Artisan Value Income Fund

QUARTERLY Commentary

Investor Class: APFWX | Advisor Class: APDWX | Institutional Class: APHWX

As of 30 September 2024

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.

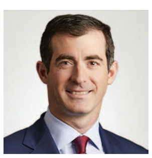
Attractive Business Economics

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 2024	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: APFWX	**10.84**	**14.13**	**26.05**	—	—	—	**5.75**
Advisor Class: APDWX	**10.86**	**14.18**	**26.27**	—	—	—	**5.85**
Institutional Class: APHWX	**10.76**	**14.21**	**26.18**	—	—	—	**5.88**
S&P 500® Index	5.89	22.08	36.35	—	—	—	13.02
Dow Jones US Select Dividend Index	13.13	18.82	30.90	—	—	—	8.01

Source: Artisan Partners/S&P/S&P DJI. Returns for periods less than one year are not annualized. Class inception: Investor (28 February 2022); Advisor (28 February 2022); Institutional (28 February 2022).

Expense Ratios (% Gross/Net)	APFWX	APDWX	APHWX
Semi-Annual Report 31 Mar 2024[1,2,3]	8.78/1.20	4.01/1.10	2.00/1.05
Prospectus 30 Sep 2023[2,3]	9.08/1.21	4.36/1.11	2.43/1.06

[1]Unaudited, annualized for the six-month period. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. [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

US equities overcame brief spells of volatility to reach new all-time highs in Q3 as underlying earnings growth remained positive, US inflation continued to decelerate and incoming economic data supported soft-landing hopes. With inflation approaching its 2% target, the Federal Reserve began easing monetary policy, cutting its target rate by 50bps. In contrast to the first half of the year, which was dominated by large-cap technology stocks and the artificial intelligence trade, equity returns broadened out in Q3 amid a big rotation to interest-rate sensitive stocks. The S&P 500® Index gained 5.89%, led by utilities and real estate stocks. Energy was the only sector that was down in Q3 as WTI oil fell from the $80s into the $60s.

Value had its best quarter relative to growth since Q4 2022 as the Russell 1000® Value Index outperformed the Russell 1000® Growth Index by over 600bps. However, given the huge gains by large-cap growth stocks in recent years, the Russell 1000® Growth Index has still outperformed the Russell 1000® Value Index by more than 900bps and 700bps annualized over the past 5 and 10 years, respectively. As growth stocks' market values have risen disproportionately relative to their earnings growth, their valuations have risen higher both on an absolute basis and relative to those of value stocks. Today, the growth index trades for about 32X FY1 earnings compared to 18X for the value index—a 14-point valuation spread. This compares to average and median valuation spreads of 8 and 6 multiple points (based on our data going back to 1997).

Performance Discussion

Falling yields and the rotation to dividend stocks, which had previously been out of favor, were a boon for our income-focused portfolio. Strength was broad based across our portfolio, with double-digit gains in four of our five income categories: Bond Proxy, Dividend Recovery, Dividend Growth and Capital Structure. Our Core Value investments, which are the largest weighting in the portfolio, still had high-single-digit gains.

We had a number of holdings return 20%-plus in Q3. Among these were banks WaFd and PNC Financial Services, utilities Alliant Energy and PPL, health care technology company Philips, tobacco company Philip Morris International, food company Kerry and real estate investment trust Public Storage. Our top-three returners were WaFd, Philips and Kerry.

WaFd is a regional bank based in Seattle. As one of our Capital Structure investments, we hold both the common equity, which we first purchased in Q4 2022, and the preferred equity paying a 4.875% coupon that we bought in early October 2023 when it was trading at a steep discount to par and yielding 9.67%. Having the flexibility to invest across the capital structure allowed us to take advantage of a seeming mispricing in the preferred, which despite its lower risk was selling at a price that we believed had a high probability of generating an equity-like return. Both shares rallied along with the broader banking sector as cooling inflation data solidified expectations that the Federal Reserve would join other central banks in easing monetary policy. Interest rate cuts are seen boosting net interest margins by reducing bank borrowing costs while also fostering better loan growth. The preferred returned 35%, and the common equity returned nearly 23%. WaFd is an example of our opportunistic approach and flexible portfolio construction—the ability to purchase attractively priced non-equity securities—as we seek to deliver premium and consistent income.

Shares of Philips continued to recover post its $1.1 billion settlement regarding potential adverse health effects from its first-generation CPAP sleep apnea machines. The settlement's dollar amount was in line with our expectations but looks to have been much lower than others' views given the stock's immediate 30%-plus price move on the announcement. Recent business results have been well received by the market. Though growth was still slow on the top line, there were pockets of strength, and margins continued to improve across business lines. With litigation completed, management should be able to better focus on the fundamentals of the underlying businesses, while fulfilling its requirements under the consent decree with the US government. The consent decree provides a roadmap of required actions and prohibitions—a process likely to take three years to conclude. As part of the consent decree, Philips is prohibited from selling CPAP or BiPAP sleep devices in the US. However, Philips may still service sleep and respiratory care devices already with health care providers and patients and may continue to sell other products in the US. Further, it does not impact the company's sales outside the US. The overall terms were as expected, and there is now a path forward for Philips to eventually return to the market.

Kerry is the largest food and beverage ingredients company globally. Kerry is primarily a B2B (business-to-business) company that helps consumer goods and foodservice companies go from an idea to a product rapidly, with taste, nutrition and formulation assistance onsite or at Kerry's innovation centers. We added Kerry to the portfolio in Q2, taking advantage of its bargain price resulting from growth disappointments and GLP-1 weight-loss drug fears. In Q3, the stock benefited from a combination of better operating results, including positive volume trends and margin growth, fading concerns about GLP-1s and a rotation from technology stocks to defensive areas of the market, like consumer staples. Underpinning our investment case are Kerry's strong free cash flow generation and disciplined capital allocation focused on returning excess capital via dividends and buybacks.

Our only significant detractor in Q3 was Samsung Electronics, which was down about 14%; all other decliners were down single digits. Samsung Electronics is a diversified technology company, manufacturing a wide array of consumer and industrial electronic equipment, such as semiconductors, mobile devices, PCs, TVs and home appliances. Shares have pulled back on concerns about the DRAM chip cycle due to muted smartphone and PC demand. We feel over the long term, the DRAM market is structurally sound and data growth is a massive secular tailwind that should smooth out cycles, making Samsung increasingly less cyclical over time. There is also growing skepticism about Samsung's technology edge in memory. Samsung has had a few development setbacks in HBM (high-bandwidth memory) chips that are used in graphics processing units (GPUs) for AI. As a result, Samsung's stock hasn't participated in this year's AI chip stock rally. However, there are reports that Samsung's next-generation HBM chip HBM3E is nearing approval, with deliveries beginning as soon as Q4 2024.

Another laggard was nVent Electric, a provider of electrical connections and protection solutions. nVent pulled back after strong gains but is still among our top contributors to return for the YTD and trailing one-year periods. Strong growth in the business over the past few years has been supported by multiple secular tailwinds, including electrification, clean energy, energy efficiency, AI, digitalization and onshoring, to name a few. The company has also executed well, allocating capital wisely by deploying free cash flow into product development, accretive M&A and return of capital via dividends and share repurchases. The data solutions business (~14% of sales) has been and is expected to be a key source of growth over the next few years driven by the acceleration in AI infrastructure investment and the company's leading position in liquid cooling solutions. Liquid cooling is growing 3X the rate of legacy cooling and is still only a small portion of how data centers are cooled today.

Portfolio Activity

We are always on the lookout for companies that are under pressure in some form or fashion as this can create the conditions for an attractive entry price. In Q3, we found several opportunities to put capital to work. Our largest new purchases were MGM China Holdings, Schlumberger, Diamondback Energy, Warner Music Group and Polaris.

MGM China Holdings is a leading owner and operator of casinos in China (Macau and Cotai) and majority owned by US-based MGM Resorts International. Shares had been under pressure along with other casino operators due to concerns about China's economy and a slowdown in gross gaming revenues. However, MGM's Q2 operating results were strong, with 37% growth in gross gaming revenues and cost discipline driving margin expansion and substantial free cash flow generation. Due to the outsized cash flow, its board announced a special dividend of HKD 0.353 per share, which equates to a dividend yield of about 3.4% based on the stock price at our date of initial purchase.

Given weakness in the broader energy sector, we were able to purchase Schlumberger, the world's largest oil services company, and Diamondback Energy, a US exploration and production company operating exclusively in the Permian Basin of southwest Texas, at attractive prices. We have stringent criteria for business quality, which is particularly important in commodities sectors as these businesses do not control the underlying commodity prices, which can be volatile. Schlumberger has a history of successfully navigating market volatility and delivering on its free cash flow and profit margin growth objectives from a combination of activity growth and pricing gains. Diamondback Energy is a low-cost producer with low capital and operating costs, which due to its position as a price-taker, is critical to its ability to generate strong returns on equity and free cash flow. Both companies return excess cash to shareholders through a combination of share buybacks and dividends.

Warner Music Group (WMG) is one of the three largest record labels in the world. The music industry had a challenging run post-Napster and pre-Spotify, with a broken monetization model punishing artists and labels alike. We believe we are in early stages of industry revenue growth as key distributors shift from subscriber growth to subscriber monetization. Despite high-quality streaming being adopted by the mainstream, music remains under-monetized compared to the pre-Internet era. We also believe this shift should benefit artists and labels such as WMG. Seventy percent of WMG's streaming revenue comes from three services: Spotify, YouTube and Apple. Streaming penetration isn't as high as one would expect in the US and globally, providing a nice runway for growth. However, the market's outlook for industry growth is more downbeat as shares were down ~14% YTD at the date of our initial purchase in early July and were trading at a trough multiple relative to its public company history. WMG is also much cheaper than its closest competitor Universal Music Group. In regard to WMG's financial condition, it is solid and stable, with debt that is well termed out and low cost.

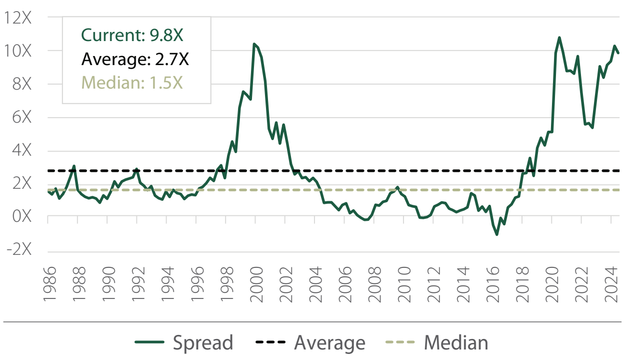
Polaris designs, engineers and manufactures powersports vehicles, operating in three segments: off-road, on-road and marine. The company has had a couple bad quarters, consistent with other industry peers, as demand for recreation is down. Additionally, consumer financing costs and dealer floorplan costs are up due to higher interest rates. The combination is pressuring margins. It's a discretionary business to be sure, so we have eyes wide open. However, we believe that inventory issues are creating an opportunity to buy a market leader at an absolute cheap price. The stock is the lowest since the first half of 2020 when the pandemic began. The company is well run historically, and current management has demonstrated operating discipline by divesting bad businesses acquired under old management, focusing on the company's roots in power sports and continuing its history of returning capital to shareholders via dividends and buybacks. Returns for the business are strong with returns on tangible capital most years in the mid-to-high teens. It is well financed with a balance sheet that is well termed out.

With regard to sales, we exited NetApp, an enterprise data storage and solutions company. Shares had moved into the higher end of our range of fair value on strong earnings results and enthusiasm about the long-term growth potential from AI for the company's storage solutions.

Perspective

Despite Q3's strong rotation favoring higher yielding segments of the market, dividend stocks' relative valuations remain highly attractive. The S&P 500® Index trades for about 24X forward earnings compared to 14X for the Dow Jones US Select Dividend Index for a 10-point valuation spread. This is near an all-time high based on our data since 1986, matched only by the dot-com bubble (1999–2000) and 2021's meme stock mania. Historically, the median spread has been just one to two points (Exhibit 1).

Exhibit 1: Dividend Stocks Remain Historically Cheap
S&P 500® Index - Dow Jones US Select Dividend Index



Source: Artisan Partners/FactSet/S&P/Dow Jones. As of 30 Sep 2024. **Past performance does not guarantee future results.**

In addition to a favorable relative risk/reward due to their current valuations, dividend stocks have historically provided attractive risk-adjusted returns, being less volatile and imperfectly correlated to the broader US equity market. Whether the recent outperformance of dividend payers (and value stocks) is a changing of the tides or a momentary respite will only be revealed in time. Regardless, we will continue to focus on what we can control, staying true to our patient and disciplined approach to value investing.

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. 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. Value securities may underperform other asset types during a given period. 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.

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. 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 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 2024. 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 comprise the following percentages of the Fund's total net assets as of 30 Sep 2024: WaFd Inc 2.9%, The PNC Financial Services Group Inc 1.5%, Alliant Energy Corp 1.9%, PPL Corp 2.3%, Koninklijke Philips NV 1.8%, Philip Morris International Inc 3.3%, Kerry Group PLC 1.7%, Public Storage 1.5%, Samsung Electronics Co Ltd 0.6%, nVent Electric PLC 0.8%, MGM China Holdings Ltd 1.8%, Warner Music Group Corp 1.4%, Polaris Inc 1.1%, Schlumberger NV 1.5%, Diamondback Energy 1.4%. 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. Portfolio security yields are subject to market conditions and are not guaranteed.

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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.

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 polices. Capital Structure holdings are instruments that comprise non-equity parts of the capital structure (e.g., preferred securities, convertibles and bonds).

This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Current Yield** is the annual income (interest or dividends) divided by the current price of a security. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Coupon** is the annual interest rate paid by a fixed income security, expressed as a percentage of the face value. **Return on tangible capital** measures the rate of return on tangible common equity or shareholders' equity less preferred stock, goodwill and other intangible assets. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Par** represents the level a security trades at when its yield equals its coupon. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

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