Overview
Unproven business models were the norm of the “growth over profits” mentality in the nineties as technology companies tried to expand their customer bases as quickly as possible at the expense of revenues, profits and earnings.

Many of the large-cap technology companies of today are extremely well known with robust global franchises, better financial health, strong levels of profitability and attractive valuation levels.

Artisan Value Fund’s exposure to technology stocks has been a by-product of the investment team’s three key criteria—attractive business economics, sound financial condition, attractive valuation—playing out in the securities that it owns within the sector.

Evolution of the Technology Sector
The technology sector has traditionally been considered a growth sector. Its evolution over the years has been driven by innovation and its ability to improve business and consumer lives. In recent years, innovation has focused on mobility, cloud computing and social media.

One point in recent history where we saw the most evidence of the technology sector’s rapid growth was in the late nineties with the advent of the internet, cell phones and the rise of the dot-com era. Many of the start-up technology companies in the 1990s were primarily focused on rapidly building market share around new and largely unfamiliar concepts and/or technologies, which typically required large amounts of capital expenditures. The capital intensive nature of starting those types of businesses was spurred even more by venture capitalists who were less discerning about the quality and long-term sustainability of a business model and more concerned about the potential of record high stock valuations. As a result, unproven business models were the norm of the “growth over profits” mentality as companies tried to expand their customer bases as quickly as possible at the expense of revenues, profits and earnings.

Numerous technology companies that emerged out of the tech boom were acquired or failed after the bubble burst. Boo.com, an online fashion store, and Webvan, an online grocer, were two examples of companies that began operations in the 1998-1999 time frame and quickly spent hundreds of millions of dollars in development costs just to go bankrupt a few years later. Those that survived paint a different picture of the type of investment opportunities that exist within the sector today. Many of the large-cap technology companies of today are extremely well known and have robust global franchises. Some of the largest and most recognized companies include mobile technology company Apple, diversified technology company Samsung Electronics, software leaders Microsoft and Oracle, technology services company IBM, online search provider Google and networking services provider Cisco Systems. Dominant market positions, global reach and technological leadership are common characteristics among these types of companies.

Additionally, the technology sector is much less capital intensive today and has higher cash flow margins (Exhibit 1) than it did during the tech bubble, which has led to higher returns on invested capital. Because of the bursting of the bubble, many technology companies also began to delever their balance sheets in an effort to improve their financial condition. Today the sector is the least leveraged out of all the sectors (Exhibits 2 & 3) and technology companies in general have a better ability to service the debt that they do carry.
fallen on an absolute basis, but they are now cheap on a relative basis. The technology sector has historically sold at a premium to the broader market, a reflection of an above-average earnings growth outlook. This valuation premium declined sharply from its peak of more than 30 multiple points during the tech bubble to mid-single digits by 2005. This premium then continued to fall and has completely disappeared since 2010. In fact, today the technology sector sells at discount compared to the broader market despite boasting higher returns on capital and better balance sheets.

Investment Process Overview
Our bottom-up investment process can be summarized by the following statement, “We seek cash producing businesses in strong financial condition that are selling at undemanding valuations.” In other words, our goal is to identify high-quality companies that are trading at a distinct discount to their underlying worth. We generally look to buy companies based on our estimate of normalized earnings of approximately 8-12X earnings, and we typically sell a holding when it reaches the mid-to-high teens. We think at that point, valuations become more demanding, and we tend to recycle our capital into lower priced securities that put valuation back on our side. Because we are value-oriented investors, we tend to find opportunities in the downtrodden, unloved areas of the market. From time to time, these opportunities will cluster, however it is never the result of a top-down decision. The Funds’ historical weights in the technology sector are a great example.

A Historical Look at the Funds’ Exposure to Technology
The Funds’ exposure to technology stocks has been a by-product of our three investment criteria—attractive business economics, sound financial condition, attractive valuation—playing out in the securities within the sector.

Throughout our careers, our investment process has led us to some interesting ideas within the technology sector. However, one or more of the elements of our process has generally limited the number of investments we have made. In fact, during the 1999-2002 period, the technology exposure in Artisan Mid Cap Value and Small Cap Value Funds averaged less than 5% and 2%, respectively. That started to change as fundamentals in the technology sector improved over time. We saw that play out in Artisan Value Fund in 2008 when the weak market environment unearthed a lot of new investment ideas, and our technology exposure increased from about 18% to more than 40%. After the market bottomed in March 2009, technology stocks in the Russell 1000® Index advanced more than 85% and significantly outperformed the broader market over the full year. As the market began to rebound and the valuations of our technology holdings began to rise, we remained committed to our sell discipline and trimmed several holdings. Our sector weighting fell over the course of 2009, but was still a meaningful overweight compared to our benchmark. Since 2010, technology has consistently been our largest sector position as it has proven to be a fertile area for finding companies that meet our investment criteria.
vastly different than they did in the late 1990s. We have been able to find a number of large-cap technology companies with leading global market positions, net cash and high returns on capital.

When we think about the technology sector and the end-markets it serves, we look at it as having diversified exposure to the overall economy. Most technology companies will have some combination of exposure to the enterprise (business and government) or the consumer. As it relates to enterprise spending, we think of technology as modern-day capital expenditures that are integral to the operations of most businesses. Much of this expense is not discretionary, and we believe companies will continue to spend on productivity enhancements. From this standpoint, technology businesses are not too different from industrials that produce capital equipment. IBM and Oracle are two examples of companies that fit this mold. Apple and Samsung, on the other hand, have strong global consumer brands with most of their sales generated in their mobile divisions. In this vein, they could be compared to leading consumer brands such as Nike, Tiffany and Ralph Lauren. When you compare Apple and Samsung to these consumer businesses, we think they are as good or better businesses, even as they sell at much cheaper valuations.

Current Exposure
As of September 30, 2013, technology remained Artisan Value Fund's largest sector weighting at approximately 34%. Our three largest holdings within the sector are Apple, Samsung Electronics and Oracle. Each of these companies fits our criteria well as they all have strong balance sheets with a lot of net cash, are well positioned within their respective industries, earn high returns on equity and are attractively valued based on our estimates of normalized earnings power.

- Apple is a mobile technology leader with one of the strongest brands and best balance sheets in the world. We have owned Apple in the portfolio since the second quarter of 2011. At that time our opportunity to invest in Apple came about as its share price had not kept up with its dramatic earnings growth and cash build over the prior few years. Consequently, Apple’s price-to-earnings multiple contracted from roughly 20X to 11X. Apple was our top contributor to return in 2012 as the business continued to increase in value on growth in its iPhone® business. Following sharp price gains and slowing growth, sentiment weakened in late 2012, and the stock fell through the first half of 2013. The stock went from a growth investor darling to relatively un-loved in the span of a year. We don’t think much really changed for Apple the business. Besides Samsung Electronics, which we also own in the portfolio, Apple has a dominant position in smartphones and tablets and also has its own proprietary operating system. Apple sells at a low double-digit multiple based on our view of normalized earnings. Thus, we are able to buy a premier brand, which is growing faster than the market, has a higher dividend yield, has a significantly above-average financial profile and yet trades at a large discount to the market.

- South-Korea based Samsung Electronics is the world’s largest IT producer. The company operates a diversified and vertically-integrated business model organized into four business units: Consumer Electronics, IT & Mobile Communications, Semiconductors and Display. Samsung’s massive scale and integrated model has afforded it cost advantages that have helped it enter new markets and take market share. The company is very well positioned in both semiconductors and smartphones, and this is evidenced by the fact that it generated good margins and a lot of cash flow in both businesses when many of its peers were losing money. Our opportunity to invest in the company came in the second quarter of 2012, when its stock price corrected along with other cyclicals given macro uncertainty. The common shares fell to about 7-8X our estimate of normal EPS, but we originally purchased the preferred shares at about 60% of that. So for less liquidity than the common, we paid about 5X for the preferred and will receive a slightly higher dividend. The company’s balance sheet is very strong due to a sizable cash position, so the company meets all three of our margin of safety criteria.

- Oracle is the world’s second largest software company. In the fourth quarter of 2011 our opportunity to add Oracle to the portfolio came as a result of an earnings disappointment, the company’s first in three years. Oracle is a very attractive business. It generates a very high return on equity, reflective of the fact that it possesses a dominant position with high barriers to entry in an industry boasting high margins. In addition, its products are quite sticky with substantial switching costs. Cash flow has historically been used primarily for M&A, with some cash allocated for share buybacks and dividends. The company has done a nice job as an acquirer, which helped it add value through the ‘08-’09 recession. The company is financially quite strong with around $15 billion in net cash on its balance sheet. Shares sell for about 11X free cash flow before adjusting for its sizable cash position, which is near a historic low valuation.

Conclusion
As bottom-up value investors, we seek to identify companies that are in sound financial condition, have attractive business economics and are undervalued. The generalist nature of our research does not limit us to any one sector or industry. However, because we often look in unloved areas of the market for investment ideas, opportunities have a tendency to cluster in different areas of the market from time to time. Our historical exposure to the technology sector has been a prime example.

Over the years, our investment team has established a record of creating value and delivering quality performance results over various market environments and across various market capitalization groups. We attribute this success to our dedication and commitment to our investment process. Because we are bottom-up investors, our exposure to market sectors will vary over time depending on where we are finding the most attractive investment opportunities. We also believe that what we do not own can be as important as what we do own, so our process can result in meaningful underweight exposures versus the index, as well.

Regardless of where we are finding ideas, we remain committed to identifying what we believe are the most attractive investment opportunities based on our three main investment criteria.
## Investment Results (%)

<table>
<thead>
<tr>
<th>As of 30 Sep 2013</th>
<th>YTD¹</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>Inception²</th>
<th>Expense Ratio³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artisan Value Fund (ARTLX)</td>
<td>18.72</td>
<td>18.97</td>
<td>15.44</td>
<td>10.21</td>
<td>6.00</td>
<td>1.06</td>
</tr>
<tr>
<td>Russell 1000® Index</td>
<td>20.76</td>
<td>20.91</td>
<td>16.64</td>
<td>10.53</td>
<td>5.98</td>
<td></td>
</tr>
<tr>
<td>Russell 1000® Value Index</td>
<td>20.47</td>
<td>22.30</td>
<td>16.25</td>
<td>8.86</td>
<td>4.79</td>
<td></td>
</tr>
</tbody>
</table>

Source: Artisan Partners/Russell.¹Returns are not annualized.²Fund Inception 27 Mar 2006.³For the fiscal year ended 30 Sep 2012.

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 888.454.1770 for current to most recent month-end performance.

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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 888.454.1770. Read carefully before investing.

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 markets. Securities of 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.

The views and opinions expressed are based on current market conditions as of 30 Sep 13, which will fluctuate and those views are subject to change without notice. While the information contained herein is believed to be reliable, there no guarantee to the accuracy or completeness of any statement in the discussion. This material is for informational purposes only and is not created in regards to any investor’s specific needs or circumstances. Any comparisons between investment products are for illustrative purposes only and are not meant to be all-inclusive. It is not intended as a recommendation of any specific security or security type other than an investment in Artisan Funds.

For the purpose of determining the Fund’s holdings, securities of the same issuer are aggregated to determine the weight in the Fund. These holdings comprise the following percentages of Artisan Value Fund’s total net assets as of 30 Sep 13: Apple Inc. 6.3%; Samsung Electronics Co Ltd 6.7%; Oracle Corp 4.1%. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. Securities named in the commentary, but not listed here are not held in the Fund as of the date of this report.

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The Russell 1000® Index is an index of about 1,000 large U.S. companies. The index is an unmanaged, market-weighted index whose returns include net reinvested dividends but, unlike the Fund’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. An investment cannot be made directly into an index. The Russell 1000® Technology Index is comprised of the stocks in the Russell 1000® Index that are classified in the technology sector.

Margin of Safety is the difference between the market price and the estimated intrinsic value of a business. The concept was developed by Benjamin Graham and is believed to be an important measure of risk and appreciation potential. Artisan’s U.S. value team also incorporates a company’s financial strength and certain business quality measures into its margins of safety estimates. A large margin of safety helps guard against permanent capital loss and improves the profitability of capital appreciation; however, a margin of safety does not prevent market loss. All investments contain risk and may lose value. Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Return on Invested Capital is a measure of profitability calculated as net operating profit after taxes divided by the sum of the company’s debt and shareholders’ equity. Long-Term Debt-to-Capital is a measure of solvency calculated as long-term debt divided by the sum of a company’s long-term debt and shareholders’ equity. Fixed Charge Coverage Ratio is a measure of how well a company covers its fixed charges calculated as the sum of operating income and fixed charges divided by the sum of fixed charges and interest expense. Earnings Per Share is a company’s net profit divided by its number of common shares outstanding. Price-to-Earnings (P/E) is a measure of valuation calculated as the share price divided by the earnings per share. Price-to-Earnings (P/E) FY1 is a measure of valuation calculated as the share price divided by analyst’s consensus estimate of earnings per share in the next fiscal year. Normalized Earnings are a company’s earnings power averaged over the course of a company’s business cycle. Preferred Stock is a class of corporate ownership that has a higher claim on assets and earnings than common stock and generally has priority in the payment of dividends over common stock but does not have voting rights.

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