Artisan US Value Equity Fund

QUARTERLY
Commentary

Artisan Partners Global Funds plc

As of 30 September 2019

For Institutional Investors Only — Not for Onward Distribution

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 2019	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Class I USD—Inception: 07 Jun 2013	**1.64**	**19.63**	**-2.39**	**7.90**	**6.26**	—	**7.23**
Russell 1000® Value Index (USD)	1.36	17.81	4.00	9.43	7.79	—	9.44
Russell 1000® Index (USD)	1.42	20.53	3.87	13.19	10.62	—	12.01
Class A USD—Inception: 30 May 2014	**1.50**	**18.96**	**-3.05**	**7.11**	**5.49**	—	**4.76**
Russell 1000® Value Index (USD)	1.36	17.81	4.00	9.43	7.79	—	7.76
Russell 1000® Index (USD)	1.42	20.53	3.87	13.19	10.62	—	10.51

Annual Returns (%) 12 months ended 30 September

	2015	2016	2017	2018	2019
Class I USD	**-12.38**	**23.08**	**17.38**	**9.64**	**-2.39**

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized.

Past performance does not guarantee and is not a reliable indicator of future results. Performance is NAV to NAV, including reinvestment of dividends and capital gains, if any, and is net of fees and expenses, excluding any subscription or redemption charges which may be levied. At the moment, the Fund does not intend to charge subscription or redemption fees. The Fund may be offered in different share classes, which are subject to different fees, expenses and inception dates (which may affect performance), have different minimum investment requirements and are entitled to different services. An investor cannot invest directly in an index.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described on the last page, which should be read in conjunction with this material.

Performance commentary is provided in relation to the Fund's USD share class.

Investing Environment

While the Russell 1000® Value Index finished the third quarter up a modest 1.36%, that overall performance disguises a notable rebound from mid-August, when the index was down as much as 4.86%. Not only were markets pricing the prospect of slowing earnings growth—2019 earnings growth estimates for the S&P 500® Index had fallen 1.50% after being as high as 6.00% in January—but they were also faced with rising geopolitical and macroeconomic risks. Long-dated interest rates plummeted as the 30-year US Treasury bond fell below 2.00% to the lowest yield on record. In such an environment, equity investors reacted as expected, favoring the liquidity of large caps and the relative safety of defensive and interest rate proxy sectors in Q3. In the index, real estate, utilities and consumer staples outperformed. Energy was the worst performing sector as crude oil prices fell, followed by health care and materials.

The degree to which changing interest rate levels are driving sector returns is striking. Year to date, the Russell 1000® Utilities Index is -88% correlated to the 10-year US Treasury yield. It's not a surprise that utilities, with low-but-steady growth and relatively consistent earnings streams, should look more attractive when bond yields are low, but the strength of that historical relationship today far exceeds the -32% correlation over the 10 years since the financial crisis ended.

As interest rates have fallen to record lows, the highly correlated returns for utilities and real estate (another sector highly sensitive to Treasury yields) have dominated index returns. Over the last 12 months, the Russell 1000® Value Index is up 400bps. The utilities sector returned 26.2%, and real estate returned 13.9% over the same period. The defensive consumer staples sector returned 17.0%. Together, these three sectors comprise 21.0% of the index and they contributed 380bps of return. The rest of the sectors collectively produced the remaining 20bps of total return over the last 12 months.

Performance Discussion

Our portfolio outperformed this quarter due to strong stock selection, particularly in the health care, industrials and IT sectors. Perhaps more importantly, we outperformed while avoiding the crowded, trending, low-vol momentum trade that is dominating the benchmark's returns. We have no direct utilities or real estate exposures, and we are notably underweight consumer staples. We have been underweight the defensive and bond proxy sectors for some time, and the correlation of their returns to changes in interest rates is intensifying. And since these sectors occupy better than one fifth of the index, the index itself looks increasingly like a macroeconomic play where investors are necessarily expressing a view on interest rates, whether they mean to or not. As stock pickers, we are highly cautious around stocks with prices influenced more by macroeconomics than by business fundamentals.

In addition to being stock pickers, we are disciplined value investors with three distinct margin of safety criteria: attractive business economics, sound financial conditions and attractive valuations. As of 30 September, the Russell 1000® Value Index was trading at a 15X PE multiple while the Russell 1000® Utilities Index was 16X, the highest level since 2017. With bond proxies rich and getting richer, the individual firms in these sectors generally do not meet our investment criteria. And while the trend toward lower interest rates and historically high valuations seems firmly in place, early September's sharp move higher in Treasury yields offered a useful example of how our portfolio could react when the momentum trade ends.

Technology behemoth Alphabet was among our top contributors to relative returns in Q3. Earlier in the year, Alphabet's revenue growth rate disappointed investors, but recent quarterly results restored confidence. Realistically, we anticipate growth to slow at some point in the future; value comes in more forms than just a low earnings multiple. For example, we are not paying a premium multiple on cash flows to own Alphabet relative to the market. And for a business that is growing organically more quickly than the broad market, and one that maintains a strong net cash position, this represents a value opportunity. Management is also stepping up its return of capital to shareholders via more aggressive share repurchases, which we view as value-enhancing.

Consumer electronics giant Apple was another top contributor in Q3. Since rising trade war tensions walloped the stock in early August, prices have recovered smartly. In addition, any concerns over the iPhone 11 launch were allayed as the product was well-received in September. We continue to appreciate Apple's cash-generating capabilities, sound balance sheet and ability to innovate existing hardware products while growing services revenues.

It's not uncommon now for large, diversified and mature technology companies to screen well on our margin of safety criteria, even if the media and market still liken them to the growth-oriented startups they once were. Let's take our 2 top contributors, which are both among our top 10 holdings by size, as examples of how these types of firms fit within our value investing style.

Today, Apple is a mature, cash-generating business with a dominant industry position, an iconic global brand, a clear strategy for creating new revenues in services and what we believe is a superb balance sheet. We have held Apple in the portfolio since Q2 2011. At that time, our opportunity to invest in Apple came about as its share price had not kept up with its dramatic earnings growth and cash build over the prior few years. Consequently, Apple's price-to-earnings multiple contracted from roughly the low 30Xs in the years leading up the global financial crisis to near 15X at our time of purchase. Following sharp price gains and slowing growth, sentiment weakened in late 2012, and shares fell through the first half of 2013. The stock went from a growth investor darling to relatively un-loved in the span of a year. But we don't think much really changed for the business. Apple has a dominant position in smartphones and tablets, but it also has its own proprietary operating system. Apple sells at a low double-digit multiple based on our view of normalized earnings. Thus, we were able to buy a

premier brand with strong business economics and a stellar balance sheet at a discounted valuation.

Similarly, Alphabet is a massive, diversified technology conglomerate and its main brand, Google, is a leading global online advertising company. Google has a dominant share of online search, is one of the top consumer brands worldwide, consistently generates strong returns on equity and sports a healthy net cash position. Like consumer electronics giant Apple, Google may seem an odd pick as a value investment due to its remarkable growth over the past decade. Yet like Apple, Google's share price has not kept up with its earnings growth and cash accumulation. In fact, over the 5 years prior to our purchase of shares in December 2014, the valuation (one-year forward PE) compressed from about 26.00X to as low as about 13.00X, as earnings per share grew 2.25X. Cash on the balance sheet was also up approximately 2.50X. To be sure, there are near-term concerns about deteriorating global macroeconomic conditions and longer-term worries about competition from social media players, but the company's long-term fundamentals look strong to us. We think we are purchasing the dominant search business at a discount and getting the rest of the company (Android™ mobile operating system, YouTube™, etc.) for free.

AutoNation, a US automobile retailer, was also a top contributor in Q3. Distinct from the cyclical pressures globally, the US car market is in a relatively better position. AutoNation's advantage is in its variable cost model. The predictable, high-margin parts and service business is growing. 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.

Multimedia giant CBS was our top detractor in Q3. While scale advantages and synergies can result in some cost savings, the Viacom-CBS merger is weighing on the valuation. We like that the deal was executed at no premium and expect the combined company's free cash flow to hold up better than the market anticipates. Viacom's movie studio business is undervalued inside the combined company, we believe, and could unlock value for shareholders should profits at the studio continue to improve.

Global shipping and logistics firm FedEx was a top detractor in Q3. Concerns over how global freight volumes may be affected by several yet-unresolved trade disputes continue to pressure the industry. The market has been especially hard on FedEx as it struggles to integrate operations with TNT, a Dutch logistics firm it acquired in 2016. We continue to believe FedEx has a durable franchise, particularly with its domestic US ground-based delivery operation, and should trade for a higher multiple over time, which is why we added to the position.

Portfolio Activity

We added two names to the portfolio in Q3: Altria and E*TRADE Financial.

Altria is a US-based tobacco company focused on cigarettes. That these stocks are out of favor may seem obvious, but it's not for the health-and-wellness reasons you might expect. Altria shareholders enjoyed nearly uninterrupted success from 2009 to 2017. Events in 2018 and 2019 have cut the share price almost in half from its all-time high. More recently, the weakness compounded thanks in part to a failed merger with Philip Morris, but also due to 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. Altria also owns 10% of Anheuser-Busch InBev. Using a sum-of-parts approach, we believe the market is giving us a large margin of safety to purchase the extraordinary cash-producing capabilities of Altria's core cigarette and chewing tobacco segments.

E*TRADE Financial, an online brokerage, is a best-in-class operator in a rapidly evolving industry. Fee pressures and new competition from Silicon Valley are shaking up the competitive landscape and creating opportunities to own underappreciated assets. In particular, E*TRADE's corporate stock plan business is hardly recognized in the valuation, and management believes it has long-run potential to grow EPS at double-digit rates. We would rather see management focus on a credible roadmap through 2021 that would provide proof of concept for their longer term, double digit EPS growth ambitions. We think the strategic value of the core platform, the large cost savings potential in a merger, and the undervalued corporate services business make E*TRADE a good target for a strategic acquisition in an industry ripe for consolidation.

Among Q3's sales were Apache and Cardinal Health.

Apache has tied its long-term prospects to the price of domestic natural gas, a figure that has been in steady decline for many years due to oversupply. Despite having a long ownership history in the company, we sold our position with the intention of allocating capital to businesses that have more control over their destinies.

Cardinal Health's C-suite turnover and poor performance didn't hinder a recent spate of buybacks, dividends and debt reduction. However, this turnaround story has materially deteriorated. The market structure is such that the business does indeed enjoy duopoly status, and the returns and cash flow are high. But the steady erosion of margins and growth prospects have compressed the multiple to single digits. Management is going to need at least a three-year runway, and that's under the optimistic assumption that the current team has the right plan and can execute. We do not have that confidence; simply waiting for multiple expansion isn't a viable strategy.

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 look 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

Investment Risks: 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. These risks, among others, are further described in the Fund Documents.

Further details, including risks, fees and expenses, are set out in the current Prospectus, Supplements and Key Investor Information Documents (KIIDs), which can be obtained by calling +44 (0) 20 7766 7130 or visiting www.artisanpartnersglobal.com. Read carefully before investing.

This summary represents the views of the portfolio managers as of 30 Sep 2019. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. The holdings mentioned above comprise the following percentages of the Fund's total net assets as of 30 Sep 2019: Alphabet Inc 5.3%; Altria Group Inc 2.9%; Apple Inc 5.2%; AutoNation Inc 3.4%; CBS Corp 2.3%; E*TRADE Financial Corp 2.2%; FedEx Corp 3.1%; 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.

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