Artisan Value Fund

QUARTERLY
Commentary

Investor Class: ARTLX | Advisor Class: APDLX | Institutional Class: APHLX

As of 30 September 2023

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.

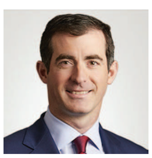
Attractive Business Economics

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 (%)

			Average Annual Total Returns				
As of 30 September 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTLX	**-2.22**	**13.20**	**29.09**	**15.07**	**8.47**	**8.94**	**7.67**
Advisor Class: APDLX	**-2.23**	**13.28**	**29.30**	**15.25**	**8.66**	**9.09**	**7.75**
Institutional Class: APHLX	**-2.23**	**13.36**	**29.35**	**15.29**	**8.71**	**9.18**	**7.84**
Russell 1000® Value Index	-3.16	1.79	14.44	11.05	6.23	8.45	6.86
Russell 1000® Index	-3.15	13.01	21.19	9.53	9.63	11.63	9.17

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (27 March 2006); Advisor (1 April 2015); Institutional (26 July 2011). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios (% Gross/Net)	ARTLX	APDLX	APHLX
Semi-Annual Report 31 Mar 2023[1]	1.09/—	0.98/0.88[2,3]	0.87/—
Prospectus 30 Sep 2022[3]	1.06/—	0.96/0.88[2]	0.85/—

[1]Unaudited, annualized for the six-month period. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. [3]See prospectus for further details.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance.

Investing Environment

Following solid returns in the first half of the year, US equities experienced a pullback in Q3 driven by the significant rise in long-term interest rates and the higher for longer policy messaging from the Federal Reserve and other major central banks. The rate on the 10-year US Treasury rose ~75bps in Q3 to 4.57%, eclipsing its previous cycle highs of October 2022, and is now up over 400bps since it bottomed in March 2020 at just 0.50%. It's difficult to overstate the severity of this bond bear market. According to Bank of America, which examined available bond market data going back to the country's founding in the late 1700s, this is the worst bear market in US bonds…ever. As a comparison, it's on par with the bear market in US equities following the tech bubble. Of course, like the tech bubble, these types of market outcomes tend to occur when starting valuations reach extremes, whether stock P/Es or interest rates.

As in 2022, rising long-term yields were a negative for equities in Q3 as long-term cost of capital assumptions were adjusted upward. However, unlike in 2022 when yields moved higher due to inflation, the recent market moves have been due more to supply/demand pressures. Elevated fiscal spending is causing supply issues (i.e., high Treasury issuance), while quantitative tightening by the Fed is contributing to reduced demand. In the background, there are increasing concerns about the long-term fiscal outlook given higher funding costs in a higher for longer environment and little confidence that budgetary solutions are imminent amid political dysfunction in Washington.

After pausing at its June meeting, the Fed raised its benchmark rate another 25bps in July and then held steady in September. Of course, the higher for longer stance of the Fed is less about the level of peak rates and more about how long rates will remain high before the Fed reverses course. While inflation has continued cooling, the rate of inflation is still well above the Fed's 2% target, and labor markets remain tight. Besides higher borrowing costs, the US economy is facing multiple pressures from banks' tightened lending standards to the resumption in student loan payments and the increase in energy prices. While we're not economists, we know from history that eventually tight policy and lending will slow the economy even if the timing of "the long and variable lags" is tough to predict.

All sectors in the Russell 1000® Value Index, aside from energy, which was a laggard in the first half of 2023, finished lower in Q3. The energy sector gained 12%. Rising oil prices and investors' seeking value among market segments that hadn't participated as much in the stock market's YTD advance drove a broad sector rotation to energy stocks. YTD, the energy sector is up 6%, following its strong outperformance in 2022. The worst performing sectors were consumer discretionary and utilities—each down about 9%. There were few notable performance patterns by market capitalization and style (value-growth), though large caps tended to hold up a little better as investors continued to favor quality.

Performance Discussion

The portfolio outperformed the Russell 1000® Value Index in Q3, expanding its YTD lead over the benchmark. Our portfolio held up better than the index due to positive stock selection in the consumer discretionary, industrials and communication services sectors. On the downside, our consumer staples and health care holdings underperformed. Sector allocation impacts were immaterial.

Our top individual contributor in Q3 was Schlumberger (SLB), the world's largest oil services company. Shares of SLB rallied along with the broader energy complex. Importantly, the company is delivering on its free cash flow and profit margin growth objectives as the combination of activity growth and pricing gains have contributed to improvements in both. The company reported multiple long-term contract wins and noted positive momentum in its international and offshore markets. Since our initial purchase in Q4 2020, SLB has been among our top contributors, with only one other holding—EOG Resources, which is the other energy stock we currently hold—producing a greater total return. It was a bargain at the time because activity and thus earnings were depressed, despite the fact it was consistently generating free cash flow. Aside from a cheap valuation, we were attracted to its dominant global position, consistency of free cash flow and the quality of management, which we believed was conservative, forward thinking and executing a sound strategic plan to make the company less dependent on commodity prices and capital expenditures.

Other top performers in Q3 were FedEx and Booking Holdings, which are classified in the industrials and consumer discretionary sectors, respectively. After bottoming in September 2022 at less than 8X our estimate of normalized earnings, shares of FedEx, a global shipping and logistics firm, have rallied strongly over the past year. Given the substantial pessimism priced into shares at the time, it hasn't taken much for shares to rise soundly. Although the demand environment remains challenging globally, particularly in the Express segment, the company is delivering solid earnings growth driven by cost savings initiatives. FedEx's DRIVE program, which seeks to deliver $4 billion in permanent cost reductions by creating an integrated air-ground network similar to that of rival UPS, is showing progress, and workforce reductions have also been enacted. While operating results can be choppy, FedEx's longer term business economics are highly favorable given the global shipping industry's consolidated structure and massive barriers to entry that afford operators with pricing power to counter cost inflation and earn respectable returns on capital over the business cycle.

Booking Holdings is the largest global online travel agency and the corporate entity behind Booking.com, priceline.com and OpenTable, among other popular online brands. Booking has continued to benefit from the resurgence of travel that has occurred post the pandemic. Gross bookings in the recent quarter were up 15% year over year, ahead of expectations, and global hotel rooms nights sold were up 20% year over year in July. By providing the greatest selection of properties to book, with an easy to use online/mobile interface and pictures/reviews for consumers to make informed decisions, the business model improves as scale is added. Hotels only pay if a booking occurs (charged a commission), and the service is free to consumers. The business requires almost no tangible capital to operate, and annual capex is low relative to EBITDA; therefore, it's a free cash flow machine. Management has allocated capital well, focusing on a mix of tuck-in M&A and share repurchases. As the business has normalized post COVID, Booking has prodigiously returned excess capital to shareholders. Over the past four quarters, the company has bought back $9.5 billion in shares, equating to a buyback yield of ~8.8%.

On the downside, our biggest detractor was discount retailer Dollar General (DG), a new purchase this quarter. When we added it to the portfolio in July, the stock was already well off its 2022 highs as investors fled with growth slowing. However, after our purchase, results weakened further, and the company reduced full-year guidance. DG clearly benefited from COVID stimulus checks, reflected in the bump it experienced in revenues and margins. However, the effects have worn off. The lower end consumer is being hurt by inflation, stiffer economic conditions, lower tax refunds and reduced SNAP benefits. Margins are also under pressure due to labor costs, shrink and markdowns. Some of the issues are likely self-inflicted. After years of focusing on store growth to drive the top line, store standards have suffered. Addressing store standards is needed to turn around flagging traffic, comps and customer satisfaction. On the positive side, discount retail due to its trade-down feature tends to be a defensive business during economic slowdowns. DG has a strong market position and faces less competition than other discounters due to its largely rural footprint. The business's value proposition is everyday low prices, a convenient format and proximity. While the company has more leverage than we believe is ideal, interest coverage of 10X is strong. From a valuation perspective, the froth from the pandemic is gone. Shares now trade at a low-teens price-to-earnings multiple—the lowest levels since it went public in 2009 and much cheaper than the low- to mid-twenties from 2020 to 2022. So, we aren't paying for margin upside or store growth. Those would be bonuses. If the company can continue to grow revenues, generate cash flow and buy back stock, we still see a path to success.

Other key laggards included Compass Group (CPG) and Heineken. Compass Group, the world's largest catering business, has experienced a faster-than-expected recovery post the pandemic, and the company's top line has surpassed pre-pandemic levels as travel, restaurant dining, sporting events and business activity have returned to normal. Margins have also returned to pre-pandemic levels as CPG has been able to overcome inflationary pressures in labor and food due to its scale, pricing and contract structure. The mix of cost-plus and P&L type contracts enable the company to pass on price increases to customers. The stock pulled back despite a solid quarterly update as organic growth of 15% came in ahead of expectations, with broad-based contributions across geographies. However, investors may have been disappointed by the lack of a raise to full-year guidance. We believe CPG remains well positioned to continue to compound value over time due to its excellent management and strong position in the steadily growing catering outsourcing industry.

Heineken, the second-largest brewer in the world behind Anheuser-Busch InBev, has come under pressure due to weaker volumes owing to challenging macro trends globally. Volume trends can ebb and flow, but on the whole, the alcoholic beverage category has a highly stable demand profile. Rather than sacrifice margins, Heineken has remained focused on maintaining its premium positioning—leveraging its strong brand portfolio and exposure to the premium beer segment—to pass through cost inflation. Heineken's brands and scale provide it with competitive advantages on margins, cash flow and the capacity to invest for growth. Also, Heineken's geographical exposures provide growth tailwinds. It has a relatively small presence in the competitive and shrinking US beer market and an outsized presence in emerging markets. As a stable and higher quality business, opportunities to purchase shares of Heineken at a discount are infrequent, so we took advantage of the current market conditions to add to our position.

Portfolio Activity

Our sole new purchase this quarter was Dollar General, which we previously reviewed in the performance discussion. Identifying attractive values often entails ownership that is concurrent with challenging business conditions or earnings disappointment, and Dollar General is a case in point. However, our focus is on the long term, rather than on a near-term catalyst, such as the next quarterly earnings release. Our sales activity in Q3 was also limited as we didn't have any complete sales. As always, we are on the lookout for companies that meet our three margin of safety criteria and will act when opportunities arise, but we are patient and won't compromise on our investment discipline.

Perspective

Value remains cheap. Aside from the pandemic years of 2020 to 2021, large-cap value hasn't been this cheap relative to large-cap growth since the aftermath of the tech bubble. The Russell 1000® Value Index trades for 14.7X FY1 estimated earnings. The Russell 1000® Growth Index trades at 27.2X FY1 estimates. The average and median valuation spreads between these indices have been 7.7 and 6.0 percentage points over the past 25 years. Today, it's 12.5 percentage points. Thus, we feel good about our opportunity set today and the long-term forward return potential that exists among value stocks.

The valuation spread remains wide despite large-cap value closing the gap over the past three years. As of the end of the quarter, the Russell 1000® Value Index's 3-year annualized return of 11.1% was 3 percentage points higher than the Russell 1000® Growth Index's 8.0% return. This was driven by the extended starting valuations of growth stocks and the influence of rising interest rates. This is a big shift, but history has shown these value/growth cycles can persist for several years.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by calling 800.344.1770. Read carefully before investing.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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.

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. Russell 1000® Growth Index measures the performance of US large-cap companies with higher price/book ratios and forecasted growth values. 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 managers as of 30 Sep 2023. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 30 Sep 2023: Schlumberger NV 3.5%, EOG Resources Inc 3.3%, Booking Holdings Inc 2.6%, FedEx Corp 3.8%, Dollar General Corp 1.5%, Compass Group PLC 2.7%, Heineken Holding NV 2.8%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Interest coverage** measures a company's ability to make interest payments on its debt by calculating earnings before interest and taxes divided by total interest expense. **Buyback yield** measures the total value of share buybacks during a period divided by the company's market capitalization at the beginning of the period.

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