Artisan Value Equity Strategy

QUARTERLY
Commentary

As of 31 March 2025

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.

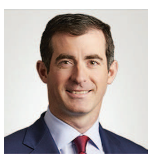
Attractive Business Economics

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)

			Average Annual Total Returns				
As of 31 March 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**2.24**	**2.24**	**6.58**	**10.30**	**20.87**	**11.02**	**9.62**
Composite — Net	**2.07**	**2.07**	**5.85**	**9.55**	**20.06**	**10.27**	**8.81**
Russell 1000® Value Index	2.14	2.14	7.18	6.64	16.14	8.79	8.01
Russell 1000® Index	-4.49	-4.49	7.82	8.65	18.45	12.17	10.26

Calendar Year Returns (% USD)

	2020	2021	2022	2023	2024
Composite — Net	**10.10**	**23.60**	**-8.84**	**24.70**	**12.73**

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2005.

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.

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

The growth stock trade that had propelled US stocks higher from late 2022 came undone in Q1. First was news of DeepSeek, the Chinese artificial intelligence (AI) model, which sparked a selloff in US tech stocks beginning on January 27. Then came broader weakness in US equities driven by a surge in policy uncertainty created by the new US administration's policies (tariffs, DOGE, immigration) that created concerns about earnings and economic growth. Stocks rallied after the November election on hopes of a business-friendly administration focused on reducing regulation and lowering taxes. However, the president's focus on using tariffs to reorder global trade, decrease the US trade deficit, promote US manufacturing and generate revenues has raised alarm bells among economists and investors. Tariffs are ultimately just taxes on consumers and businesses. They raise prices and reduce profit margins. We remember enough from our macroeconomics 101 classes to know that tariffs create deadweight loss—making the pie smaller. Regrettably, the odds of a US recession have increased considerably as business and consumer confidence are being negatively impacted by the uncertainty created by these policies and actions. Without clarity, companies are delaying long-term investments and hiring, which will weigh on near-term growth.

Turning back to Q1 equity market performance, there was a sharp rotation from growth to value stocks during the quarter. The Russell 1000® Value Index returned 2.14%, holding up roughly 1,200bps better than the Russell 1000® Growth Index's -9.97% decline. The rotation began with the late-January DeepSeek news. Prior to this announcement, large growth and value stocks were each up about 4%. After DeepSeek, the growth index fell 13% compared to the value index's decline of ~3%. Large-cap value was the only US style box to finish positive in Q1 as mid and small caps also succumbed to the risk-off market.

The worst performing sectors in the Russell 1000® Value Index were information technology, consumer discretionary and industrials as investors shunned cyclical exposure. The best performing sectors were energy, communication services and health care.

Performance Discussion

Our portfolio performed in line with the Russell 1000® Value Index in Q1. Relative performance benefited from our sector positioning due to below-benchmark weightings in information technology and industrials, in addition to a bigger weighting in consumer staples. Also aiding relative returns was outperformance by our consumer staples and industrials holdings. On the downside, our communication services and financials holdings trailed their index counterparts.

Our top individual contributor was Philip Morris International (PM), a global tobacco company. PM is our largest position and our top contributor to returns over the one-year period. 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 the latest quarter, 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, the 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 planned 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.

Other top performers were Heineken and Dollar General. After a string of disappointing earnings reports, Heineken delivered stout Q4 2024 results, with improved financial metrics across the board. Strong volumes and organic sales growth were aided by rebounds in Asia and the Americas, offsetting declines in Europe. Operating margins also expanded despite increased marketing spend, supported by cost savings and diminishing inflation pressures. Notably, free cash flow in 2024 was $3.5 billion, the highest in the company's history. Much of that free cash flow is being returned to shareholders. In addition to quarterly dividends that will increase 7.5%, Heineken announced a new €1.5 billion share buyback program. Shares of Heineken and its peers lagged the broader market in 2024 as investors' greater appetite for faster growing businesses and concerns about weight loss drugs weighed on these steady growth stocks. 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. We believe Heineken's brands and scale provide it with competitive advantages on margins and 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.

Discount retailer Dollar General (DG) has contended with several business pressures post the pandemic, including execution issues, rising competition and an increasingly constrained lower income consumer after a period of high inflation. Additionally, labor costs, shrink and markdowns have hurt margins. However, the stock has been experiencing renewed interest amid a broader market rotation to cheaper stocks driven by tariff fears and policy uncertainty, as well as the potential for some of DG's headwinds to subside. The company is making progress on fixing operational issues, from store standards to supply-chain execution and labor efficiency. Additionally, with inflation stabilizing, there are early signs that customers have adjusted to higher price levels as basket sizes and units are beginning to rise again. Another dynamic is DG's business model is countercyclical. During tougher economic times, DG typically gets trade-down business from middle-income cohorts, and with the possibility that escalating tariffs could trigger a recession, investors see DG as a potential beneficiary.

Among our biggest detractors were PayPal Holdings, Alphabet and Merck. Shares of PayPal Holdings, a digital payments provider, sold off despite an overall solid quarterly earnings report in which branded payment volumes growth of 6% year over year was roughly stable compared to the prior quarter and transaction margins expanded. Investors may have been looking to see growth accelerate as reported by a few other payments companies, rekindling broader concerns about the industry's longer term competitive risks. The selloff looks to be an overreaction, in our view. Shares currently sell for just 13X next year's expected earnings. We believe this is a highly attractive valuation for a business with above-average—and improving—unit economics, a strong balance sheet and consistent free cash flow. Competent new management is diligently focused on cost cutting, reinvestment and returning excess cash to shareholders.

Alphabet fell along with other Magnificent Seven stocks following the DeepSeek news, as investors took profits in many of the prior year's winners. Alphabet continues to perform well, with total revenue up 12% year over year in its most recent quarter, led by growth in Cloud (+30%). However, the company's capital expenditures guidance for 2025 of $75 billion was more than Wall Street was expecting. Alphabet, like other US hyperscalers, is spending huge sums of capex to build out data center capacity to position itself for the large opportunity in AI, and investors want to be sure that these investments will yield good returns. Though the valuations of the Magnificent Seven and other mega-cap technology names are a common discussion point, Alphabet's valuation had remained relatively stable throughout 2023 and 2024 as its share price gains were powered by underlying earnings growth. Moreover, Alphabet, along with Meta Platforms, the two Magnificent Seven stocks we hold, has been the cheapest of this group. Though valuations remained reasonable, we trimmed our positions in Alphabet and Meta in early January to take advantage of better valuation opportunities. At the end of March, Alphabet sold for just 17X 2025 expected earnings, which is highly attractive, in our view, given the company's dominant industry positions, cash flow generation and ability to compound value over time.

Shares of Merck, a health care solutions company, were down 9%. Operating results have been solid, with Q4 earnings beating expectations, but investors were more focused on the continued weak demand in China for Gardasil, a vaccine for human papillomarivus (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 Activity

We made one new purchase this quarter, adding Nestlé, the world's largest food and beverage company. Nestlé has a diverse portfolio, with over 30 "billionaire" brands—those generating CHF 1 billion—including Nescafé, Nespresso, Purina, Gerber and Kit Kat. The largest drivers are coffee, pet care and nutrition—accounting for ~64% of sales and ~65% of operating profit. Approximately 70% of sales are in No. 1 or No. 2 market positions. Nestlé is also highly diversified geographically, with a global footprint of 188 countries (60% developed markets, 40% emerging markets). The stock has been out of favor for a combination of reasons, some of which are company specific. During COVID, certain product categories saw rapid growth, and Nestlé raised prices to cover surging raw material costs. During that period, growth was entirely driven by price. Eventually, volumes decelerated, and consumers pushed back on pricing. The stock peaked in January 2022. The stock's valuation has fallen meaningfully in the ensuing three years, nearing trough valuation multiples. Other growth headwinds impacting the consumer-packaged goods (CPG) sector are slowing population growth, especially in developed markets, competition from private label and niche brands, and the advent of GLP-1 weight loss drugs, which curb appetites for sugary foods. In August, the board appointed Laurent Freixe as the new CEO. His immediate focus is on organic growth through innovation and increased advertising and promotional spend to drive free cash flow generation. Innovation took a backseat during the pandemic, as was common among CPG businesses, and that likely hindered growth post the pandemic. Margins are expected to remain under pressure as the company invests to reignite growth over the next 12–18 months, as well as due to higher commodity prices ahead of lagged future price increases. We believe these challenges are already well recognized by the market and largely priced into the stock. As we wait for new management to turn around Nestlé's growth, the company continues to generate solid free cash flow and pay a solid dividend, yielding ~3.4%.

We exited Marriott International, a multinational hospitality company, after a successful multiyear investment campaign. Marriott is a prime example of how we aim to use volatility to our advantage by investing in quality businesses at lower prices. When we initiated our position in March 2020 during the COVID crash, its P/E multiple had collapsed from the mid-20s to the high teens, which offered a sufficient margin of safety, in our estimation, to take on the position in an iconic, long-lived global franchise with competitive advantages to peers, value-conscious management, a flexible financial structure and cash-producing capabilities. At the time it was tough to see travel picking up again, though we believed it was only a matter of time. Since that time, travel has been one of the strongest areas of the economy, and Marriott's stock price is up more than three-fold from its March 2020 lows.

Perspective

As we write this letter following April 2's rollout of tariffs by the US administration that shocked equity, fixed income and commodity markets across the world in its breadth and scope, Q1 seems like a distant memory.

How should we frame the range of outcomes? Before we go there, let's first revisit the last period of severe uncertainty, March 2020. In the early weeks and months of COVID, our framework was as follows:

- We don't know how long COVID will last. It could be a very bad 12–24 months. After that time, presumably life will return to normal.
- Therefore, we sold any companies that had diminished capability to make it to the other side.
- We purchased high-quality franchises we believed would make it and were cheap three years out, assuming a normalization of the business results.

With hindsight, we believe the COVID framework served us well, in what was a very difficult environment. Constructing an analog to current events is not as straightforward, however, because the intent of the administration is unclear. While some White House advisors say it is a negotiation, those who constructed the tariffs have said "this is not a negotiation." The distinction is important. If President Trump, who has talked up his 30 years of frustrations with being "mistreated" in global trade, truly wants to reorder global trade and return manufacturing to the US, tariffs will continue to be used and may be ratcheted up in 90 days. The tariffs would have to be viewed by CEOs as credibly intact for the duration of his presidency and beyond to build supply chains and manufacturing in the 50 states. To project this kind of certainty on tariffs for that long will create immediate and enduring inflation commensurate with the tariff rate. If the tariffs are high, it will likely create demand destruction. For affected companies, this translates to significant margin compression and a revenue recession. It appears with the 90-day reprieve of April 9 that the deep recession/depression risk is off the table for now, a giant relief. Now we begin the "deal" phase.

These are difficult times. Please know we are researching impacts with the seriousness they deserve. While the coming months may be extremely volatile, we'd note our portfolio performed well coming out of COVID. Our long-standing investment philosophy allows us to deploy capital in turbulent markets with both humility and confidence. We typically find more bargains in the market when the elements of fear and panic rise in magnitude. As always, we lean on our better-safer-cheaper foundation.

For more information: Visit www.artisanpartners.com

Investment Risks: 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. This is a marketing communication.

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 Equity Strategy Composite's total net assets as of 31 Mar 2025: Philip Morris International Inc 4.1%, Heineken Holding NV 3.7%, Dollar General Corp 1.7%, Alphabet Inc 2.8%, Meta Platforms Inc 1.9%, PayPal Holdings Inc 3.2%, Merck & Co Inc 2.4%, Nestle SA 1.7%. 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.

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.

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.

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Portfolio statistics are obtained from various data sources and intended to provide a general view of the portfolio, or Index, at a point in time. Artisan Partners excludes outliers when calculating portfolio characteristics and may use data from a related security to calculate statistics if information is unavailable for a particular security.

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. References to "**better, safer, cheaper**" are based on views of a security's Margin of Safety. **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. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Magnificent Seven (M7)** is a term used to describe large US companies: Apple, Amazon, Alphabet, Tesla, NVIDIA, Microsoft and Meta.

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