground for stock-pickers like us.

Of course, while earnings improved and forecasts moved up, so too did valuations, even if underlying macroeconomic conditions didn't improve materially. Valuations relative to the economy are robust. The ratio of US stocks' total market capitalization to GDP reached 1.7X—the highest on record—as shown in Exhibit 1. The next highest level was 1.6X, established at the height of the dot-com bubble. Simply, the markets are historically rich relative to economic output, which reflects in part investor willingness to look forward through the trough to a post-pandemic world.

Exhibit 1: Market Cap to GDP



Source: Artisan Partners, U.S. Bureau of Economic Analysis, Board of Governors of the Federal Reserve System (US). Note: From the Z.1 Financial Accounts of the US; Nonfinancial Corporate Business; Corporate Equities; Liability, Level [NCBEILQ027S] calculated as a share of Gross Domestic Product, quarterly, as of 30 Jun 2020.

To what might we attribute these elevated multiples? Certainly, fiscal and monetary policy decisions have added liquidity and supported financial markets. But while the Fed can lead the horses to water, it can't make them drink. Pandemic restrictions meant drought conditions for summertime entertainment—no theaters, no beach parties, no professional sports or concerts. So thirsty were people for action, they slaked themselves on the ample liquidity and cheap retail brokerage accounts. You only live once (YOLO) trading—make-it-or-break-it moonshot bets, usually made via call options—was just one example of how social media and fintech collided with idle capital to drive a flurry of speculative activity and boost prices. And as it turns out, large institutional investors like Softbank were making the same basic trades, amplifying the trend.

In this context, we have high conviction that our process—our demand for a margin of safety and probabilistic approach to outcomes—has positioned the portfolio well for long-term compounding.

Performance Discussion

The Russell 1000® Value Index returned 5.59% in Q3, with every sector except energy and information technology generating a positive total return. Consumer discretionary, materials and industrials led the index. When these procyclical sectors lead, it's fair to say investor risk appetite is healthy.

Within the leading sectors, consumer discretionary rebounded in those areas most affected by the pandemic: hotels and restaurants, auto components and Internet retail. In materials, the leaders were construction materials and chemicals. Air freight and logistics, building products, and machinery were the top performers for industrials. Binding these leading industry segments together was the improving consumer outlook. Interestingly, the lagging sectors, energy and technology, are also cyclical.

Our portfolio outperformed notably in Q3, not only due to strong stock picking in the industrials and information technology sectors, but also due to a below-benchmark weighting to the energy sector. Holdings in the health care and consumer staples detracted from relative returns. As stock pickers, we view sector allocations merely as the byproduct of our fundamental research and rigorous stock-selection process. At times, our bottom-up approach benefits sector allocations, as it did by being underweight energy.

Global shipper FedEx was the top contributor in Q3, returning 80% in just 90 days. Surging demand for at-home deliveries during the pandemic has boosted volumes and allowed management to push through price increases, keeping competitive with industry peers. The industry's renewed pricing discipline is a welcome change, reflecting a broader commitment to earn better returns on invested capital. FedEx is also closer to fully integrating TNT, a European-focused parcel company it acquired in 2015. The market is beginning to incorporate a higher probability FedEx will fully integrate TNT, which will provide a significant boost to profits. Despite a significant re-rating of the business over the last 90 days, FedEx remains attractive based on our margin of safety criteria.

Car dealer AutoNation has seen profit recover swiftly after the business faced dramatic headwinds in the first half of 2020, making it a top contributor in Q3. Our research indicates consumers will service their vehicles regardless of economic conditions, which has proven true in this cycle again, as AutoNation's high-margin parts and service business remains a steady profit contributor. US new and used car

sales volumes have been rebounding rapidly, which has also contributed to AutoNation's bottom line. At the same time the business is regaining its footing on the top line at the same time management is controlling costs with a renewed rigor. The market is revaluing the business higher now that management is being more disciplined on margins, and we are glad to see a long-tenured holding show improved business results despite generally weak economic conditions. We continue to believe the business has an undemanding valuation, a healthy financial profile and strong cash-generation capabilities, which is why AutoNation remains one of the top weightings in the portfolio.

Another notable contributor, conglomerate Berkshire Hathaway (BRK) owes recent success to its stake in tech goliath Apple, a rewarding investment. Additionally, BRK's size and scope to participate meaningfully in a hardening insurance market has supported the valuation. After a quiet Q2 where much ink was spilled questioning whether Warren Buffet would take advantage of the big discounts, Berkshire started to put its cash hoard to work in Q3. BRK disclosed in late August it had taken up stakes in five Japanese "trading houses"—conglomerates in their own right with expansive, diverse holdings across many industries, sectors and geographies. In late September, BRK announced it will part with more cash and invest in publisher E.W. Scripps Co. (SSP), supporting SPP's acquisition of ION Media. BRK's shares in SSP will mark the company's first venture into the media industry since it sold out of the newspaper business in January. Add to that activity BRK's pre-IPO investment in cloud computing platform Snowflake, and the market seemed to sit up and take notice of how Buffet can still creatively deploy capital.

Top detractors in Q3 included Cisco Systems and Citigroup. Shares of networking equipment giant Cisco were battered as small business and commercial customer demand flagged amid the pandemic. Briefly, growth has been disappointing related to macro pressures, and the installed base of customers is delaying upgrades which hurts numbers in the near term. As a result, organic growth is stalling a bit, reflecting the back-and-forth of a company managing its way through a varied landscape.

Global financial services company Citigroup made a $900 million clerical error and received a public reprimand from federal regulators. This, after a decade focused on process control, information technology and risk systems, makes the error substantially more costly than just the $900 million mistake. Regulators believe the company's risk management improvements have fallen short of expectations. Trust and confidence are important in large financial institutions, and this incident combined with the CEO's sudden retirement shook ours. We believe a process and technology spending surge could negatively affect 2021-2022 profits by 10% to 20%.

Another top detractor, not surprisingly, was hydrocarbon exploration and production firm EOG Resources. The energy market is focused on the sharp decrease in economic activity, and according to the St. Louis Federal Reserve, miles-driven in the US is down almost 10% since the beginning of the year. We added to the position on this weakness, but its size in the portfolio remains small as the conditions are so poor for exploration and production right now. But as you often hear about commodities—and for good reason—low prices are often the cure for low prices. Looking out a few years, we prefer the best operators over the highest cost, higher beta ones as the industry adjusts. EOG, we believe, has the right management team, balance sheet and access to low cost reserves to survive.

Portfolio Activity

We purchased shares in the investment behemoth Blackstone Group late in the quarter. In short, this is a long-duration fee stream and robust capital-raising engine. The valuation is undemanding because the market fears its real estate exposure is at risk, despite the fact that it avoids malls and physical retail. Fully one-third of the real estate portfolio is in warehouses, generating positive exposure to the boom in e-commerce and logistics. Sitting on approximately $60 billion in dry powder, this is a best-in-class operator that regularly returns capital to shareholders.

When our holding Raytheon spun off elevator manufacturer and servicer Otis back in Q1, we were left with a very small position. We added to the name during Q3. The business is recurring in nature given the maintenance and regulatory constraints with which building owners must comply. Otis maintains a large installed elevator base—approximately 2 million globally—which it services regularly. The company uses technology, real-time monitoring and predictive analytics to add value to the customer, which should eventually translate into better margin structure. Management does well to balance capital allocation across dividends, debt reduction and share repurchases. The valuation is more of a stretch for us than usual, but the higher business quality accounts for the premium multiple.

We exited ViacomCBS as industry pressures continued to mount with rising production costs and falling viewership in its core broadcast and cable channels. The business is also heavily dependent on sports, and while live sports returned over the summer, viewership is down dramatically which is pressuring ad revenue. It is difficult to let a situation like ViacomCBS go because the sum-of-the-parts and asset value are much higher than the current asking price, but management continues trying to aggressively compete in a rapidly evolving media landscape where we believe it is disadvantaged relative to the competition. Its desire to compete will drive management to reinvest cash flow back into the business where we think there is a low probability of acceptable returns. By reinvesting back into the business, ViacomCBS's financial profile will become more of a burden and decrease our margin of safety to an unacceptable level.

Our biggest trims were Apple and Facebook. It's been noted that it took 42 years for Apple to reach a $1 trillion market cap, and only 5 more months to reach $2 trillion without any incremental earnings growth to speak of. It now trades at a 37X multiple of this year's GAAP earnings. Investors are excited about the move to recurring revenue,

which is now over 20% of the total. We like that, too, but the valuation has reached too far and we reduced the position size significantly.

Similarly, we sold down our Facebook position as the valuation raced ahead of the business, reaching 30X analyst estimates for fiscal year 2020. People continue flocking to social media platforms for their entertainment and break from reality, but the margin of safety has compressed and we re-sized accordingly.

Perspective

One way we assess ourselves is by bucketing the portfolio into three categories: offensive, defensive and value. Offensive positions are ones we expect to perform better in a positive economic environment. Defensive positions are focused in areas that are less sensitive to economic cycles and act more like bond proxies. The value bucket reflects a neutral category and holds the remainder of the names in the portfolio. At the time of writing, the portfolio is essentially evenly split in thirds across the categories. This is a balance we are comfortable with given the wide range of potential outcomes we see. With 37 names in the portfolio, we remain on the hunt for new opportunities.

We devote all our time to researching companies from every available angle, building a bench of cash-producing businesses in strong financial condition. When valuations reach undemanding levels and we are comfortable with the margin of safety, we are agile and opportunistic. We work precisely so we can be very active in these investment environments. This, we believe, is the best way to build a portfolio with a high margin of safety in order to create value for our investors.

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.

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. 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 30 Sep 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. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 30 Sep 2020: FedEx Corp 5.5%, Berkshire Hathaway Inc 5.0%, AutoNation Inc 3.5%, Raytheon Technologies Corp 2.9%, Cisco Systems Inc 2.8%, Facebook Inc 1.9%, Apple Inc 1.4%, EOG Resources Inc 1.4%, Citigroup Inc 1.3%, Otis Worldwide Corp 0.9%, The Blackstone Group Inc 0.5%. 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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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. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **Generally Accepted Accounting Principles (GAAP)** are the common set of accounting principles, standards and procedures that companies use to compile their financial statements. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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