Artisan Focus Fund

QUARTERLY
Commentary

Investor Class: ARTTX | Advisor Class: APDTX | Institutional Class: APHTX

As of 30 September 2020

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 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTTX	**9.89**	**13.28**	**21.76**	**22.48**	—	—	**25.26**
Advisor Class: APDTX	**9.94**	**13.40**	**21.98**	**22.60**	—	—	**25.37**
Institutional Class: APHTX	**9.99**	**13.53**	**22.03**	**22.57**	—	—	**25.34**
S&P 500® Index	8.93	5.57	15.15	12.28	—	—	12.87

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); Institutional (3 February 2020). 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	ARTTX	APDTX	APHTX
Semi-Annual Report 31 Mar 2020	1.31	1.14	1.06
Prospectus 30 Sep 2019[5]	1.39	1.19	1.10

[1]Unaudited, annualized for the six-month period. [2]Excludes Acquired Fund Fees & Expenses as described in the prospectus. [3]Unaudited, for the period from commencement of operations 3 Feb 2020 through 31 Mar 2020. [4]Includes estimated expenses for the current fiscal year. [5]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

As a team, we remain committed to delivering superior risk-adjusted returns through a variety of market conditions. The first three quarters of 2020 have certainly been a good litmus test, and our results have demonstrated our ability to effectively navigate these turbulent times. For the quarter ended September 30, 2020, the Artisan Focus Fund (Investor shares) returned 9.89% vs. 8.93% for the S&P 500® Index. This brings our YTD total to 13.28% vs. 5.57% for the S&P 500® Index. Consistent with our history, relative returns were driven by strong security selection as well as sector allocation. Our top individual contributors in Q3 were diverse from a theme standpoint, with representation from three of the portfolio's largest themes. All our current themes contributed positively to returns—with notable strength in transformation of the enterprise, network infrastructure modernization and digitization of commerce.

Investing Environment

One of the questions we've received frequently throughout 2020 is, "Have you raised your valuation multiples to reflect the Fed-induced low interest rate environment in the US?" While this has been a source of considerable debate within the investment community, we have not significantly raised our target price valuation multiples. This decision is the result of our research which suggests that making material changes to valuation multiples to reflect lower interest rates is potentially risky for three reasons.

First, the range of potential valuation outcomes becomes very wide as interest rates near zero. Mathematically, a valuation multiple is a shorthand version of a discounted cash flow (DCF) analysis, so raising a valuation multiple implies the underlying DCF value is higher too. Using DCF analysis on a hypothetical growth stock, we've estimated that the present value may increase approximately 20% if interest rates fall from 5% to 4%, but if interest rates fall from 1% to 0%, the present value may rise more than 100%. Directionally, the story is the same for a hypothetical value stock, but the magnitude is much lower. This math demonstrates why valuation bubbles may form as interest rates approach the zero-bound, particularly for growth stocks, and helps explain why the NASDAQ has significantly outperformed this year. Our investment process is rooted in objective decision-making linked to quantifiable research differentiation, so we don't want to add a material layer of subjectivity to our price targets by constantly adjusting the interest rate in our DCF analysis, particularly now that interest rates are approaching zero and the valuation impact of even a small miscalculation is tremendous.

Second, large increases in present valuation are only justified to the extent that low interest rates are expected to persist forever. While we recognize low rates currently prevail, our conviction that they persist into the future is low because history shows there is no "steady state" for interest rates. Over the last century, we have seen yields on the 10-year Treasury rise from 2% to nearly 16%, only to fall below 1%, where they currently sit. History has proven even long-duration interest rates can change dramatically over time, so we don't feel it's sensible to project today's extreme rate level into perpetuity for valuation purposes.

Third, lower for longer interest rates may have negative implications for long-term economic growth. In Japan for example, interest rates have remained depressed for nearly three decades, and over that time economic growth has been anemic. Given sustained low interest rates coincide with stagnant economic growth, it seems unlikely any business's long-term growth and return on capital trajectory would be unaffected in a world wherein interest rates are perpetually near-zero. This suggests lofty valuation multiples may not be warranted if interest rates remain low forever as perpetual growth rates likely need to be revised lower, even for companies growing strongly today. Said differently, stocks may not command a significantly higher valuation multiple, even if we accept low interest rates are here to stay, because the positive effect of lower interest rates will likely be mitigated somewhat or fully by the lower perpetual growth rates.

To summarize, we believe the bar for significantly expanded valuation multiples is much higher than many investors realize; as such, we have not adjusted our investment process to reflect the current low interest rate paradigm into perpetuity. Rather, our process is focused on finding stocks whose potential to re-rate is grounded in industry inflection points, accelerating revenue growth, quantifiable upward earnings revisions and sustained return on invested capital (ROIC) expansions—all of which make investors reevaluate and potentially revise higher the multiples they are willing to pay for a stock in the future on the basis of stronger industry and company-specific fundamentals.

Theme Developments

Across themes, the most notable change was the further buildout of our automation of the industrial complex theme. Given growth stocks' strength in 2020, we've sought to create a more balanced portfolio through increased exposure to cyclical areas of the market. Now the portfolio's largest theme, automation of the industrial complex focuses on logistical productivity as a result of technological advancements in automation and connectivity—a combination likely to lead to an inflection for old economy sectors and verticals. While investors have traditionally expected limited through-cycle growth from these segments, we believe increased efficiencies and better asset utilization should lead to lower capital intensity and higher returns on invested capital. On the frontlines of this change is the shipping and transportation industry. The COVID-19 pandemic has caused consumer expenditures to dramatically shift away from services and toward consumer goods, led by an increase in e-commerce activity. As a result, we've directed our exposure toward freight and parcel delivery companies, which are benefiting from a scarcity of delivery capacity in both express and ground networks. While some of this COVID-related tailwind is likely temporary, much of

it will be structural as these businesses focus on pricing and internal optimization over market share—a dynamic that should introduce opportunities for acceleration, earnings differentiation and multiple re-rating.

We have also introduced exposure to US freight-hauling railroads as part of this theme. Rails remain some of the most under-optimized assets in the world, and the old approach of maximizing individual train performance is being replaced by a network optimization approach known as precision scheduled railroading (PSR). With freight volumes expected to cyclically accelerate through the first half of 2021, record tightness in the truckload market should amplify pricing into 2021 for US railroads, further benefiting our position.

Portfolio Positioning

As of September 30, 2020, the portfolio consisted of seven themes. The largest themes by weight were automation of the industrial complex (21.9%), transformation of the enterprise (20.1%), network infrastructure modernization (18.9%), digitization of commerce (16.0%) and data monetization (15.8%). At quarter end, we held 33 companies, with the largest 5 holdings comprising 31.8% of the portfolio's net assets. Non-US companies comprised 8.0% of net assets, and the weighted average market cap of the portfolio was $264.9 billion.

Looking Ahead

We are very excited about our current portfolio—our price targets have compelling upside, not because we're relying on extreme valuation multiples to reflect a current or future zero-bound interest rate environment, but rather because we're employing our repeatable research process with gusto. History has taught us there are attractive risk-adjusted investment ideas to be found in any environment, even when portions of the market become bubbly or otherwise extreme—though sometimes, you have to work harder to find them. We pride ourselves on working as hard as it takes to deliver value to you, our partners.

Portfolio Exposure by Current Theme[1]

Themes	% of net assets
Automation of the Industrial Complex	21.9
Transformation of the Enterprise	20.1
Network Infrastructure Modernization	18.9
Digitization of Commerce	16.0
Data Monetization	15.8
Sustainable Retail Formats	7.7
Life Sciences	2.6
TOTAL	**103.1%**

Source: Artisan Partners. [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 6.6% of net assets.

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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.

Current and future portfolio holdings are subject to risk. 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.

This commentary represents the views of the manager as of 30 Sep 2020 and do not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

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S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. NASDAQ Composite® Index measures all Nasdaq® domestic and international based common type stocks listed on The Nasdaq Stock Market® (Nasdaq). This index is ordinarily calculated without regard to cash dividends of the index securities. Oversight responsibility for the Index, including methodology, is handled by NASDAQ OMX.

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. 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.

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. Exposure Pct Assets represents the portfolio's exposures based on the economic value of investments (including delta-adjusting options exposures). Delta-adjusted options exposure is a measure of the market exposure created by the options and accounts for the sensitivity of options to changes in price of the underlying security. In comparison, measuring the exposure of an option at the market value of the option or notional value can understate or overstate, respectively, the economic exposure and risk. This estimate of portfolio exposure is only an approximation of the portfolio at a point in time.

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. **Weighted Average** is the average of values weighted to the data set's composition. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Discounted cash flow** (DCF) is a valuation method used to estimate the value of an investment based on its expected future cash flows. **Earnings Growth Rate** is the annual rate at which a company's earnings are expected to grow. 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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