Artisan Global Value Fund

QUARTERLY
Commentary

Artisan Partners Global Funds plc

As of 30 June 2020

For Institutional Investors Only — Not for Onward Distribution

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 30 June 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Class I USD—Inception: 01 Mar 2011	**15.82**	**-18.16**	**-12.39**	**-1.23**	**2.57**	—	**6.83**
MSCI All Country World Index (USD)	19.22	-6.25	2.11	6.14	6.46	—	6.88
Class I EUR—Inception: 14 Dec 2015	**13.81**	**-18.24**	**-11.30**	**-0.67**	—	—	**3.51**
MSCI All Country World Index (EUR)	16.47	-6.31	3.54	6.68	—	—	8.36
Class I GBP—Inception: 14 Jun 2016	**16.15**	**-12.43**	**-10.15**	**0.45**	—	—	**7.60**
MSCI All Country World Index (GBP)	19.64	0.51	5.18	7.92	—	—	13.20
Class A USD—Inception: 06 Aug 2013	**15.62**	**-18.48**	**-13.13**	**-2.07**	**1.70**	—	**3.26**
MSCI All Country World Index (USD)	19.22	-6.25	2.11	6.14	6.46	—	7.02

Annual Returns (%) 12 months ended 30 June

	2016	2017	2018	2019	2020
Class I USD	**-3.25**	**21.80**	**5.88**	**3.88**	**-12.39**

Source: Artisan Partners/MSCI. 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.

Market Overview

Like everything else these days, the stock market is all about the pandemic. It rises and falls day to day based on answers to the key questions: How are cases trending, and what does hospital capacity look like? What is the actual infection fatality rate, and is it rising or falling? Are new therapies working and what state of reopening—or re-locking down—are we in? And of course, when will we have a vaccine?

I was about to write that the market can't recover until the answers to these questions point to all clear ahead. Or rather, the stock market can't recover until the economy does, and it remains deeply depressed. But that isn't exactly true. If your name is Amazon (up more than 50% since the declaration of a pandemic on March 11) you may be wondering what is wrong in the world. Same for Tesla (up 70% over the same time period) and Netflix (up 30%). Indeed, the S&P 500® Index, driven by growth stocks largely untouched by the pandemic, is at about the same level as it was before the pandemic. A portfolio of tech stocks will have returned about 30% year to date, 35% over the past year and more than 20% compounded over the past five years. Crisis? What crisis?

But things feel much different from most other vantage points. Banks are taking massive credit provisions for bad loans. Airlines are largely grounded. The aerospace industry is shut down. Hotels are mostly shuttered. Railroads are moving fewer goods. The oil price remains down by half versus its pre-pandemic peak and large parts of the oil complex are bleeding red ink. Indeed, there is a huge swath of the stock market and the economy that remains buried under the rubble of the pandemic.

Just ask Warren Buffett. Hailed in the popular press for decades as the most successful investor of all time, Buffett is now said to have lost his touch. His holding company Berkshire Hathaway is chock full of "old economy" businesses—such as insurance and manufacturing and railroads and energy—which are collectively suffering in the current recession. As I write, Elon Musk's net worth is said to have exceeded Buffet's due to the ever-rising share price of Tesla and the sinking share price of Berkshire Hathaway, which is down more than 20% from its peak and hasn't done anything for the past few years. Tesla stock is up 50% in just the past month and trades at about 11X revenue, though the business barely makes a profit. We would note that Berkshire Hathaway trades at about 12X trailing earnings, which is about the cheapest we have seen it in years. (We added Berkshire Hathaway to the portfolio last quarter and have been increasing our position on weakness.)

We see a similar dichotomy in our portfolio. Some of our holdings have held up well during the pandemic. Facebook, Alphabet, Samsung, Oracle and Visa have been our best performers not because they were the cheapest stocks in the portfolio, but rather because they are proving more resilient than many more economically sensitive businesses. Their valuations from an absolute perspective are higher than most of our other holdings; stocks entering the crisis with modest or depressed valuations have gotten cheaper as earnings have suffered.

This is of course the opportunity. More than half the portfolio is depressed because of the pandemic, and we expect it will benefit greatly when the pandemic ends, not only from an earnings recovery, but also from higher multiples on those earnings.

These holdings include:

- FedEx
- Richemont
- UBS
- Cognizant
- BNY Mellon
- Berkshire Hathaway
- Booking
- Expedia
- Citigroup
- American Express
- Dentsply Sirona
- Heidelberg Cement
- Anthem
- Lloyds Banking Group
- Southwest Airlines
- ING Groep
- Imperial Oil
- Sodexo
- Raytheon Technologies
- Compass Group

Collectively, these businesses are the most undervalued in the portfolio and are the largest source of the discount to fair value, which remains quite attractive. In a sense, these stocks represent the state of value investing today: left for dead in a world enamored of expensive growth companies that seem to do nothing but go straight up, pandemic or no pandemic.

Portfolio Discussion

The portfolio was up about 16% in the quarter, and a number of stocks were up between 20% and 50%.

Our best performer was Facebook. The company has a net cash balance sheet, huge margins and a business model that is in many respects benefiting from the shift to online activity that occurred as offline activities have been restricted. The business will certainly see pressure from a weak advertising market, but the increase in user engagement with the Facebook platforms should be at least partially permanent and ultimately drive more value for advertisers as the economy recovers. The stock was up 36% in the quarter.

NXP Semiconductors is suffering from the pandemic as the automotive and industrial end markets that are the sources of demand for its chips are in various states of recession. However, the business is proving reasonably resilient from a margin and cash

flow perspective; the stock was up 38% this quarter. It is well-financed and has attractive secular growth opportunities, all of which remain attractive in the current environment.

Expedia shares rose 46% during the quarter. In April, the company completed a $3.2 billion capital raise giving them a year's worth of operating capital. Since then, pockets of the travel market have begun improving, especially in alternative accommodations offered by its VRBO business. In the meantime, the new CEO is taking this opportunity offered by the lull in activity to restructure the business. Expedia should come out on the other side with a more streamlined business model, a lower cost structure and higher profitability levels. We believe it is well-positioned to benefit meaningfully from the eventual recovery in leisure travel.

Our worst performers were Southwest Airlines, Compass Group and BAE Systems.

Southwest is suffering from the massive reduction in air travel. Since the pandemic began, it has grounded flights, raised capital from shareholders and from the government (to keep its workers employed until the industry starts to recover). While air traffic has picked up from the bottom in March (when it was down more than 90%), it remains extremely depressed. Southwest has the balance sheet and liquidity to survive at depressed operating levels for at least another year, or much longer should it choose to restructure. We believe people will resume flying at close to normal levels as soon as the pandemic starts to fade.

Compass Group is a recent addition to the portfolio which we profiled last quarter. The stock was down about 12% this quarter. The company conducted a share placement to strengthen its balance sheet. We did not think the equity raise was necessary, but management believes the dilution to shareholders is a worthwhile cost to weather the pandemic without any financial pressure. We participated in the offering and significantly increased our position on share-price weakness. Compass is one of our holdings most leveraged to a recovery as about half its business is shut down due to social distancing guidelines that prevent employees from gathering in corporate canteens, students from living on campus and eating in dining halls, and fans from attending live sporting events.

BAE systems was down 7% in Q2. Citing "significant government and social challenges, and the uncertainty as to the duration of the resulting disruption," the board delayed its dividend which has pressured the share price. We believe this was largely a political and symbolic move as there is no economic reason for the company to defer the dividend. The business is performing relatively well given the strength of the order book and the stable government demand that underpins it.

We added one new holding to the portfolio this quarter: Novartis. Long-term clients will recognize this name as we have owned it in the past. Novartis is one of the largest pharmaceutical companies in the world. It operates in some of the most attractive and innovative areas including oncology and immunology. Recently launched products and a strong pipeline give it one of the most attractive growth profiles in the industry. We believe the 13X earnings valuation is attractive given this strong growth profile. The balance sheet is inoculated with effectively no net debt after accounting for its stake in Roche.

Our purchase activity this quarter was concentrated in Novartis, Compass Group and Berkshire Hathaway. This activity was mostly funded by reducing our holdings in names that appreciated strongly, as well as those we exited.

Our main disposal this quarter was Wells Fargo (WFC). Like all banks, WFC is in a difficult spot, though that is not the reason we sold it. WFC is in the unenviable position of having its revenue fall because of low interest rates and its credit costs rise due to the pandemic, while at the same time having to increase investments in operating costs—a regulatory legacy of its mis-selling scandals. In other words, it is getting squeezed from all sides. This is very different from Citigroup, for example, which is far less sensitive to falling interest rates because of its product mix and capital markets-related fee revenue. Citi also has a much lower cost base relative to revenue, which gives it the ability to absorb high credit costs while remaining profitable.

We are very happy with the portfolio today. It is filled with industry-leading, well-financed businesses that range between extremely undervalued and reasonably valued. As the world returns to normal, many of our holdings have the potential to appreciate significantly.

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This summary represents the views of the portfolio managers as of 30 Jun 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 30 Jun 2020: Samsung Electronics Co Ltd 4.9%, Facebook Inc 4.1%, UBS Group AG 4.0%, Cognizant Technology Solutions Corp 3.8%, FedEx Corp 3.8%, Oracle Corp 3.6%, The Bank of New York Mellon Corp 3.6%, NXP Semiconductors NV 3.5%, Citigroup Inc 3.2%, Booking Holdings Inc 3.1%, Expedia Group Inc 3.0%, Novartis AG 3.0%, DENTSPLY SIRONA Inc 2.9%, American Express Co 2.8%, Anthem Inc 2.7%, HeidelbergCement AG 2.6%, Compass Group PLC 2.6%, BAE Systems PLC 2.4%, Southwest Airlines Co 1.9%, Lloyds Banking Group PLC 1.9%, Berkshire Hathaway Inc 1.3%, ING Groep NV 1.2%, Imperial Oil Ltd 1.2%, Visa Inc 1.0%, Sodexo SA 0.9%, Raytheon Technologies Corp 0.8%, Alphabet Inc 4.9%, Cie Financiere Richemont SA 3.7%. 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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