Artisan Value Equity Strategy

QUARTERLY
Commentary

As of 30 June 2020

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 (% USD)

As of 30 June 2020	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**19.20**	**-14.82**	**-5.53**	**2.27**	**5.83**	**10.17**	**7.19**
Composite — Net	**19.01**	**-15.12**	**-6.18**	**1.57**	**5.10**	**9.40**	**6.37**
Russell 1000® Value Index	14.29	-16.26	-8.84	1.82	4.64	10.40	6.23
Russell 1000® Index	21.82	-2.81	7.48	10.63	10.46	13.96	8.90

Annual Returns (% USD) 12 months ended 30 June

	2016	2017	2018	2019	2020
Composite — Gross	**3.66**	**19.72**	**10.97**	**2.05**	**-5.53**

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2005.

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.

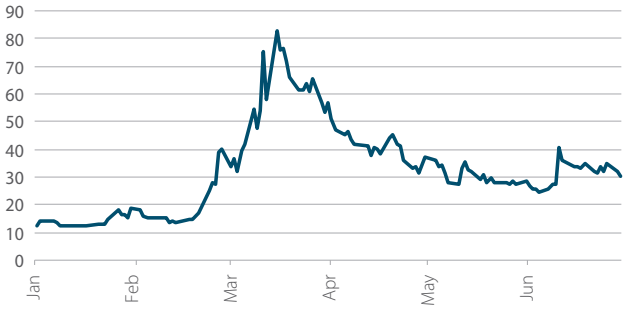
Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are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

Investing Environment

Stock markets produced their best returns in decades. In Q2, the S&P 500® Index returned 20.54%—its best since 1998. The Dow Jones Industrial Average® Index returned 18.51%—its best since 1987. Our benchmark, the Russell 1000® Value Index, returned 14.29%—its best since 2009. Our humility doesn't preclude us from mentioning here that we had our second-best quarter of absolute returns and fourth-best quarter of relative returns on record. More on that to follow.

Yes, these record returns came after a record selloff, but Q2's investing environment was more than just a sharp bounce. The VIX Index®, a measure of stock market volatility, remains elevated, suggesting we may be in a new volatility regime (Exhibit 1). For the 10 years prior to this one, the VIX Index averaged 16.86. That post-crisis decade could fairly be described as a period of low and stable market volatility, though not without the occasional flare-up. When the S&P 500® Index peaked on February 19, the VIX Index had averaged 14.34 YTD. But by the time the markets were in full panic over the pandemic, volatility had surged to a record high 82.69. As uncertainty remained high in Q2, so did volatility: The VIX Index averaged 34.49 over the period, falling no lower than 24.52 in the quarter. Elevated volatility persists.

Exhibit 1: VIX Index YTD



Source: Bloomberg/Artisan Partners. **Past performance is not indicative of future results.**

We tend to view our process as one that can flourish in times of elevated volatility because, if nothing else, the opportunity set improves. Our emphasis on intellectual honesty and diligence in identifying great businesses at good prices means we can—in these periods of elevated uncertainty—improve our chances of achieving value-compounding outcomes over time. How? Well, high market volatility is the same as low market certainty, meaning there is lower certainty about the duration and magnitude of future cash flows and the associated multiple being assigned to them. In general, there is a wider range of potential outcomes. When certainty is low, the probability for mistakes is higher, making our margin-of-safety criteria more valuable. Our process amplifies our risk awareness as the market is itself becoming riskier.

We like to think about investing environments as either risk-seeking or risk-fearing, rather than bull or bear. And for the past few years, markets have had a decidedly risk-seeking feel, leading to excesses in growth and defensive stocks, simultaneously. We don't take a hard stance on which is appropriate at any given point and instead look for attractive businesses selling at undemanding prices at every point. But as we sum up the Q2 investing environment, there were a few noteworthy developments in this risk-seeking market.

In general, we have been parsing this market's mixed messages. Speculation in equities seems to be on the rise, but at the very least valuations reflect a distinct form of optimism where Q1's events are but a distant memory that could never repeat. Meanwhile, amid historically low interest rates, corporate officers are buttressing balance sheets with new debt issuance, presumably for the very type of rainy-day equity markets have discounted. All told, we think the range of outcomes remains wide as we move past the liquidity event and onto the solvency event. Yet even with the elevated volatility, equity investors seem sanguinely set on a narrow range of outcomes.

Consider the case of the stunning rise in the special purpose acquisition vehicle (SPAC). SPACs are listed companies, but they have no actual business. Nonetheless, business is booming. Nikola, the other electric vehicle manufacturer named for the famous innovator and engineer, came to market through a SPAC in Q2 and its market cap promptly hit $28bn, without any revenue or even any assets.

The declared special purpose of these vehicles is to pool capital and then invest it. That sounds vaguely familiar. However, the sponsors offer investors little in the way of how or where or with whom they'll do this investing. "Blank Check" entities provide potential investors with no business to evaluate—no verifiable financial statements, no knowledge of the management team or governance structures, not even a clear sense of the industry or economic sector exposure. Taking stakes in these vehicles outsources critical investment decisions, which is categorically different from investing with proven allocators who have track records of compounding value for shareholders, and it's antithetical to our approach to evaluating companies.

Performance Discussion

The Russell 1000® Value Index returned 14.29% in Q2, with top contributions from the financials, health care and energy sectors. Our portfolio outperformed QTD, driven overall by superior stock selection. It was the second-best absolute return in the portfolio's track record; the best since the financial crisis. Relative returns were also among the best in the track record. From a sector perspective, top relative returns come from the communication services and technology sectors. Below-benchmark exposure to energy dragged on relative returns.

For us, names like Alphabet, Facebook and Apple led the way. Large-cap tech companies have been resilient through the pandemic. Recently, large advertisers pulled advertising from social media platforms—including Facebook—for the month of July. While small and medium-sized businesses drive the preponderance of Facebook's revenue, the boycott is worth watching. Over time, Facebook should be able to respond well to its customers given the extensive

infrastructure investment. Alphabet's Play Store and Google Cloud were in demand as business activity moved online, and YouTube usage is accelerating, which helps stabilize weaker search ad revenue trends. For both companies, strong balance sheets have taken credit risk off the table, leaving equity investors to focus on earnings. It's worth noting, too, that these holdings may strike readers as more befitting a growth or momentum strategy than a value strategy. But it's our benchmark-agnostic, opportunistic value investing style that differentiates us. When we find cash-producing businesses in strong financial condition that are selling at undemanding valuations, we put money to work.

A few additional words on Alphabet: This is our largest holding and it may seem strange for a value investor to own what appears to be a growth-oriented tech stock. We think this holding exemplifies our opportunistic, benchmark-agnostic approach to creating value. For one, Alphabet's size in our portfolio is earned, not purchased. Our valuation criteria for adding names are disciplined. Alphabet got to where it is in our portfolio based on its success. In other words, it earned its way to the top. That said, why is it still there? In our view, this company is an extraordinary operation. Take just the search business, for example. Google's core search business is mature (20 years old) and still has organic revenue growth rates in the high teens. In addition to the strong organic growth, the product is free to users and is the preferred search engine globally with 90%+ market share. These characteristics show the massive moat around Alphabet's core search business. Consequently, we anticipate the cash flows will remain large and enduring. We bought this name at a discount to the market multiple in December 2014, and it currently trades near the market multiple. To pay an "average" price for Alphabet's business looks to be a highly attractive investment when viewed through our margin of safety criteria.

Top detractors included Raytheon, Berkshire Hathaway and Compass.

Compass was a new purchase in Q2, and it is not uncommon for new purchases to show up among the detractors. Our process is built to identify cash-producing businesses in strong financial condition and to invest in them when we believe they are unloved by the market. Amid consumption disruptions due to the pandemic's effects on large-scale public gatherings and widespread restaurant shutdowns, Compass is unloved. While we understand the company's operations will be disrupted by the pandemic's effect on large-scale public gatherings, widespread restaurant shutdowns and a corporate pullback in catering activities, we think these issues will fade over time. The company is well-positioned in the industry in terms of market share and profitability, and it could very well take share during this difficult time.

Warren Buffet and Berkshire Hathaway remained quiet in Q2 (frustratingly so to many), though news of a nearly $10bn deal for Dominion Energy's gas pipelines hit the wires after the quarter ended. The stock was down 2%, and while that might seem modest in a vacuum, in a ripper of a quarter that's notable underperformance. It's also one of our biggest holdings. Our view has not changed on Buffet or Berkshire. He has been an excellent compounder with an immense balance sheet, and we are confident in the firm's bench of talent.

Raytheon, which we have held since Q1 2019, completed its merger with United Technologies early in the quarter to become Raytheon Technologies. For the few days before the merger consummated in April, Raytheon shares were down 10%. One of the non-aerospace spinoffs, HVAC manufacturer Carrier Global, landed in our portfolio as a result of the merger, and we promptly divested. These securities show up as detractors but represent a positive development for the portfolio in the form of our new holding Raytheon Technologies, which was up 12% in the quarter.

Portfolio Activity

Turnover was not high in Q2, but we did sell regional bank holding company Truist Financial on strength. We made two purchases: Compass and Electronic Arts.

Compass operates onsite food service for corporations, health care, academic, and sports and leisure facilities. This is a familiar name; we have been actively investigating this industry for half-a-decade. There is a secular shift to outsourced providers such as Compass, and Compass is the largest and best such operator in the world. Compass has long been a steady grower due to a favorable industry backdrop and an excellent management team. The decision in May to raise nearly £2bn in equity was a departure from expectations, but with uncertainty still high, management believes the funds will help with managing leverage and continuing to invest in the business. We acknowledge the challenges to Compass's business units given the effects of the global pandemic but feel the company is well-positioned to survive and thrive over the long term.

Another purchase emblematic of our process is video game publisher Electronic Arts (EA). First, we've been digging into this name for the better part of two years, during which time the valuation was flying high. We often spend our time most productively well in advance of taking a stake in a name, building our knowledge while waiting for the valuation to offer a margin of safety. Second, this is an ex-index name, reflecting our benchmark agnosticism. Third, while the entry valuation may be atypical (i.e., higher than usual for us), it's appropriate in this specific case. The longevity of the business model and duration of the cash flows, in our estimation, justified the valuation. EA's net cash balance sheet and industry leadership fit well with our philosophy and process. The firm is expanding its moat as it transitions toward streaming, away from physical discs and cartridges, keeping up with consumer preferences. This purchase represents how we can think opportunistically to build an eclectic, idiosyncratic portfolio.

Perspective

We believe the world will eventually return to normal, but we don't have a view on when that might be. In such an environment, where the range of outcomes has widened, we are assessing our portfolio at

a high level, ensuring we are neither too exposed to a swift economic recovery, nor overly exposed to a prolonged recovery. Our approach is to bucket the portfolio into three categories: offensive, defensive and value. Offensive positions are businesses we expect to perform better in a positive economic environment. Defensive positions are focused on operations that are less sensitive to economic cycles. The value bucket reflects a neutral category and holds the remainder of the names in the portfolio. As of this writing, the portfolio is essentially evenly split in thirds across these categories. This is a balance we are comfortable with given the wide range of potential outcomes we see.

We devote all our time to researching companies from every available angle, building a bench of cash-producing businesses in strong financial condition. When valuations reach undemanding levels and we are comfortable with the margin of safety, we will be opportunistic and put capital to work. By being disciplined and opportunistic, we believe we tilt the odds of delivering superior results for our investors in our favor.

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 referenced may not be representative of all portfolio holdings. Securities of the same issuer are aggregated to determine a holding's portfolio weight. Portfolio statistics calculations exclude outlier data and may substitute information from a related security if unavailable for a particular security. This material is as of the date 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.

Russell 1000® Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. Russell 1000® Index measures the performance of roughly 1,000 US large-cap companies. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The VIX Index is a financial benchmark that estimates the expected volatility of the S&P 500® Index, and is calculated by using the midpoint of real-time S&P 500® Index (SPX) option bid/ask quotes. It is commonly used to proxy market risk and/or uncertainty. Dow Jones Industrial Average® Index is a price-weighted measure of 30 US blue-chip companies. 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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Margin of Safety, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. A **special purpose acquisition company (SPAC)** is publicly listed company formed for the express and sole purpose of raising capital via initial public offering in order to acquire a separate, existing company at a later date.

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

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Artisan Value Equity Strategy

Quarterly Contribution to Return (% USD)

As of 30 June 2020

Top Contributors	Average Weight	Contribution to Return	Ending Weight
Alphabet Inc	6.47	1.37	6.35
Facebook Inc	3.95	1.35	3.07
Apple Inc	3.07	1.16	2.95
E*TRADE Financial Corp	2.51	1.01	2.75
Air Lease Corp	3.02	1.00	2.85
Fresenius Medical Care AG & Co KGaA	3.39	0.93	3.39
AutoNation Inc	2.64	0.84	2.61
Booking Holdings Inc	4.24	0.79	4.13
Synchrony Financial	2.48	0.78	2.38
NXP Semiconductors NV	2.20	0.76	2.37
DuPont de Nemours Inc	1.57	0.75	1.70
Cisco Systems Inc	3.44	0.74	3.45
The Goldman Sachs Group Inc	2.70	0.73	2.69
Raytheon Technologies Corp	3.34	0.69	3.20
Comcast Corp	4.06	0.68	3.92
Sanofi	3.19	0.65	3.00
Citigroup Inc	3.15	0.63	3.21
ViacomCBS Inc	1.13	0.61	1.31
Swedish Match AB	2.01	0.50	2.01
EOG Resources Inc	1.20	0.49	1.19
Samsung Electronics Co Ltd	2.93	0.49	2.88

Bottom Contributors	Average Weight	Contribution to Return	Ending Weight
Raytheon Co	0.12	-0.35	0.00
Compass Group PLC	2.03	-0.31	2.45
Berkshire Hathaway Inc	4.87	-0.11	4.46
Carrier Global Corp	0.03	-0.07	0.00
Philip Morris International Inc	2.84	-0.06	2.73
Arch Capital Group Ltd	1.88	-0.04	1.75
Airbus SE	1.57	-0.03	1.83
Cash Holdings	4.08	0.00	6.92
Truist Financial Corp	0.08	0.00	0.00
GCI Liberty Inc	0.22	0.05	0.24
Otis Worldwide Corp	0.38	0.07	0.41
Altria Group Inc	2.91	0.08	2.75
Medtronic PLC	2.10	0.11	1.89
AbbVie Inc	0.77	0.16	1.44
Electronic Arts Inc	1.13	0.26	1.29
Oracle Corp	1.77	0.29	1.73
Cie Generale des Etablissements Michelin SCA	1.90	0.30	1.83
Celanese Corp	1.63	0.34	1.46
Allergan PLC	1.58	0.36	0.00
Marriott International Inc	2.34	0.38	2.18
FedEx Corp	3.08	0.41	3.23

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.