Artisan Select Equity Strategy

QUARTERLY
Commentary

As of 30 June 2020

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 (% USD)

As of 30 June 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite — Gross	**16.95**	—	—	—	—	—	**-5.50**
Composite — Net	**16.74**	—	—	—	—	—	**-5.74**
S&P 500® Index	20.54	—	—	—	—	—	5.65

Annual Returns (% USD) 12 months ended 30 June

	2016	2017	2018	2019	2020
Composite — Gross	—	—	—	—	—

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. [1]Composite inception: 28 February 2020.

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. The portfolio's returns may vary greatly over shorter periods due to the limited operating period since inception.

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 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
- Cognizant
- BNY Mellon
- Berkshire Hathaway
- Booking
- Expedia
- Citigroup
- American Express
- Dentsply Sirona
- Heidelberg Cement
- Anthem
- Southwest Airlines

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.

Advance Auto Parts (AAP) rose 53% this quarter. AAP is a retailer and wholesaler of aftermarket auto parts and auto-related products. The stock dropped significantly in the first quarter and then staged a rebound in the second as the company reported much better results than feared. First quarter results reported in May showed the business down 9% in the quarter, but management commented that in Q2's

first four weeks, sales were essentially flat. Instead of going to work or school, Americans apparently spent a lot of time (and money) working on their cars. Who would have guessed? This is just another example of how the pandemic-induced recession is driving behaviors that have been very difficult to anticipate.

Expedia shares rose 46% during the quarter. In April, the company completed a $3.2 billion capital raise giving it 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, BAE systems and Berkshire Hathaway.

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 recovering). 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.

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 think Berkshire Hathaway was weak this quarter because Warren Buffett did not deploy any capital during the selloff as many investors—including us—hoped he would. Indeed, some pundits are saying Mr. Buffett has lost his touch. Berkshire might also be suffering from value investing's general disrepute after a decade of massive outperformance by growth stock investing. We don't believe Mr. Buffett has lost his touch, nor do we believe value investing is dead. We find Berkshire's valuation today more compelling than we have seen in more than a decade, and we have added to our position on weakness. We were also glad to see Mr. Buffett very recently announce the acquisition of some midstream energy assets that put about $10bn to work at what we think is an attractive valuation.

Our purchase activity this quarter was concentrated in Berkshire Hathaway, Citigroup, Anthem and Cognizant, as their prices reached very attractive levels. This activity was mostly funded by reducing our holdings in names that appreciated strongly, as well as our exit from 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. Citigroup 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.

For more information: Visit www.artisanpartners.com

Investment Risks: 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. 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 or growth 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.

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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.

S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 manager as of 30 Jun 2020. 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) is a valuation ratio of a company's current share price compared to its per-share earnings. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Fair Market Value** is a subjective estimate of what a willing buyer would pay a willing seller for a given asset assuming both have a reasonable knowledge of the asset's worth.

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

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Artisan Select Equity Strategy

Quarterly Contribution to Return (% USD)

As of 30 June 2020

Top Contributors	Average Weight	Contribution to Return	Ending Weight
Facebook Inc	6.00	1.98	5.36
Advance Auto Parts Inc	4.20	1.89	4.43
Expedia Group Inc	3.45	1.43	3.73
Alphabet Inc	5.80	1.25	5.79
Cognizant Technology Solutions Corp	5.10	1.14	5.13
Booking Holdings Inc	5.46	1.11	5.27
Anthem Inc	5.69	0.98	5.39
Citigroup Inc	4.50	0.96	4.83
Oracle Corp	5.73	0.94	5.66
Visa Inc	4.00	0.85	4.02
DENTSPLY SIRONA Inc	5.66	0.84	5.46
Marsh & McLennan Cos Inc	3.23	0.76	3.25

Bottom Contributors	Average Weight	Contribution to Return	Ending Weight
Southwest Airlines Co	2.08	-0.37	2.02
BAE Systems PLC	2.33	-0.22	2.08
Berkshire Hathaway Inc	4.36	-0.11	4.48
Wells Fargo & Co	0.49	-0.10	0.00
Cash Holdings	4.74	0.00	5.70
Cie Financiere Richemont SA	3.12	0.39	3.22
The Progressive Corp	4.20	0.44	4.07
FedEx Corp	3.32	0.48	3.51
Samsung Electronics Co Ltd	4.24	0.49	4.26
American Express Co	5.20	0.64	5.07
The Bank of New York Mellon Corp	3.97	0.65	3.98
HeidelbergCement AG	3.12	0.71	3.28

Source: Artisan Partners/FactSet. **Performance is historical and is not a reliable indicator of future results.** As of 30 Jun 2020. 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.