Artisan Non-U.S. Value Strategy

QUARTERLY
Commentary

As of 30 June 2019

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

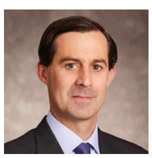
Our research process attempts to identify management teams with a history of building value for shareholders.

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

N. David Samra
Portfolio Manager (Lead)



Ian P. McGonigle, CFA
Co-Portfolio Manager

Joseph Vari
Co-Portfolio Manager

Investment Results (%)

			Average Annual Total Returns				
As of 30 June 2019	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**4.30**	**15.10**	**3.46**	**9.78**	**4.19**	**11.60**	**11.69**
Composite — Net	**4.06**	**14.58**	**2.50**	**8.78**	**3.23**	**10.57**	**10.65**
MSCI EAFE Index	3.68	14.03	1.08	9.11	2.25	6.90	6.02
MSCI All Country World ex USA Index	2.98	13.60	1.29	9.39	2.16	6.54	6.58

Annual Returns (%) 12 months ended 30 June

	2015	2016	2017	2018	2019
Composite — Gross	**-1.40**	**-5.86**	**23.04**	**3.95**	**3.46**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2002.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies 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 near the back of this document, which should be read in conjunction with this material.

Market Discussion

Markets notched another positive quarter in Q2, despite a spate of macroeconomic and global growth concerns that contributed to a sharp correction in May. As the current economic expansion has approached historic length, many prognosticators have begun speculating that a downturn is imminent. The worries include ongoing trade disputes (namely, China-US, but also among many major global economies and blocs), the direction of developed world monetary policy and the resolution (or lack thereof) of Brexit. At Q2's end, the US and China agreed to return to the negotiating table—which soothed nerves, though the two remain far from an agreement.

Meanwhile, monetary policy remains as inscrutable as it's been over the last eight or so years. In March, the ECB announced another round of long-term refinancing operations (TLTRO III), which offers cheap loans to euro zone banks and is intended to spur lending to individuals and businesses. (We can't help but think of Einstein's definition of insanity.) On one hand, many of the smaller Italian banks will likely benefit from continued access to cheap loans. But on the other, the vast majority of European banks have recovered from the crises of several years ago—the case for unlimited liquidity seems thin at this point.

Interestingly, the "good news is bad news" dynamic—whereby markets respond positively to indications from global monetary chiefs that the economy is weakening and may require ongoing accommodative policy to bolster it—has also made a comeback. The latest instance came shortly after the quarter concluded, when a relatively solid US jobs report contributed to a down day for markets on diminished expectations for a July rate cut. We have long discussed that the time for accommodative monetary policy in much of the world has passed and that the path to normalization should continue—though we won't be surprised to see these market dynamics continue until they no longer reasonably can.

Elsewhere, the UK is becoming increasingly mired in Brexit drama with no clear resolution as of this writing. In Q2, PM Theresa May announced she would step down as the Conservative party leader but would remain the head of the government until a successor could be chosen. Also during the quarter, the UK and EU negotiated a new deadline (October 31)—though with the added uncertainty of elections thrown in the mix, that date is approaching quickly.

Contrasting all of this is a raft of initial public offerings—many from companies not turning profits, yet their shares have rocketed out of the gate at sky-high valuations. Against this backdrop, markets—and with them, valuations—continue their unabated rise. We find this combination difficult to understand but simultaneously believe it provides a positive backdrop against which highly discerning, active, value-oriented investors can distinguish themselves. Buffett's admonition to be fearful when others are greedy is as relevant as ever, and we maintain our conviction that a disciplined approach to identifying high-quality, financially sound companies with shareholder-oriented management teams that are trading at heavily discounted valuations will serve our investors well over the long term.

Portfolio Discussion

Second-quarter performance was characterized by significant volatility. The largest positive contributors to return were Panalpina, Arch Capital and RELX—though their positive impact was weighed on by negative contributions from Baidu, Naver and the exposure to European banks.

Panalpina's share price increased by just under 40% in Q2 on the back of competitor DSV's finalized all-share transaction to acquire the company. The combination of the two companies creates a scale operator in freight forwarding with strong market positions in both air and sea freight. There is also significant synergy potential as the combined entity reduces fixed overhead costs—which provided a boost to the share price during the quarter.

We first invested in Arch Capital Group, a Bermuda-based insurance company, in 2003. Over the vast majority of that holding period, Arch earned significant returns from its core insurance and reinsurance underwriting capability. Property and casualty insurance pricing is dependent on many variables, including loss-cost trends, underwriting discipline and the available capital in the industry. Though Arch is a disciplined underwriter, profitability has declined over the last several years due to lower premiums, looser terms and conditions, and significant industry-wide excess capital. Recently, however, significant natural disasters combined with the demise of naïve competition have changed the dynamic among these variables. Pricing in certain insurance lines has started to improve, and the stock market has in turn anticipated better pricing and underwriting performance, pushing Arch's share price up by 14% in Q2.

RELX is a UK-based professional publishing conglomerate which operates four segments: scientific publishing, risk analytics, legal publishing and exhibitions. The business is characterized by steady growth, high levels of profitability and strong cash flow generation. The company's share price declined in 2018 due to concerns about competitive challenges to the group's scientific publishing division. In our analysis, the company does face competitive threats—though they likely only marginally diminish the company's growth rate, rather than significantly change its economics. Year to date, the market seems to agree: The share price was up 15% for the quarter and is up 20% YTD.

The largest individual negative contributor was Baidu, whose share price declined by 30% in Q2. Year to date, the stock is down 26%, detracting 0.85% from the portfolio. We have clearly been too optimistic in our assumptions surrounding the company's ability to grow and should have sold the shares in 2018. At this price, however, the shares imply little to no growth or profitability and are significantly undervalued. We first purchased Baidu in 2012 at approximately $94 per share. The valuation was cheap, and the opportunity was compelling. State ownership and censorship of media assets combined with inexpensive broadband access via cellular phones in China created a huge, untapped advertising market for the country's largest Internet platforms, including Tencent, Alibaba and Baidu. These three companies benefited significantly by bringing together consumers and businesses as China evolved from state-owned, poorly developed product and service offerings for consumers with low purchasing power and propensity to consume, to technologically driven, more sophisticated consumer offerings for a rapidly growing middle class. Advertising and e-commerce growth rates have been spectacular, spawning the most dynamic and well-capitalized technology venture capital market outside of Silicon Valley. Historically, Tencent, Alibaba and Baidu mainly operated in separate markets (gaming, e-commerce and search, respectively), but over time, both directly and through investments, they have entered one another's markets. Given its particular dominance in search—which is one of the most effective conversion platforms for an advertiser—Baidu has been the target of aggressive competition. Through 2018, search advertising continued to grow rapidly despite losing market share to other forms of online advertising. In 2019, China's economic development slowdown has hurt advertising broadly, exposing Baidu's secular challenges. A combination of factors—management missteps, leadership defections, costly investments in new platforms that have no profits, continued regulatory issues and well-funded but significant loss-making competition within the Internet advertising space—have all but eliminated profits in Baidu's search business, resulting in this quarter's collapse in the share price.

Our research indicates Baidu will continue to be China's dominant search advertising platform. We expect the company to continue growing, albeit slower than the online advertising industry. And the stock is cheap—particularly when factoring in the company's excess assets, which include two publicly listed companies (Ctrip.com and iQiyi) whose combined value based on quoted share prices (as of this writing) represents $31 of Baidu's share price. In addition, Baidu has cash and long-term investments worth $49 per share. Baidu trades at $115 per share. Net of the publicly listed companies, cash and investments, the core business is valued at $36 per share, or roughly $13 billion. Though the core business's profitability has disappeared, we know the business generates about $11 billion in revenue. A peer group comparison finds no dominant search engine around the globe earning less than a 20% operating margin—with several earning north of 30%. We estimate Baidu's search engine is likely worth 3X–4X revenue, for an intrinsic value of just under $40 billion. In fact, in a private market sale, the core search business would likely fetch a value far higher than $40 billion. We believe once the core search business starts to grow and profitability begins to normalize, Baidu should revalue toward $200 per share.

Naver Corporation's share price declined 10% in the quarter. Naver is a South Korean technology company that runs Korea's dominant search engine. However, it also provides products (the most important is news) within its app. Naver is a growth company—though recognition of value growth within the core Korean business is being pressured by sentiment surrounding Naver's 73% ownership share of a Japanese company called Line Corp. Line is a Japan-listed company that operates as a messaging application similar to WhatsApp in the US or WeChat in China. Japan's online advertising space is very competitive, and as Line makes necessary investments to improve monetization over time, its profits and share price have declined.

As aforementioned, the ECB announced in March an additional round of long-term financing to the bloc's banks as partial recompense for continued stimulative monetary policy (i.e., negative interest rates). Practically speaking, negative rates will, over time, impact the profit-making ability of most banks—pressuring the share prices of Royal Bank of Scotland, Lloyds, Bankia and ING during the quarter. The exception was Switzerland-based UBS, which generates most of its profits from wealth management, rather than spread lending.

Portfolio Activity

We purchased shares of Fresenius Medical Care and exited Glaxosmithkline, ISS and Orkla in Q2.

Fresenius Medical Care (FMC) is the world's leading provider of essential kidney dialysis services via its network of owned clinics and in patients' homes. FMC also designs, manufactures and distributes dialysis equipment and supplies for use internally and for sale to other providers. Both the services and equipment sides are oligopolistic. In North America, FMC and DaVita each have one-third of the market and behave rationally, with the remainder fragmented. Locally, clinics are often monopolies or duopolies, with patients' travel limited. Outside North America, services are provided to patients via reimbursement from national health care plans. On the product side, FMC has about 90% of the US dialysis equipment market and more than half globally, and it has about 35% share for all dialysis products globally—including consumables. Baxter is the next-largest provider on the equipment and consumables side, with about 30% market share. In-home hemodialysis treatment is minor—about 2% of North America today—but is growing and could approach 10%-15% of the patient population, as incrementally higher training reimbursements and rising in-clinic labor costs make the home setting increasingly attractive, given patients provide the labor. With its acquisition of NxStage, FMC dominates the home hemodialysis equipment market and has the only machine approved for solo home use. FMC has a market cap of about €22.6 billion and an enterprise value of €31.2 billion, including debt and pension obligations. Based on our estimates of earnings power, the shares trade at 11.5X EBITA and a P/E of 13.3X—too cheap for this steady, high-quality, growing business.

We sold shares of Glaxosmithkline, ISS and Orkla at our estimates of intrinsic value.

Perspective

When evaluating any company, we attempt to identify businesses with strong market positions, low valuations and underappreciated characteristics. However, we do not delude ourselves we are the only ones capable of identifying these characteristics. It's reasonable that good management teams for these companies' industry peers would similarly identify underappreciated traits. In turn, it's not unusual to have one or two positions over the course of a year receive a bid from a competitor. So why are these companies taken out? And what do we see that may be harder to see from the outside?

Year to date, two of our portfolio companies have been taken out: Panalpina Welttransport in Q1 and Allergan in Q2.

Panalpina is a global provider of forwarding and logistics services, specializing in intercontinental air freight and ocean freight shipments. We have been attracted to its asset-light model, profitability and net cash position. However, the valuation on Panalpina has always been high—not because its price was particularly high relative to the business's value, but primarily because its margins were far below those of its competitors. The recognition that a statistically high valuation was masking an undervalued, high-quality company was a major contributing factor to DSV's willingness to pay a premium to the, ostensibly, already-high multiple at which shares traded. When viewed through the lens of the profitability Panalpina *should* achieve in the long term, this multiple seems reasonable. In other words, the valuation metrics haven't reflected the true value of the company. What matters is the earnings capability of that asset. We had long appreciated this, and once DSV appreciated this as well, it made an attractive offer to Panalpina.

In Allergan's case, we believe the market missed a critical characteristic of the company's flagship drug, Botox. Botox is an interesting drug in that it serves two key but entirely different market segments. On one side is the aesthetics market, in which Botox is paid for entirely privately. Botox is then distributed—not through traditional pharmacies or physicians, but through practitioners including dermatologists, dentists and others. The drug is sold along with the service (i.e., the drug's administration), and the practitioners earn their money on the service they provide. The other side is the therapeutic market, which operates as a standard pharmaceutical business and in which Botox is prescribed as a traditional drug for various indications.

In order for Allergan to run its business successfully, then, it needed to operate as both an aesthetics business and a pharmaceutical business. However, Allergan's pharmaceutical business has historically been relatively weak. It didn't focus on building a drug pipeline as traditional pharmaceutical businesses do. Instead of focusing on R&D spending, it would acquire drugs in Phase II clinical trials—a tricky, hit-or-miss proposition that tended to be more miss than hit.

Given the challenges in running this business model, we believed a better solution would be for a more traditional pharmaceutical company with a robust R&D platform to run Allergan's business. Under this model, Allergan could cease its drug acquisition spending, eliminate what little R&D it did, meaningfully diminish its sales force (it had separate sales forces for aesthetics and therapeutics, given the differences in those markets) and drive tremendous synergies. From the outside, this value proposition was very difficult to identify unless one deeply understood the nature of Allergan's business operations. AbbVie recognized it, though, which led to an attractive take-out offer in Q2.

Successful value investing requires the ability to distinguish between businesses that trade at low multiples and those that are fundamentally undervalued. While we certainly don't count on acquisitions as a means of realizing the value in our portfolio holdings, we do find it a welcome confirmation of our ability to successfully identify valuable companies.

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 Artisan Partners Form ADV, which is available upon request.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

Securities of the same issuer are aggregated to determine a holding's weight in the portfolio. Securities referenced may not represent all of the securities in the portfolio. If certain information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio characteristics. All information in this report is as of the date shown in the upper right hand corner unless otherwise indicated and is subject to change without notice. Totals may not sum due to rounding.

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.

Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

This summary represents the views of the portfolio manager as of 30 Jun 2019. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes. The discussion of portfolio holdings does not constitute a recommendation of any individual security. For a complete list of holdings by contribution to the strategy, refer to the Contributors to Return chart.

Price-to-Earnings (P/E) Ratio measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein. In no event shall Artisan Partners have any liability for direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) losses or any other damages resulting from the use of this material.

Artisan Partners Limited Partnership (APLP) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Artisan Partners UK LLP (APUK) is authorized and regulated by the Financial Conduct Authority and is a registered investment adviser with the SEC. APEL Financial Distribution Services Limited (AP Europe) is regulated by the Central Bank of Ireland. APLP, APUK and AP Europe are collectively, with their parent company and affiliates, referred to as Artisan Partners herein. Artisan Partners is not registered, authorised or eligible for an exemption from registration in all jurisdictions. Therefore, services described herein may not be available in certain jurisdictions. This material does not constitute an offer or solicitation where such actions are not authorised or lawful. Further limitations on the availability of products or services described herein may be imposed.

This material is only intended for investors which meet qualifications as institutional investors as defined in the applicable jurisdiction where this material is received, which includes only *Professional Clients* or *Eligible Counterparties* as defined by the Markets in Financial Instruments Directive (MiFID) where this material is issued by APUK or AP Europe. This material is not for use by retail investors and may not be reproduced or distributed without Artisan Partners' permission.

In the United Kingdom, issued by APUK, 25 St. James's St., Floor 3, London SW1A 1HA, registered in England and Wales (LLP No. OC351201). Registered office: Reading Bridge House, Floor 4, George St., Reading, Berkshire RG1 8LS. In Ireland, issued by AP Europe. Location and registered office: Fitzwilliam Hall, Fitzwilliam Pl, Ste. 202, Dublin 2, D02 T292 (Company No. 637966).

Australia: This material is directed at wholesale clients only and is not intended for, or to be relied upon by, private individuals or retail investors. Artisan Partners Australia Pty Ltd is a representative of APLP (ARBN 153 777 292) and APUK (ARBN 603 522 649). APLP and APUK are respectively regulated under US and UK laws which differ from Australian laws and are exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 in respect to financial services provided in Australia.

Bailiwick of Guernsey: The financial services referred to in this material and this document are not being made available in the Bailiwick of Guernsey (Guernsey) to more than 50 persons in Guernsey and the financial services may not be accepted by more than 50 persons in Guernsey.

Canada: This material is distributed in Canada by APLP and/or Artisan Partners Distributors LLC, which conduct activities in Canada under exemptions from the dealer, portfolio manager and investment fund manager registration requirements of applicable Canadian securities laws. This material does not constitute an offer of services in circumstances where such exemptions are not available. APLP advisory services are available only to investors that qualify as "permitted clients" under applicable Canadian securities laws.

For Institutional Investors Only—Not for Onward Distribution

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

Artisan Non-U.S. Value Strategy

Quarterly Contribution to Return (%)

As of 30 June 2019

Top Contributors	Average Weight	Contribution to Return	Ending Weight
Panalpina Welttransport Holding AG	2.95	0.90	3.17
Arch Capital Group Ltd	4.70	0.67	4.94
RELX PLC	3.85	0.56	4.00
Cie Financiere Richemont SA	2.85	0.48	3.19
Allergan PLC	2.30	0.42	3.01
ABB Ltd	3.76	0.40	3.91
Telefonica Brasil SA	2.91	0.37	3.07
Samsung Electronics Co Ltd	6.12	0.30	6.42
TE Connectivity Ltd	1.64	0.28	1.71
Nestle SA	2.52	0.28	2.55
Yahoo Japan Corp	1.22	0.22	1.28
Novartis AG	2.57	0.20	2.69
NXP Semiconductors NV	1.91	0.20	1.87
Hyundai Motor Co	1.22	0.18	1.25
Willis Towers Watson PLC	1.62	0.16	1.68
Sodexo SA	2.37	0.15	2.37
Compass Group PLC	4.54	0.14	4.57
UBS Group AG	3.77	0.13	3.69
LafargeHolcim Ltd	2.67	0.09	2.50
Groupe Bruxelles Lambert SA	2.35	0.09	2.35
Cash Holdings	9.33	0.09	9.24
IMI PLC	0.92	0.08	0.98

Bottom Contributors	Average Weight	Contribution to Return	Ending Weight
Baidu Inc	2.91	-1.01	2.50
Royal Bank of Scotland Group PLC	2.12	-0.31	1.94
NAVER Corp	1.91	-0.21	1.84
Lloyds Banking Group PLC	2.41	-0.20	2.18
Bharti Infratel Ltd	1.26	-0.17	1.18
Tesco PLC	3.20	-0.11	2.88
Bankia SA	1.37	-0.07	1.27
John Wood Group PLC	0.61	-0.07	0.59
Vivendi SA	1.87	-0.05	1.73
Fresenius Medical Care AG & Co KGaA	2.08	-0.05	2.50
HCL Technologies Ltd	2.29	-0.04	2.20
Reckitt Benckiser Group PLC	1.06	-0.03	1.06
GlaxoSmithKline PLC	0.69	-0.02	0.00
KT&G Corp	0.23	-0.02	0.05
ING Groep NV	3.45	-0.01	3.34
Perrigo Co PLC	0.00	0.00	0.01
Orkla ASA	0.02	0.00	0.00
Pargesa Holding SA	0.72	0.01	0.71
Alcon Inc	0.28	0.02	0.06
Imperial Oil Ltd	2.16	0.04	2.09
ISS A/S	0.18	0.05	0.00
Akzo Nobel NV	0.68	0.06	0.71
Hella GmbH & Co KGaA	0.39	0.06	0.71

Source: Artisan Partners/FactSet. **Performance is historical and is not a reliable indicator of future results.** As of 30 Jun 2019. These investments made the greatest contribution to, or detracted most from, performance during the period based on a representative account within the strategy Composite. Upon request, Artisan will provide: (i) the calculation methodology and/or (ii) a list showing the contribution of each holding to overall performance during the measurement period. Securities of the same issuer are aggregated to determine the weight in the portfolio. % Contribution to Return is calculated by FactSet by multiplying a security's weight in the portfolio by its in portfolio return for the period referenced and does not take into account expenses of the portfolio. Purchases/sales are accounted for by using end of the day prices, which may or may not reflect the actual purchase/sale price realized by the portfolio.