



Artisan Focus Fund

QUARTERLY
Commentary

Investor Class: ARTTX | Advisor Class: APDTX | Institutional Class: APHTX

As of 31 December 2024

Investment Process

Our investment approach is based on idea generation, a systematic framework for analyzing companies and proactive risk management. Utilizing this approach, we seek to construct a focused portfolio designed to maximize alpha while limiting downside risk over the long term.

Idea Generation

We believe a key element in alpha generation is finding areas where our views on industry fundamentals differ from consensus estimates. In this pursuit, we seek to identify inflections in multi-year trends which may be caused by changes in supply/demand dynamics, societal behavior, market conditions, technology, laws/regulations and business models, among other variables. We believe these inflections are often misunderstood by market participants, and can lead to powerful re-ratings of industries and companies. Identifying themes helps us develop a focused universe of companies to analyze more thoroughly.

Systematic Analytical Framework

We apply a systematic framework for analyzing companies across sectors and themes, creating a repeatable and methodical decision-making process. Our proprietary company models focus on multi-year earnings power differentiation, expected outcome scenario analysis, return on invested capital and discounted cash flow valuations. Visual outputs are then produced through our internally developed technology solutions, allowing us to consistently evaluate positions across the portfolio.

Proactive Risk Management

We incorporate risk management into all stages of our investment process. Metrics evaluated include crowding, correlation, volatility, stress tests, liquidity, factor analysis and macro drivers, all of which inform portfolio construction and position sizing. We also use various instruments, such as options, in an effort to magnify alpha and minimize downside.

Team Overview

The investment team applies the same approach to idea generation and fundamental company analysis that Portfolio Manager Chris Smith has honed throughout his career. Research analysts are sector specialists with deep knowledge of their coverage areas. Our process blends a collaborative team mentality with individual accountability.

Portfolio Management



Christopher Smith
Portfolio Manager

Investment Results (%)

As of 31 December 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTTX	2.41	31.83	31.83	4.05	12.52	—	17.49
Advisor Class: APDTX	2.49	31.95	31.95	4.25	12.71	—	17.65
Institutional Class: APHTX	2.54	32.03	32.03	4.35	12.82	—	17.69
S&P 500® Index	2.41	25.02	25.02	8.94	14.53	—	14.48

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. Class inception: Investor (24 April 2017); Advisor (31 July 2018); Institutional (3 February 2020). 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	ARTTX	APDTX	APHTX
Annual Report 30 Sep 2024	1.29	1.14	1.05
Prospectus 31 May 2024 ¹	1.31	1.13	1.04

¹See 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. Performance reflects agreements to limit the Fund's expenses, which would reduce performance if not in effect. The Fund's investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future.



"You can see he puts the work in ... All he cares about is being the greatest. Most corners know what they should do, but doing that consistently, every day, every time, that's just hard to do..."
 —Champ Bailey on cornerback Pat Surtain II of the Denver Broncos

Exhibit 1: Artisan Focus Fund Returns Versus Key Benchmarks

As of 31 Dec 2024	2024	Cumulative (Since Inception)	Annualized (Since Inception)
Artisan Focus Fund (Investor Class)	31.83%	245.21%	17.49%
S&P 500® Index	25.02%	182.85%	14.48%
S&P 500® Equal Weight Index	13.01%	122.97%	10.99%

Source: Antero Peak Group/S&P. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results. Returns greater than one year are annualized unless otherwise noted. Fund inception: 24 Apr 2017.

In 2024, the Artisan Focus Fund (Investor Class) gained 31.83%, outperforming the S&P 500® Index by 681bps. In Q4 2024, the Fund gained 2.41%, in line with the benchmark's 2.41%.

Performance Review

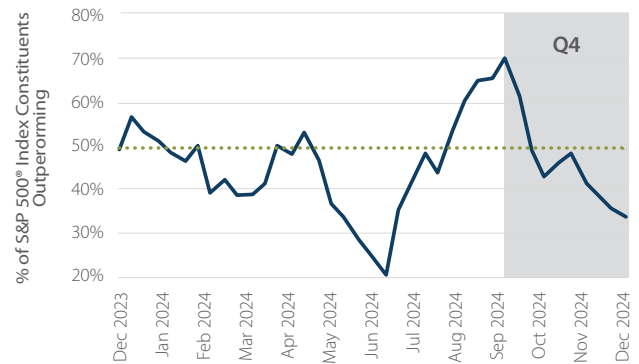
We are pleased with our 2024 performance. As we round our seventh calendar year, our risk-adjusted statistics continued to tell a story of successful overall execution. We believe our numbers reveal that we have added substantial value through a consistent and repeatable process that focuses on bottom-up research. From inception through 2024, our upside/downside capture was 108%/95%. Over that same time, the portfolio's average beta was 0.91, all while generating annualized excess alpha of roughly 3% over the S&P 500® Index with slightly lower volatility.

In 2024, our results were a byproduct of good research and process execution across many areas. A statistic we are most pleased with is our portfolio in aggregate saw positive earnings revisions of 7%, far better than the S&P 500® Index's -2%. This is important, as the link between potential alpha generation and earnings differentiation is a key tenet of our process. Our hit rate on the year was 55% with a slugging percentage over 3 (i.e., we made 3X more on winners than we lost on losers). As we have written about in the past, we believe these are very strong fundamental numbers.

In addition, our returns were much more balanced than the benchmark, something that we strive to achieve each year. Standout contributors spanned across many sectors beyond tech including insurance, utilities, industrials and health care.

This was in the face of a backdrop that was far from easy for active managers. Market breadth, as defined by the number of index constituents outperforming the benchmark on a rolling three-month basis, has been highly correlated to active management's ability to outperform. The reason is intuitive: as breadth expands, the number of "good ideas" also expands. As shown in Exhibit 2, breadth approached all-time lows at multiple points throughout 2024. Somewhat surprising to us, breadth collapsed again in Q4 after rebounding strongly in Q3.

Exhibit 2: Market Breadth Hit Multiple Lows in 2024

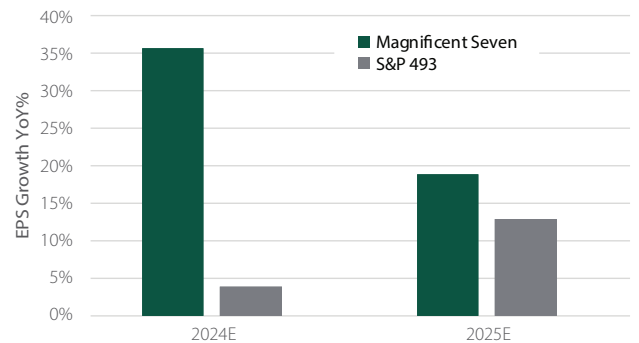


Source: Antero Peak Group/S&P/Bloomberg. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

The median relative performance of S&P 500® Index constituents was -5%, and more than 30% of the index's constituents lagged by more than 1,000bps. The Magnificent Seven was once again the story in aggregate—beating the other 493 by 33%, including over 11% in Q4. Our ability to find good ideas in other sectors was a major factor in our strong performance. We feel this will remain important in the environment to come.

However, as we have explained before, this doesn't mean the market is "wrong." The Magnificent Seven outgrew the benchmark by an incredible 30% in 2024 and saw upward earnings revisions of 13%. This was a total bifurcation versus the other 493, which grew just 2%, and saw downward earnings revisions of 4%. Mid- and small-cap companies revised earnings down an incredible 11% and 15%, respectively. Said simply, fundamentals drove relative performance in 2024.

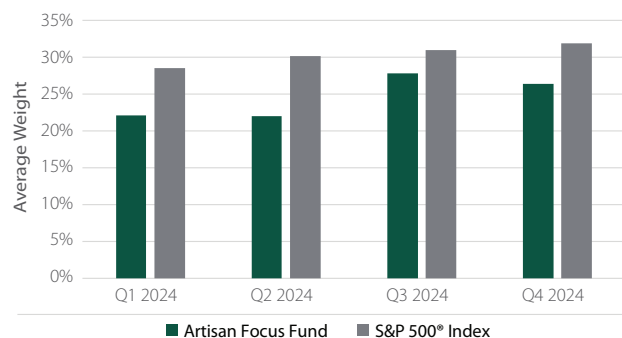
Exhibit 3: Fundamental Breadth Was Narrow But Should Widen Going Forward



Source: Antero Peak Group/S&P/Bloomberg/BofA Global Research. As of 27 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

Despite this overall pattern, we were able to generate our returns being underweight the Magnificent Seven, while also outperforming on overall revisions as discussed.

Exhibit 4: Our Portfolio's Magnificent Seven Weighting Versus the Benchmark



Source: Antero Peak Group/S&P/FactSet. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

Preparing to Win

Being based in Denver, we were very impressed by Pat Surtain II, the Denver Bronco's cornerback, and his incredible performance this year. You don't typically see defensive backs in the news making major headlines, yet watching him "shut down" the best offensive players in the NFL week after week with remarkable effectiveness and consistency was truly inspiring.

Cornerback is often considered the hardest position in football. Physical gifts like speed, reflexes and jumping ability represent the basics to even having a chance to play the position. The position is so hard because a cornerback is essentially left alone, with no backup help, to contend one-on-one with likely the best athlete on the opposing team, the wide receiver, across a large area of the field. The challenges lie in the fact the wide receiver is running a planned route, in sync with the rest of his team, and the cornerback must stay glued to that player, awaiting each change in direction. It is simply impossible to anticipate each move the opposing player will make regardless of physical gifts. The mental side of playing this position cannot be overstated. To be successful at this, it requires an incredible amount of focus and preparation—a strict regimen of studying the opposing player each week, recognizing patterns and revealing weaknesses. The player simply must know what works against the opposing player ahead of time, or failure is imminent.

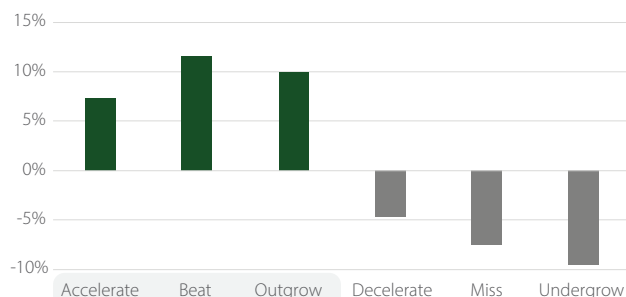
This challenge is akin to managing a portfolio that's benchmarked to the S&P 500® Index. This benchmark is outstanding: it is diversified and dynamic, continuously rebalancing to favor some of the best assets in the world in an unbiased and unemotional weighting scheme while attracting impartial flows of capital on a relentless basis. We believe our industry attracts great "athletes" across the board. We are competing (buying and selling stocks) against very smart people, and perhaps, we are no smarter. Yet, like an NFL cornerback, preparation and process are differentiators that few commit to in the way Surtain does. Like Surtain, we simply work tirelessly to try to know what can work against our benchmark and execute that with unwavering focus.

Why Has Our Process Worked?

Over the years, we have shared a detailed empirical analysis with you about the observable and repeatable attributes that stocks that

outperform the index typically have. We believe that owning companies that beat earnings estimates, outgrow the benchmark and have accelerating fundamental metrics have the potential to convert to relative alpha. Exhibit 5 depicts the performance of this observed relationship over the last 10 years.

Exhibit 5: S&P 500® Index Constituents Follow a Reliable Pattern
Rolling 10-Year Median Performance of S&P 500® Index Constituents



Source: Antero Peak Group/FactSet/S&P. Based on S&P 500® Index constituents from 30 Sep 2009 to 30 Sep 2023. Rolling 10-year performance based on constituents in the S&P 500® Index and categorization has been determined by the Antero Peak Group. Categories are rebalanced every September 30 over the trailing 10-year period based on the following criteria—Accelerate: Future EPS growth in upcoming year is greater than previous year; Beat: EPS is greater than expected 12 months prior; Outgrow: EPS growth rate in excess of the S&P 500® Index. Decelerate: Future EPS growth in upcoming year is less than previous year; Miss: EPS is less than expected 12 months prior; Undergrow: EPS growth rate less than the S&P 500® Index. Past performance does not guarantee and is not a reliable indicator of future results.

A focus on these elements, combined with an emphasis on multiyear modeling tied to inflection points, generally leads us to what we believe is a high-quality portfolio exposed to positive secular forces. It is telling to examine the kind of portfolio this typically generates and makes us excited about 2025 and beyond.

Exhibit 6 tells a powerful story.

Exhibit 6: Portfolio Metrics: 2025 Outlook Versus the S&P 500® Index

At Year-End 2024	S&P 500® Index	Artisan Focus Fund
EBIT Margin	14%	20%
WACC	10%	8%
ROIC	10%	19%
WACC/ROIC Spread	0%	9%
NTM, Earnings Growth (Consensus Est.)	12%	18%

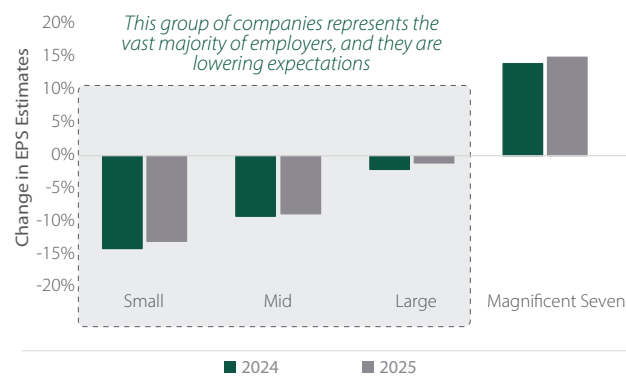
Source: Antero Peak Group/Bloomberg/FactSet/S&P. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results. Earnings growth estimates are based on the team's analysis and subject to material revision. Earnings growth does not guarantee outperformance.

Based on our 2025 estimates, we believe our portfolio should be more profitable than the S&P 500® Index, with a slightly lower cost of capital and nearly double the return on invested capital. As a result, we believe our portfolio should create far more economic value than the index in 2025. Further, our portfolio has the potential to outgrow the index, while revising earnings estimates higher throughout the year. This contrasts with the S&P 500® Index, which typically sees negative revisions. These factors can put upward pressure on our performance. We expect our stocks to compound value at a much higher rate than the benchmark. And finally, we believe our portfolio will de-rate substantially on a relative basis if it does not outperform the S&P 500® Index.

Perspectives on the Revision Cycle

Over the last year, we have resisted prognosticating on the overall economy. We see opposing forces. On one hand, we are on the back side of a 425bps tightening of the federal funds rate that could still have delayed impacts on the economy. Furthermore, excluding the Magnificent Seven, EPS estimate revisions and growth have been very weak for the last 12 months. Notably, small and mid-size companies have cut EPS estimates by double digits over this same period. This is significant because roughly 90% of employers fall outside of the Magnificent Seven. This divergence is illustrated in Exhibit 7.

Exhibit 7: Last 12 Months EPS Revisions by Size



Source: Antero Peak Group/S&P/Bloomberg/BofA Global Research. As of 27 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

On the other hand, the Magnificent Seven revised up by double digits, and overall growth for the S&P 500® Index is projected to accelerate meaningfully and become far more balanced. Most estimates show the S&P 500® Index growing at least 12% in 2025 after just 2% growth in 2024, with the growth outside of the Magnificent Seven reaching double digits. This should make finding good ideas easier and widen market breadth and points to a bottoming in revisions. Overall, these crosscurrents keep us focused on process and bottom-up work.

The Convergence of Large Cap and International

We initiated our De-Globalization theme shortly after the pandemic. This concept revolves around a redirection of invested capital meant to balance and diversify supply chains after major disruptions and address national security issues. But that hasn't changed the foundation of the global competitive landscape. Large companies remain very much global and very much in competition with each other. It's an important distinction.

We can also observe more and more markets over time being dominated by global scale. As evidence, one needs to look no further than the expanding value and earnings of the top of the US benchmark—30% of the value of the S&P 500® Index is sitting in just seven companies. The value of these companies is roughly equivalent to the value of the Euronext Exchange, Japanese Nikkei and the London Stock Exchange combined.

At the Antero Peak Group, we do not have a fundamental regional bias. We aim to buy the best assets in the world that fit our process. However, given the sheer size of the larger companies today, something we have started to analyze is nuance between fundamental revenue generation mix and listing location. We looked at our portfolio at the end of 2024 and compared it to the actual fundamental drivers of the S&P 500® Index and a global benchmark

(MSCI ACWI). This analysis is revealing—our portfolio has an international revenue mix relatively close to that of the global benchmark, yet it has generated substantially higher returns with nearly double the Sharpe ratio since inception.

Exhibit 8: Our Portfolio Generated High Returns Across Higher Quality Assets

As of 31 Dec 2024	Artisan Focus Fund (Investor Class)	S&P 500® Index	MSCI ACWI
International Holdings (% of total)	11.5%	0.0%	33.4%
International Revenues (% of total)	42.3%	41.8%	54.6%
Average ROIC	18.9%	13.9%	10.1%
WACC	8.3%	9.8%	9.6%
<i>Economic Value Generation</i>	<i>10.6%</i>	<i>4.1%</i>	<i>0.5%</i>
Annualized Return Since Inception	17.49%	14.48%	10.29%
Volatility Since Inception*	16.40%	16.35%	15.63%
Sharpe Ratio Since Inception*	0.92	0.75	0.51

Source: Antero Peak Group/Bloomberg/FactSet/MSCI/S&P. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results. Fund Inception: 24 Apr 2017. Volatility measured by standard deviation. MSCI ACWI information is shown for illustrative purposes only and is not a benchmark of the portfolio. Return and risk statistics shown using S&P 500® Index Total Return (gross) and MSCI ACWI Total Return (net). *Volatility and Sharpe ratio measurements based on monthly returns beginning 1 May 2015, the first full month since inception.

While substantially more of the MSCI ACWI is listed outside the United States, its only slightly more international in terms of sources of revenue. The trade-off in performance, however, has been massive. Since the inception of our portfolio, the MSCI ACWI has lagged the S&P 500® Index annually by 400bps and our portfolio by 700bps, while generating only a marginal global diversification advantage.

The international mandate, as measured by MSCI ACWI, appears to be delivering a mix of global market exposure but across an inferior set of assets. We will continue to construct our portfolio without bias, creating a “best ideas” portfolio which we think is the right way to deploy capital.

The In-Active to Passive Riddle

Our focus on preparation aims to create an understanding of not just the market but also ourselves over time. Specially, the composition of our alpha at the portfolio and the stock level is something we study.

The active versus passive debate, in our view, seems to be at least partially at odds with how many investors expect managers to behave with respect to trading. It seems to us that the “ideal” manager would provide consistent outperformance through a repeatable research process yielding a differentiated portfolio. Yet, from the perspective of the Street, this portfolio should also have low turnover, ideally almost none. This is a worthy goal, yet we think it fundamentally sets up for mediocrity. Differentiation, in our view, is required to outperform, and our historical statistics and analysis reveal that. However, true differentiation does not last forever. Yes, there are unique cases where a mid-sized company may, over decades, grow into a moated, mega-cap business, but this is simply not the norm. In addition, a repeatable research process cannot, in our view, be expected to predict the future a decade forward.

To further examine our intuition, we looked at the alpha construction of our best ideas over the last 7 years. It was quite revealing—the top 10% of our relative winners achieved, on average, over 90% of their

relative alpha in the first 14 months. The alpha decay was severe after this initial period, as these same investments averaged <4% relative alpha over the following 22 months. This mathematically argues that to keep a portfolio on offense and generating alpha, fresh ideas are needed, a culture of complacency will fail, and a drive to constantly high grade our investments is what it takes to outperform. Arbitrarily low turnover will probably lead to fading alpha.

After a strong year like we had in 2024, we sometimes hear investors wondering if we should “take some off the table.” This, again, is totally at odds with many of their expectations for low turnover. Paradoxically, they feel the need to “turn managers” while preferring managers that do not turn investments. It is not wrong, either—managers that beat the market one year rarely beat it again in the following year. Over the last 15 years, a median of 29% of Morningstar Large Blend funds have been able to repeat. The decay gets more severe over time; according to a report by S&P Global, as an example, not a single one in the top quartile in 2019 remained in the top quartile over the next four years. In addition, according to a study by Wharton, the probability across all funds, including growth, of outperforming three years in a row is just 10%.

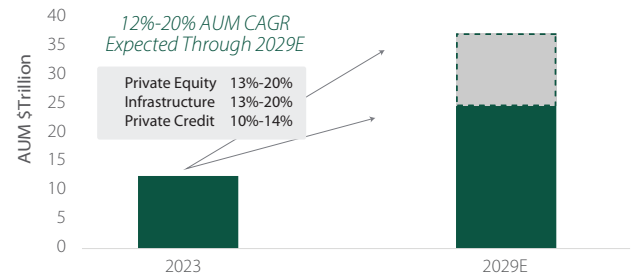
We believe this is because the portfolio they held is simply stale, and that is what our data shows. While our turnover may look different than others, we believe the drive for low turnover has partially fueled the active to passive conversion on a path to mediocre results. We will continue to deploy your capital into our best ideas.

Capital Markets Are Presenting Opportunities

Some of our best ideas over time have been in secular growth areas that are exposed to a broader, long-duration inflection that hit a temporary cyclical headwind. High interest rates, inflation and economic uncertainty caused this to happen in the capital markets space in 2024, and we were able to capitalize on it. We believe good investment opportunities are still there for 2025.

Private Equity, private credit, real estate and infrastructure are all multi-trillion-dollar markets that are undergrowing sustainable secular growth rates. In our view, these all represent very attractive alternative areas for investors over time. We estimate that these markets could achieve double-digit CAGRs over the next 5–10 years. Further, we expect total AUM in private alternative managers to reach \$30 trillion in 2029, and our bull case represents a 20% CAGR in global AUM. One such private alternatives manager, Apollo Global Management, announced at its recent investor day that it’s looking to more than double its AUM to \$1.5 trillion over the next five years, and originate as much in debt and equity details by 2029 as the market leader, JPMorgan, is now.

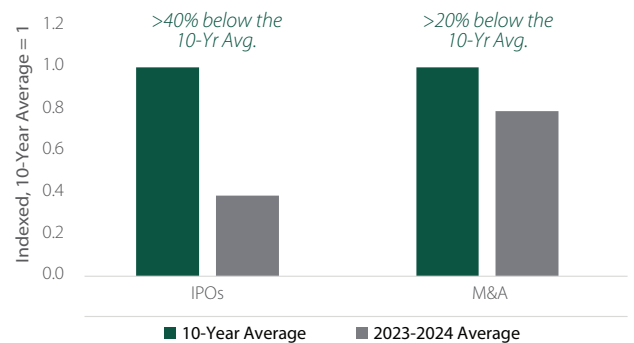
Exhibit 9: Private Alternatives Are on a Secular Growth Trajectory, Global AUM Growth Through 2029E



Source: Antero Peak Group/Bloomberg/BMO Capital Markets. As of 18 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results. CAGR refers to Compound Annual Growth Rate.

The opportunity set was created by cyclically weak asset monetization that resulted from lower overall capital markets activity. As a proxy, IPO and M&A activity are approximately 40% and 20% below the 10-year average, respectively, as higher interest rates and economic uncertainty pressured overall activity. In North America, the past three years have been one of the worst three-year periods for IPOs since 2001. We see substantial pent-up demand for asset transaction volumes being released over the coming years, leading to additional opportunities in companies with cyclical ties to an IPO market inflection.

Exhibit 10: IPO and M&A Activity Are Cyclically Depressed



Source: Antero Peak Group/Bloomberg/BMO Capital Markets. As of 18 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

Conclusion

To bring it all back to Surtain, knowing and matching our opponents is critical for success in our role. Based on our differentiation, we feel that we are well suited for the matchup from here.

Our team is constantly looking to broaden and develop our perspectives. As part of this, we keep a book club of sorts. This quarter, we read "The Operator: David Geffen Builds, Buys, and Sells the New Hollywood." An extended list can be viewed [here](#).

Thank you for your continued trust and partnership.

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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. Non-diversified portfolios may invest larger portions of assets in securities of a smaller number of issuers and performance of a single issuer may have a greater impact to the portfolio's returns. Use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. High portfolio turnover may adversely affect returns due to increased transaction costs and creation of additional tax consequences. 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.

This commentary represents the views of the manager as of 31 Dec 2024 and do not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

For the purpose of determining the Fund's holdings, exposures are delta-adjusted at the issuer level and may include multiple securities of the same issuer. The holdings mentioned above comprise the following percentages of the portfolio net assets as of 31 Dec 2024: Apollo Global Management Inc 4.7%. 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.

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S&P 500[®] Index measures the performance of 500 US companies focused on the large-cap sector of the market. MSCI All Country World Index measures the performance of developed and emerging markets. S&P 493 represents the S&P 500[®] Index excluding the Magnificent Seven. S&P 500[®] Equal Weighted Index gives each constituent the same weight in the index, versus the market weighted index where bigger companies hold a larger share of the index. 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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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.

Theme classifications are at the sole discretion of the team. Themes and constituents are as of the date indicated and are subject to change. Certain holdings have been reclassified subsequent to initial investment, which has impacted theme performance during the period. Portfolio sector classifications are defined by the investment team based on GICS.

Return on Invested Capital (ROIC) is a measure of how well a company generates cash flow relative to capital invested in the business. **Discounted cash flow (DCF)** is a valuation method used to estimate the value of an investment based on its expected future cash flows. **Magnificent Seven (M7)** is a term used to describe large US companies: Apple, Amazon, Alphabet, Tesla, NVIDIA, Microsoft and Meta. **Alpha** is a quantitative measure of the volatility of the portfolio relative to a designated index. A positive alpha of 1.0 means the fund has outperformed its designated index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **Earnings Before Interest & Tax (EBIT)** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. **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. **Compound Annual Growth Rate (CAGR)** is the year-over-year average growth rate of an investment over a period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered. **Slugging Ratio** measures the ratio of average gains on profitable investments versus the average losses on non-profitable investments. **Standard Deviation** defines how widely returns varied from an average over a given period of time. Higher deviation represents higher volatility. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Sharpe Ratio** is a measure of risk-adjusted return — it is the average return earned in excess of the risk-free rate per unit of volatility or total risk. **Upside/Downside Capture** measures a manager's ability to generate excess returns above the benchmark when it's positive — upside greater than 100 — and come down less than the benchmark when it's negative — downside less than 100. **Weighted Average Cost of Capital (WACC)** represents a company's average after tax cost of capital from all sources, including common stock, preferred stock, bonds and other forms of debt. **Morningstar Large Blend Category:** Large-blend portfolios are fairly representative of the overall US stock market in size, growth rates and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500[®] Index. Not all portfolios included in this category are benchmarked to the S&P 500[®] Index. **Hit Rate** is a measure of an investment manager's success rate within a portfolio, calculated as the percentage of profitable issuers in a portfolio relative to the total issuers in the portfolio. **Earnings Revisions** reflect updates to earnings estimates due to changes in expectations of a company's future performance. **EBIT Margin** is a financial ratio that measures a company's profitability which is calculated by dividing EBIT by sales or net earnings. **WACC/ROIC Spread** is a performance metric that is equal to the difference between the WACC and ROIC.

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