Artisan Value Income Strategy

QUARTERLY
Commentary

As of 31 December 2022

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

Thomas A. Reynolds IV
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Craig Inman, CFA
Portfolio Manager

Investment Results (% USD)

As of 31 December 2022	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**10.29**	**-7.74**	—	—	—	—	**-7.74**
Composite — Net	**10.10**	**-8.28**	—	—	—	—	**-8.28**
S&P 500® Index	7.56	-10.98	—	—	—	—	-10.98
Dow Jones US Select Dividend Index	13.77	1.17	—	—	—	—	1.17

Annual Returns (% USD) 12 months ended 31 December

	2018	2019	2020	2021	2022
Composite — Net	—	—	—	—	—

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 March 2022.

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.

Investing Environment

After three consecutive negative quarters, US stocks rebounded in Q4 due to accumulating data showing US inflation peaked, a resultant calmer US bond market and a moderation in the pace of Federal Reserve tightening as the Fed Funds rate neared its projected terminal rate. This gave investors hope the painful interest rate adjustment that drove multiple compression in US equities over the past year was almost over. The Fed raised its benchmark rate 50bps in December to 4.50% following multiple 75bps hikes, and the yield on the 10-Year Treasury Bond was little changed in Q4 after increasing more than 230bps through the first three quarters of the year. Despite the bounce in equities, there remains concern that tighter monetary policy's well-known long and variable lags on economic growth and corporate profits may be a 2023 story, although there's a school of thought that due to an inverted yield curve, forward-looking markets are already looking ahead to easy Fed policy if there's any economic softening.

Most sectors in the S&P 500® Index advanced in Q4, with strength across cyclicals (e.g., energy, financials and industrials) as well as defensives (e.g., health care and consumer staples). The consumer discretionary and communications services sectors were the exceptions due to a small number of mega caps that have big index weights (Amazon.com, Alphabet and Tesla). With a 23% gain, energy was the best performer overall, as it was throughout 2022—finishing the year ahead of all other sectors by a wide margin. Energy shares benefited from rising oil and gas prices, with Russia's invasion of Ukraine contributing to the supportive commodity price backdrop. Oil prices trended lower in the back half of the year, but energy stocks remained winners, buoyed by their reputation as inflation hedges. In terms of style returns, the Russell 1000® Value Index beat the Russell 1000® Growth Index in Q4 by 355bps, adding to its large performance edge of more than 2,100bps in 2022. This was value's best year since the tech bubble popped in 2000; however, due to growth outperforming value for much of the past decade, growth still leads over 5 and 10 years.

While a bear market in stocks garnered headlines, the biggest story of 2022 was undoubtedly the bond market and its reverberations across other asset classes, from equities to real estate. Belying its standing as a safer, less volatile asset class, fixed income suffered a historic drawdown. The Bloomberg US Aggregate Bond Index, a total bond market index that tracks both government debt and investment grade corporate bonds, lost 13%, marking its worst year ever dating back to 1976. Similarly, the 10-Year Treasury declined more than 10%, its biggest decline since 1926, while the 30-Year Treasury fell 39%—the most on record going back to the 1700s! Consequently, there were few diversification benefits to be had in the classic 60/40 diversified stock/bond portfolio, which turned in its third-worst year since the 1930s.

Performance Discussion

Our portfolio outperformed the S&P 500® Index in Q4 due to positive stock selection and favorable sector positioning. Positive stock selection was driven by our consumer discretionary, communication services and information technology holdings. Sector allocation was positive due to our below-benchmark weightings in consumer discretionary and information technology and above-benchmark weightings in financials, industrials and consumer staples.

Our top individual contributors were Philip Morris International (PM), EOG Resources and Merck. Despite being US-based, tobacco company PM derives all its sales from outside the US. As a result, foreign exchange impacts can be an important driver of near-term returns, and the recent weakening in the US dollar should provide a strong tailwind for earnings due to translation effects. However, our investment case is not tied to currency movements. By virtue of its globally known brands, PM is the best-in-class operator with a well-diversified business, particularly by geography. We believe its next-generation heat-not-burn product IQOS should gain share as consumers continue migrating to safer tobacco delivery systems. The company is progressing toward its acquisition of Swedish Match, a Swedish tobacco and nicotine products maker, which was previously held in the portfolio. The deal is a good fit for PM as it reduces PM's dependence on cigarettes—a category in steady decline—and accelerates the company's transition to smokeless "reduced-risk" products (RRPs)—a category that has experienced rapid growth over the past five years. PM can also leverage its global scale to generate significant revenue synergies from these complementary product sets, as well as quickly gain access to the US market—the world's largest market for RRPs and one where regulators have embraced RRPs and other less harmful nicotine products. Looking at PM through our margin-of-safety criteria, the business trades for an undemanding valuation and has extraordinary business economics and a strong credit profile.

EOG is a US shale-focused E&P company. The current supportive commodity price environment and EOG's continuing to deliver on its production goals and capex plans have led investors to bid up shares. Its commitment to return excess capital to shareholders via regular and special dividends is also highly appealing, particularly in a period of rising interest rates. The company has proven its ability to create economic value for shareholders, even over the past decade that included the toughest energy commodity environment of the last 30+ years. The company's strong balance sheet enabled it to increase production capabilities during the downturn. EOG has a low-cost production position with a strong reserve base, giving it an advantage versus peers. Further, EOG's management focuses on return on invested capital and cash flow generation, distinguishing it from most of the company's competitors who prioritize growth over profitability.

Merck is a provider of health care solutions including prescription medicines, vaccines, biologic therapies, animal health and consumer care products. Shares have benefited from investors seeking safety in areas with less economic and interest rate sensitivity. With about one third of its sales generated by blockbuster oncology drug Keytruda, the key issue for investors is the success of its large R&D pipeline to replace those sales when Keytruda comes off patent in 2028. However, Merck seems to be getting little credit from investors for the 60+ programs it has in clinical development, despite having several solid and large new product opportunities. Additionally, the company's strong balance sheet and robust free cash flow provide it multiple options for future partnerships and acquisitions, besides return of capital to shareholders via dividends and share repurchases.

Our biggest detractors were H&R Block, Cable One (CABO) and Blackstone. Shares of tax preparation company H&R Block pulled back after strong gains earlier in the year. The stock has been among our top contributors since we launched this portfolio in Q1 2022. The company benefited from increased tax filing complexity given the influences of increased retail trading in stocks and cryptocurrency and one-time child tax credits in the 2021 tax year. A mix shift toward more complex tax filings led to share gains in the higher value-add assisted tax prep category. In an inflationary environment and amid concerns of economic slowing due to tightening financial conditions, investors naturally value H&R Block's pricing power, steady growth characteristics, strong free cash flow and robust return of capital. Through the ups and downs of the economic cycle, we believe the company should remain one of the industry's best brands based on its strong market share positions.

CABO is a small cable company operating in rural US markets and is an example of an investment in our Capital Structure bucket. CABO and other cable stocks have been punished due to concerns about increasing competition from wireless providers. While wireless companies are entering new markets, 5G is not currently competitive with cable's download speeds, and based on the physics of wireless data delivery, 5G is unlikely to be competitive with cable for many years, if ever. Cable continues to have a competitive advantage with respect to network speeds, reliability and capital intensity. We like the cable business in general due to its high recurring revenue, pricing power and healthy operating leverage, but there are additional elements in our investment case unique to CABO. Unlike the larger cable companies, CABO has employed a different playbook by de-emphasizing video and phone—two thirds of cable providers' triple-play bundles—to focus on broadband to rural homes and businesses. Why is this important? CABO faces far less competition in this business than the average large MSA (Metropolitan Statistical Area) cable company, like Comcast and Charter. Less than 30% of CABO's customers have access to another provider that can offer speeds over 100 mb/s. Fixed wireless is less competitive, with speeds of under 100 mb/s and spotty execution. As customers cancel video subscriptions, many switch to streaming video over the Internet, and this increased data usage requires a more robust connection, driving growth in CABO's Internet business. This playbook has been working for the company, as it has steadily grown in each of the past six years. At the time of our purchase in May 2022, the stock was off about 47% from its high in September 2021, allowing us to purchase shares at a low-teens P/E multiple for a business that has been growing EPS at a 20%+ annualized rate. We believe this valuation tilts outcomes in our favor. We also purchased convertible bonds maturing in 2026 and 2028 that were trading at significant discounts to par. In addition to boosting the income received from the combined stock and bond positions, there is implied yield from the optionality from potential conversion to common stock. This conversion feature makes these securities more attractive than the 4% fixed notes outstanding.

Shares of Blackstone, an investment manager, came under pressure along with those of other alternative asset managers due to price declines across asset markets. Blackstone has been met with redemptions in its private real estate fund BREIT (Blackstone Real Estate Income Trust), one of the company's strong growth drivers in the attractive high net worth channel. Redemptions have picked up due to concerns about the real estate market due to higher interest rates, and because BREIT has been a strong performing product, investors are selling their winners to gain liquidity in an environment where their other assets may have lost value. In early January as we write this, it was announced that the University of California is putting $4 billion into BREIT with the same fees as other shareholders but with a commitment to hold shares for 6 years. This announcement may help to allay concerns about BREIT's stability in the face of redemptions. We still view the business as a proven long-term compounder of value, driven by a virtuous cycle of strong investment results leading to fundraising success. Blackstone remains a smaller position in the portfolio.

Our strategy will reach its one-year anniversary in Q1 2023. We seek to generate an attractive total return from a combination of income and capital appreciation. If we can generate a 3%-4% yield, that's a nice head start to equity-like returns. Second, the portfolio may offer defensive characteristics due to the steadier growth profiles of dividend-paying companies, as well as from our fixed income holdings. We also designed our approach as an alternative to traditional investment income sources. In contrast to fixed income, which by its nature is fixed, an equity portfolio provides greater upside for capital appreciation as companies compound value over time and can better protect against inflation. Likewise, in contrast to other dividend-oriented approaches, we have the flexibility to invest in various security types, including preferred securities; investment grade, high yield and convertible debt securities; and derivatives for covered call writing. This flexibility enables us to take advantage of dislocations across the capital structure. An additional benefit is we can invest in low-yielding or non-yielding equities that have attractive business economics or valuations because we can supplement their low yields with higher yielding debt securities to achieve our portfolio yield objective. These investments that comprise non-equity parts of the capital structure are held in what we refer to as our Capital Structure bucket. We expect our Capital Structure bucket weighting to

range from 0% to 20% of portfolio securities. The bucket's weighting was 10% as of year end.

Examples of Capital Structure investments include previously discussed Cable One and Air Lease. Air Lease is an airplane leasing firm, maintaining a diversified fleet of next-generation, fuel-efficient, low operational-cost aircraft. Increased demand for air travel by the global emerging middle class, along with the rise of ultra-low-cost carriers, provides secular tailwinds to the business. Travel demand is benefiting from more markets removing pandemic-related travel restrictions, while an industry aircraft shortage is supporting higher lease rates. Further, management continues to execute well and manage capital wisely, in our view, using excess cash to repurchase stock at attractive prices. Our original investment in Air Lease included not only the common stock, which was paying a dividend yielding about 2%, but also its perpetual preferred stock paying a 4.125% coupon. We sold the common stock in Q3 in favor of better opportunities but continue to hold the preferred.

Our top performers for the since-inception period included previously discussed Merck, H&R Block and EOG Resources. Our weakest contributors were Philips, Tyson Foods and already-discussed Blackstone. Shares of Philips, a health care technology company, were hurt by fears regarding the recall of its first-generation CPAP machine and the potential for legal recourse and market share losses arising in its sleep division. Adding to the company's woes are supply chain disruptions and a worsening macro environment that will weigh on deliveries and customer installations. The stock is down more than 70%, losing more than €30 billion in market value from its April 2021 highs. The stock reaction seems excessive given the likely range of outcomes we see, so we've been adding to our position. The sleep division is a small part of the overall business—which we do not believe is going to zero. The company has a large installed base of medical diagnostic equipment (e.g., MRI/PET/CT/ultrasound scanners) that offers a high recurring stream of software-like maintenance revenues. This is a sticky business as medical providers are reluctant to switch over to competitors. We appreciate that until there is greater clarity on the full impact of the recall and how long it may take to resolve, the stock will remain under pressure, but we believe today's asking price offers the potential for highly attractive multi-year returns.

The largest food processor in North America, Tyson Foods is a marketer and distributor of chicken, beef, pork and prepared foods. Top-line growth has remained strong, but margins have been volatile. The margin issues have been primarily in its chicken and prepared foods businesses as beef margins have benefited from ample cattle supply, global export demand and high US domestic retail prices. In the other segments, inflationary pressures have ranged from higher raw material costs to supply chain constraints and labor availability issues. Some of these factors are out of its control, but the company is making efforts to increase labor availability and shift contract terms toward variable price models that could repair margins more quickly. The business has improved over time—the company has spent years moving away from commodity processing toward a greater mix of higher margin branded products and packaging. This has contributed to solid return on invested capital and free cash flow generation. Additionally, revenue growth has benefited from a natural long-term health and wellness tailwind of protein demand rising in the US and globally as diets improve by replacing processed foods with healthier alternatives like protein.

Portfolio Activity

If we could in one word sum up our approach to adding new names to the portfolio this year, it would be, "patience." We made only one new purchase in Q4. Despite our patience, we are finding more opportunities today, some of which are already in our portfolio. With a truer cost of capital returning, valuations have compressed, and earnings expectations are coming down given concerns about higher costs and a looming recession. As a result, our research lists are the longest they have been since early 2020 when stocks sold off sharply during the early throes of the pandemic.

In Q4, we purchased Washington Federal (WaFd), a bank holding company based in Seattle that operates in the western US. WaFd has transitioned from a thrift to a diversified commercial bank by investing in technology and diversifying into new customer groups and geographies. Despite its evolution, its overall ethos has remained the same: "strong balance sheet, strong customer relationships and strong credit." Our opportunity to invest came when the stock price reacted negatively to WaFd's announced acquisition of Luther Burbank, a California-based thrift that resembles WaFd from 15 years ago, in an all-stock deal worth roughly $654 million. The purchase price was far below tangible book value and is immediately accretive to book value, capital ratios and to 2024 EPS. The deal facilitates WaFd expansion into California, where it can roll out the same playbook it used to transform itself into a commercial bank. Importantly, we believe in WaFd's management team, which has shown itself to be disciplined and shareholder oriented. Over the past five years, WaFd has retired approximately 33% of its shares while paying a dividend that currently yields 2.8%.

We also added to our position in Medtronic, taking advantage of attractive prices. While procedure volumes for Medtronic, a medical technology company, are close to their pre-COVID levels, professional staffing shortages, supply chain constraints and some raw materials shortages globally have held back the availability of procedures. These factors have caused its top line to contract. However, foreign exchange has also been a big headwind. Each of its segments has its own respective reasons for ebbs and flows over the past couple quarters, but generally results have been soft and slow to recover. We are being patient with our investment in Medtronic because the company continues to be a strong free cash flow generator and is attractively priced, with a FCF yield of 5.3% and a dividend yield of 3.4%. Medtronic is under new management that is focused on growing the company's top line, reinvesting in R&D, returning cash to shareholders and growing operating profits. We like the new

management's strategy and believe new product launches, increased surgery visits, sound M&A transactions and a shareholder-returns focus should reinvigorate the business.

We exited our position in network equipment company Cisco Systems. We chose to use the proceeds on more attractive value opportunities as Cisco's growth has come in below what we had hoped for, and the company is increasingly looking at M&A to augment its growth rate.

Perspective

It's easy to lose sight of how quickly the investment environment has shifted in the past year. Consider the smorgasbord of acronyms previously in vogue that had entered the investing lexicon during the post-global financial crisis (GFC) period, from ZIRP (zero interest rate policy) to TINA (there is no alternative) and FOMO (fear of missing out). Today, with the risk-free rate north of four percent, there is an alternative. Besides the immediate implications for valuing a business, a higher cost of capital creates a hurdle rate for stocks to deliver actual cash flows to shareholders and should favor shares of companies that produce needed and valued goods and services rather than those that feed only investors' hopes and dreams.

Since the founding of our investment team, we have required each of our portfolio companies to possess attractive business economics, a sound financial condition and sell at an attractive valuation. We seek companies with strong financial conditions because we believe better balance sheets should contribute to resilience in times of economic stress and/or enable companies to take advantage of industry downturns versus weaker competitors. However, for most of the post-GFC period, with interest rates kept artificially low, there were many companies that probably shouldn't have survived but were able to continue operations or even thrive. Additionally, when interest rates are higher, debt loads have a greater impact on earnings. Quite simply, interest expense should increase as companies roll their debt. We are not applying our investment process any differently today than we did when rates were close to zero. However, we welcome a return to a truer cost of capital and a company's financial condition mattering once again, and we believe this will serve our strategy well going forward.

For more information: Visit www.artisanpartners.com

Investment Risks: There is no guarantee that the companies in which the portfolio invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. The equity, fixed income and derivative security types referenced each contain inherent risks, including the risk of loss like all investments, and capital appreciation and income is not guaranteed. 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 and less developed markets, including frontier 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. References to individual security performance relate to a representative account in the composite. Individual holding periods may differ.

For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan Value Income Strategy Composite's total net assets as of as of 31 Dec 2022: Philip Morris International Inc 3.6%, EOG Resources Inc 3.1%, Merck & Co Inc 2.2%, H&R Block Inc 1.6%, Cable One Inc 3.0%, Blackstone Inc 1.3%, Air Lease Corp 1.5%, Koninklijke Philips NV 1.0%, Tyson Foods Inc 1.8%, Washington Federal Inc 1.5%, Medtronic PLC 2.6%, Comcast Corp 3.2%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

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 certain securities which lack applicable attributes, such as private securities. Artisan Partners 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. Portfolio security yields are subject to market conditions and are not guaranteed.

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 Bloomberg US Aggregate Bond Index is a total bond market index that tracks both government debt and investment grade corporate bonds. Russell 1000® Growth Index measures the performance of US large-cap companies with higher price/book ratios and forecasted growth values. Russell 1000® Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. The Dow Jones US Select Dividend Index measures the performance of the US's leading stocks by dividend yield. 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 31 Dec 2022. 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.

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. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Tangible Book Value** is a measure of a company's shareholder equity after removing any intangible assets. **Free Cash Flow Yield** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price.