Artisan Global Value Strategy

QUARTERLY
Commentary

As of 30 September 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)
Managing Director

Michael J. McKinnon, CFA
Co-Portfolio Manager
Managing Director

Justin V. Bandy, CFA
Co-Portfolio Manager

Investment Results (% USD)

			Average Annual Total Returns				
As of 30 September 2020	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**7.59**	**-11.70**	**-4.47**	**0.48**	**6.99**	**9.81**	**7.17**
Composite — Net	**7.34**	**-12.35**	**-5.39**	**-0.48**	**5.97**	**8.76**	**6.15**
MSCI All Country World Index	8.13	1.37	10.44	7.11	10.29	8.54	4.80

Annual Returns (% USD) 12 months ended 30 September

	2016	2017	2018	2019	2020
Composite — Gross	**13.41**	**21.88**	**5.53**	**0.64**	**-4.47**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2007.

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 Overview

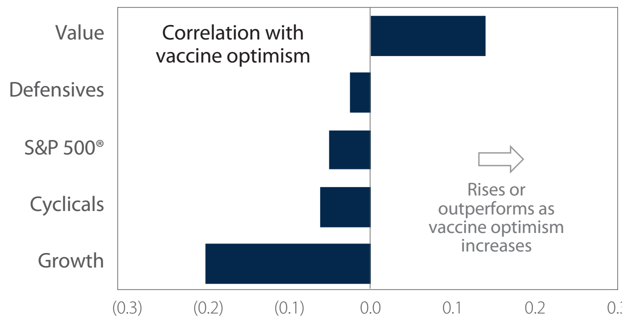
We wish there was something to discuss other than the virus. We imagine you do, too. But alas, as with just about everything these days, stock markets and the economy are taking all their cues from COVID-19. It feels like a tug-of-war most of the time. Markets rise on the hopes of fiscal stimulus to buttress economies from the pandemic's economic fallout and fall when those hopes recede. And of course, they rise and fall with hope of the pandemic's eventual end, thanks either to a vaccine or naturally acquired herd immunity. In Q3, hope overcame fear as the market continued looking through the virus to a recovery on the other side. Most major stock markets posted high single-digit gains in dollars for the quarter, with the US notably outperforming most other markets by a sizable margin. The US has left other developed markets in the dust for several years now, and for good reason: The US is home to an information technology industry which continues growing despite overall economic headwinds. Europe has essentially no information technology industry. This in large part explains why European stock markets returned roughly one quarter the US market's return over the past decade.

Beneath the surface of a rising stock market, there is another noteworthy tug-of-war—between growth and value stocks. Longtime readers will know value investing is out of favor and has been for a long time. Indeed, this is the longest period of underperformance of value vs. growth stocks in our careers and probably in market history. And Q3 continued the trend: Globally, value indices consistently trailed the market by a sizable margin. We are often asked when we believe value investing may come back into favor—or at least regain some credibility. We saw glimmers of an answer in the market this past quarter.

In short, when investors are pessimistic about the virus and its economic fallout, they pile into companies either benefiting from the virus or whose prospects are at a minimum undiminished by the pandemic. Many of these companies have become very expensive because of their perceived safety. They are also quite scarce. We note that just four companies accounted for nearly one-quarter of the global index's Q3 return. And their average valuation is 90X earnings. Indeed, strong returns among the few growth stocks riding out the pandemic without a hiccup are supporting the overall market, as we wrote last quarter.

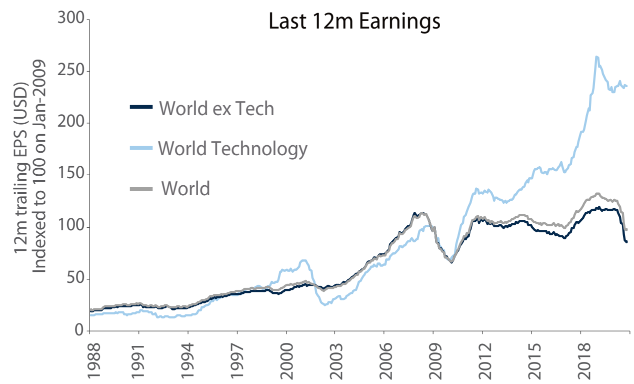
But when signs of an economic rebound or the pandemic's end surface, investors shift their attention to those stocks either left to the side because they lack sizzle or whose earnings have been devastated by the pandemic—in other words, many of our holdings. We see this in Exhibit 1, courtesy of Goldman Sachs: Value stocks tend to do better amid optimism around a vaccine—which is another way of saying optimism around the pandemic's eventual end. This makes sense as many value stocks have seen their earnings collapse because of COVID—as opposed to, say, companies like Amazon and Netflix and Zoom, whose prospects have been enhanced by it. In fact, if we exclude technology companies, the market's earnings per share (EPS) growth since 2008 has been essentially zero, as shown in Exhibit 2.

Exhibit 1: Value, Not Cyclicals, Is Positively Correlated With Vaccine Optimism



Source: Goldman Sachs. As of 17 Sep 2020. Based on GS Cyclicals/Defensives baskets and S&P 500® Growth/Value. Data covers the period 22 Aug 2020 to 8 Sep 2020. **Past performance is not a reliable indicator of future results.**

Exhibit 2: Tech Earnings Have Outstripped Those of the Global Market



Source: Goldman Sachs/Refinitiv. "World" data coverage includes over 81,000 companies in 120+ countries, accounting for 99% of global market capitalization.

September proved to be an interesting case study. The twin expectations of further US federal government stimulus spending as well as an emerging consensus around a vaccine approval by the end of 2020 or early in 2021 helped drive a tilt towards value stocks, which markedly outperformed growth stocks in the US. In most other markets, value kept pace with growth over the month. Granted, it's only one month and we certainly do not modify our behavior based on such a short time period. But it shows that in the game of tug of war, the direction of travel can reverse pretty quickly.

Portfolio Discussion

We did not add any new names to the portfolio this quarter—but we were quite active. We significantly increased our positions in five names: Berkshire Hathaway, Novartis, Compass Group, Anthem and Dentsply Sirona. Berkshire, Novartis, Compass and Anthem are relatively recent additions to the portfolio which we have written about over the past few quarters. Novartis and Berkshire are top-10 holdings; Compass and Anthem are in the top 15. Dentsply has been in the portfolio since 2018, and we have added to the position quite aggressively during the pandemic. Collectively, we added roughly 400bps to these positions in Q3.

What is notable to us about these businesses is their quality. Berkshire is one of the best companies in the world with a collection of attractive industrial assets, one of the world's best insurance businesses and a fortress balance sheet. Novartis is one of the world's fastest growing pharmaceuticals companies with an outstanding pipeline. Anthem is the world's leading commercial health care insurer with a rapidly growing Medicare and Medicaid franchise. Compass is the world's leading contract-catering businesses with attractive long-term growth potential, despite significant near-term pandemic-related headwinds. Dentsply is the world's leading supplier of dental products to dentists and orthodontists globally. We find it notable that we have been able to buy these world-class businesses at attractive prices. Indeed, we believe the quality of the companies we own today is the highest it has been in years.

We funded these increased position sizes with a few disposals. Oracle has been a successful holding for many years, and with strong recent share-price performance, it reached our estimate of fair value. We exited the position. We also sold our shares in ABB. The company's new CEO is a much-needed improvement from prior management, and he has laid out a sound strategy for improving ABB's financial performance. Investors became quite enamored of both him and his strategy and bid the shares up to a price which we believe discounts fully his intended improvements. Otis Elevator was spun out of what used to be United Technologies. The valuation was full, and we exited our small holding.

Our best performers this quarter were FedEx, Cognizant and Facebook.

FedEx is an unlikely beneficiary of COVID-19. The business is benefiting from what is essentially a scarcity of delivery capacity in both its express and ground networks. Under normal circumstances, a lot of cargo is shipped in the belly of passenger airplanes, so the commercial air fleet's grounding has significantly reduced air freight capacity. In addition, elevated e-commerce activity has created a tight market for residential package deliveries. These dynamics have resulted in a favorable pricing environment for owners of freight and package networks like FedEx. Some of this benefit will be temporary, but some will be structural. The constrained capacity is expected to last through the holiday season, with the potential for further demand on the logistics networks if a vaccine is approved. FedEx's shares have rallied as a result, but the valuation remains undemanding at 13X our estimate of normalized earnings.

Cognizant's share price performance in Q3 was driven by its resilient operating results and strong free cash flow generation. Its revenue declined only 2% YoY organically (excluding a content business it is proactively exiting, and a one-off ransomware attack) in what was a difficult macro environment. For the first time, management started providing commentary on bookings, which grew 14% YoY in the first half, with digital bookings up 50% YoY—the result of clients' ongoing investments in digital engineering, cloud, analytics, etc., while consolidating vendors as they direct their spend toward more strategic partners. On the cost side, despite the pandemic, management made material progress on its Fit for Growth program as outlined last year, which includes structural cost reduction, part of which will be reinvested to drive future growth. Lastly, Cognizant announced the appointment of Jan Siegmund as its new CFO starting September 1. In addition to serving as ADP's CFO for over six years, Jan has significant experience in strategy and operations.

Facebook shares rose 15% during the quarter after reporting good Q2 earnings. The business is showing resilience to COVID, ad boycotts and the endless drumbeat of negative PR. While the business is performing well, several potential headwinds are on the horizon, including regulatory actions and changes to Apple's advertising policies. We do not believe either of these will materially impair the business model or prospects. Ultimately, Facebook's platforms have massive scale and remain under-monetized. Facebook has a long opportunity runway in advertising, payments and shopping. The shares are trading at around 25X ex-cash earnings, which we believe is a reasonable price for a business of this quality and potential.

Our worst performers were Citigroup, Bank of New York Mellon and Imperial Oil.

Citigroup shares declined 15% during the quarter, thanks primarily to a regulatory issue that arose after the company accidentally made a $900mn payment to a lender. This landed the company in the government's crosshairs and will require a costly remediation of its risk systems. Risk-management issues aside, the underlying business is performing reasonably well. Revenues for the year should be roughly flat, and credit-provisioning seems to have peaked, which means Citi should remain nicely profitable through the crisis. In just the first three quarters of 2020, it has already earned $7bn of net income, despite taking $11bn in additional reserves. The market cap is $90bn. The bank is well-capitalized, and the shares trade at <0.6X tangible book value.

Bank of New York Mellon shares declined 10% during the quarter, due mostly to the trajectory of interest rates. This is a steady business, generating 80% of revenues from fees and with limited credit exposure. However, the company earns significant float income that is interest-rate sensitive. Management is controlling costs, and we expect the business will remain profitable through the crisis. Along with other banks, it is still restricted from buying back stock, so the capital levels are currently elevated (and becoming more so each quarter). This has delayed the capital return, but we expect the company will return all the excess capital sometime next year. The shares are trading at ~9X earnings, which we think is an attractive price for a stable business that generally returns all its profits to shareholders.

Imperial Oil was forced to cease production at its Kearl oil sands mine due to a pipeline outage. The facility was down for two weeks but has since returned to full capacity. We estimate Imperial trades for a mid-single digit multiple of free cash flow at an oil price of around $50. It is very cheap in our view.

We expect the next several months to be volatile. We are facing a US presidential election and a second wave of the virus which is currently building in Europe. We will continue to focus on acquiring high-quality businesses at attractive prices in order to position the portfolio for attractive potential gains as the world normalizes post-COVID.

For more information: Visit www.artisanpartners.com

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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. References to individual security performance relate to a representative account in the composite. Individual holding periods may differ.

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.

MSCI All Country World Index measures the performance of developed and emerging markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The S&P 500® Growth Index includes stocks meeting growth criteria based on sales growth, the ratio of earnings change to price, and momentum. The S&P 500® Value Index includes stocks meeting value criteria based on the ratios of book value, earnings, and sales to price. The GS Cyclicals basket includes all S&P 500® industry groups with a beta to US GDP growth higher than the S&P 500®'s beta. The GS Defensives basket includes all S&P 500® industry groups with a beta to US GDP growth lower than the S&P 500®'s beta. 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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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. **Correlation** is a statistical measure of how two securities move in relation to each other. A perfect positive correlation is represented by the value +1.00, while 0.00 indicates no correlation and -1.00 indicates a perfect negative correlation. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Tangible Book Value** is a measure of a company's shareholder equity after removing any intangible assets. **Market Cap** is the aggregate value of all of a company's outstanding equity securities.

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For Institutional Investors – Not for Onward Distribution

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

Artisan Global Value Strategy

Quarterly Contribution to Return (% USD)

As of 30 September 2020

Top Contributors	Average Weight	Contribution to Return	Ending Weight
FedEx Corp	4.74	2.76	5.59
Cognizant Technology Solutions Corp	4.02	0.83	4.28
Facebook Inc	4.08	0.68	3.92
Samsung Electronics Co Ltd	4.90	0.65	5.01
Berkshire Hathaway Inc	2.86	0.44	3.35
The Progressive Corp	2.52	0.43	2.65
HeidelbergCement AG	2.83	0.39	2.91
NXP Semiconductors NV	3.47	0.34	3.53
Expedia Group Inc	3.07	0.33	3.12
Booking Holdings Inc	3.21	0.28	3.06
Compass Group PLC	3.17	0.26	3.31
Marsh & McLennan Cos Inc	3.14	0.23	3.13
Alphabet Inc	4.91	0.22	4.70
IMI PLC	0.81	0.20	0.67
Cie Financiere Richemont SA	3.52	0.20	3.55
ABB Ltd	0.33	0.19	0.00
Southwest Airlines Co	1.97	0.18	2.14
BAE Systems PLC	2.47	0.17	2.37
Baidu Inc	2.51	0.16	2.55

Bottom Contributors	Average Weight	Contribution to Return	Ending Weight
Citigroup Inc	2.96	-0.41	2.54
The Bank of New York Mellon Corp	3.26	-0.36	3.10
Imperial Oil Ltd	1.06	-0.25	0.78
Telefonica Brasil SA	2.09	-0.22	1.76
Lloyds Banking Group PLC	1.67	-0.21	1.54
UBS Group AG	3.82	-0.10	3.54
Cash Holdings	4.14	-0.08	5.07
Tesco PLC	1.82	-0.05	1.75
Raytheon Technologies Corp	0.71	-0.04	0.65
Novartis AG	3.34	-0.02	3.59
DENTSPLY SIRONA Inc	3.07	-0.02	3.33
Otis Worldwide Corp	0.01	-0.00	0.00
Oracle Corp	1.28	0.02	0.00
ING Groep NV	1.26	0.04	1.15
Visa Inc	1.00	0.04	0.99
Sodexo SA	0.93	0.05	0.91
Anthem Inc	2.96	0.07	3.15
Advance Auto Parts Inc	1.36	0.11	1.38
Groupe Bruxelles Lambert SA	1.90	0.13	1.99
American Express Co	2.81	0.16	2.91

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