



Artisan Value Income Fund

MONTHLY
Commentary

Investor Class: APFWX

Advisor Class: APDWX

As of 28 February 2025

Commentary

Top month-to-date contributors: Philip Morris International Inc; Heineken Holding NV; OGE Energy Corp; Tyson Foods Inc; LKQ Corp

Bottom month-to-date contributors: Merck & Co Inc; Diageo PLC; Cable One Inc; Polaris Inc; Vail Resorts Inc

In this space, we discuss one top contributor (Philip Morris International) and one bottom contributor (Merck) from the recent month.

Philip Morris International (PM), a global tobacco company, is our largest position and our top contributor to returns for the year-to-date and one-year periods. PM has sought to reduce its reliance on traditional cigarettes—a category in steady decline—by evolving its product portfolio to focus on potentially less harmful smoke-free products that offer superior growth. In Q4, strong top- and bottom-line growth was driven by PM's smoke-free product platform led by IQOS, a heat, not burn tobacco alternative, and Zyn nicotine pouches. Gross margins in its smoke-free business expanded a remarkable 330bps, and smoke-free is now 40% of PM's total gross profit. Since its 2022 acquisition of Zyn maker Swedish Match, a company we previously held in the portfolio, popularity of Zyn pouches has surged, helped by free advertising from social media influencers and PM's ability to leverage its global scale and distribution. We believe PM still has significant runway for growth in the US—the world's most profitable nicotine market and one that makes up less than 10% of PM's revenues. On the horizon is the rollout in the US of its next-generation IQOS ILUMA heated tobacco device later this year. 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.

Shares of Merck, a health care solutions company, were down about 6% in February. Overall results were solid, with Q4 earnings beating expectations, but investors were more focused on the continued weak demand in China for Gardasil, a vaccine for human papillomavirus (HPV), and the company's decision to pause vaccine shipments through at least mid-2025 to pare inventories. Though recent Gardasil setbacks have weighed on sentiment, the overarching issue for shareholders remains the success of Merck's late-stage pipeline to replace sales that will be lost when blockbuster oncology drug Keytruda (50% of Q4 sales) comes off patent in 2028. As shares sell cheaply at just 10X earnings, 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.

Portfolio Details

	APFWX	APDWX
Net Asset Value (NAV)	\$10.79	\$10.80
Inception	28 Feb 2022	28 Feb 2022
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2024 ^{1,2}	8.59/1.20	4.18/1.10
Prospectus 30 Sep 2024 ^{1,2}	8.59/1.20	4.18/1.10

¹Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2026. ²See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Philip Morris International Inc (Consumer Staples)	4.1
Lamar Advertising Co (Real Estate)	3.6
Cable One Inc (Communication Services)	2.8
EOG Resources Inc (Energy)	2.6
Heineken Holding NV (Consumer Staples)	2.5
PPL Corp (Utilities)	2.4
OGE Energy Corp (Utilities)	2.4
Comcast Corp (Communication Services)	2.4
Wells Fargo & Co (Financials)	2.2
Ryanair Holdings PLC (Industrials)	2.2
TOTAL	27.2%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	S&P 500 ¹
Communication Services	8.3	9.5
Consumer Discretionary	8.0	10.5
Consumer Staples	17.7	5.9
Energy	6.8	3.3
Financials	19.3	14.5
Health Care	7.1	10.8
Industrials	8.7	8.3
Information Technology	4.3	30.7
Materials	0.0	2.0
Real Estate	9.6	2.2
Utilities	10.3	2.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/S&P. Cash and cash equivalents represented 0.2% of the total portfolio. ¹S&P 500[®] Index.

Investment Results (%)

As of 28 February 2025	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: APFWX	2.76	4.76	4.76	14.78	5.17	—	—	5.17
Advisor Class: APDWX	2.66	4.75	4.75	14.86	5.27	—	—	5.27
S&P 500 [®] Index	-1.30	1.44	1.44	18.41	12.55	—	—	12.55
Dow Jones US Select Dividend Index	2.53	5.33	5.33	23.44	8.06	—	—	8.06
As of 31 December 2024								
Investor Class: APFWX	-6.08	-3.90	9.68	9.68	—	—	—	3.76
Advisor Class: APDWX	-6.14	-3.87	9.76	9.76	—	—	—	3.86
S&P 500 [®] Index	-2.38	2.41	25.02	25.02	—	—	—	12.74
Dow Jones US Select Dividend Index	-7.52	-1.85	16.62	16.62	—	—	—	6.57

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized.

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.

Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	S&P 500 ¹
200.0+	15.6	57.6
140.0–200.0	2.8	9.0
90.0–140.0	11.7	9.0
60.0–90.0	6.3	7.3
30.0–60.0	10.4	10.0
15.0–30.0	25.3	5.6
5.0–15.0	16.7	1.5
0.0–5.0	8.9	0.0
Not Applicable	2.3	—
TOTAL	100.0%	100.0%

Source: Artisan Partners/S&P. ¹S&P 500[®] Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Thomas A. Reynolds IV	26
Daniel L. Kane, CFA	26
Craig Inman, CFA	25

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. 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. 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.

S&P 500[®] Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Fund's total net assets as of 28 Feb 2025: Diageo PLC 1.7%; LKQ Corp 1.5%; Merck & Co Inc 2.0%; Polaris Inc 1.7%; Tyson Foods Inc 1.9%; Vail Resorts Inc 1.4%. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. Totals may not sum due to rounding.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Price-to-Earnings (P/E) Ratio measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years. **Return of Capital** is a return from an investment that is not considered income. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **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.

Portfolio holdings are classified into five income categories: Core Value, Dividend Recovery, Dividend Growth, Bond Proxy and Capital Structure. Core Value holdings are investments consistent with the team's value investing approach that also have an income component. Dividend Recovery holdings are investments where the current yield does not reflect the future payout. Dividend Growth holdings are investments where the dividend payout is expected to grow over a multiyear period. Bond Proxy holdings are investments in businesses which are less economically sensitive and have steady dividend policies. Capital Structure holdings are instruments that comprise non-equity parts of the capital structure (e.g., preferred securities, convertibles and bonds).

Source: Artisan Partners/FactSet. Contribution to Return includes the securities with the highest positive and negative contribution to the portfolio's return and is calculated by multiplying a security's portfolio weight by its in-portfolio return for the period. 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. Contribution to return is not exact, but should be considered an approximation.

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