



# Artisan Value Fund

QUARTERLY  
Commentary

Investor Class: ARTLX | Advisor Class: APDLX | Institutional Class: APHLX

As of 31 December 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 (%)

As of 31 December 2025	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTLX</b>	<b>4.60</b>	<b>14.28</b>	<b>14.28</b>	<b>16.76</b>	<b>12.29</b>	<b>12.60</b>	<b>8.62</b>
<b>Advisor Class: APDLX</b>	<b>4.61</b>	<b>14.36</b>	<b>14.36</b>	<b>16.88</b>	<b>12.44</b>	<b>12.76</b>	<b>8.71</b>
<b>Institutional Class: APHLX</b>	<b>4.66</b>	<b>14.49</b>	<b>14.49</b>	<b>16.96</b>	<b>12.49</b>	<b>12.82</b>	<b>8.80</b>
Russell 1000® Value Index	3.81	15.91	15.91	13.90	11.33	10.53	8.08
Russell 1000® Index	2.41	17.37	17.37	22.74	13.59	14.59	10.81

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (27 March 2006); Advisor (1 April 2015); Institutional (26 July 2011). 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 (% Gross/Net)*	ARTLX	APDLX	APHLX
Annual Report	1.09/0.98	0.96/0.88	0.84/0.83
Prospectus	1.10/0.99	0.98/0.89	0.86/0.84

\*Unsubsidized/subsidized. Annual Report: 30 Sep 2025. Prospectus: 30 Sep 2024. Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2027. 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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.



### Investing Environment

US equity markets continued to advance in Q4 2025, despite bouts of volatility. Early in the quarter, a government shutdown unsettled investors as delays in key economic data releases complicated the market's ability to assess underlying growth and inflation trends, raising doubts about the timing and durability of further Federal Reserve easing. As the quarter progressed, however, risk appetite improved alongside greater clarity around monetary policy. The Fed implemented additional rate cuts and formally concluded quantitative tightening, reinforcing expectations that financial conditions would continue to ease into 2026.

Markets also digested a shifting policy backdrop on trade as court challenges renewed uncertainty around the scope and durability of existing tariffs. While these developments created episodic volatility, they did little to derail broader equity momentum. Enthusiasm around artificial intelligence (AI) remained a central driver of performance, though investor focus began shifting from early-stage adoption narratives toward questions of monetization, competitive intensity and the sustainability of elevated capital spending. Taken together, supportive monetary policy, resilient corporate earnings and continued optimism around long-term technological innovation outweighed macro and policy-related doubts, allowing US equities to finish the quarter higher.

While AI remains a central theme, markets broadened in November, with value and non-AI stocks leading the way. We would welcome if this marked a shift in market leadership going forward. Accommodative monetary policy and anticipated fiscal stimulus in 2026 from the "One Big Beautiful Bill," which should support overall economic and earnings growth, fueled expectations for broadening equity participation beyond AI investment beneficiaries. Additionally, hyperscalers' rising capital intensity challenged one of the market's core growth assumptions. As large cloud and AI platforms signaled sustained or accelerating capital expenditures to fund data centers, chips and power infrastructure, investors began to reassess near-term free cash flow trajectories and return profiles for these companies.

Large-cap stocks led in Q4, particularly value stocks, though growth narrowly finished ahead for the year. Within the Russell 1000® Value Index, sector performance was mixed. Information technology, communication services and health care were notable leaders, posting strong gains. In contrast, real estate, utilities and consumer discretionary detracted from performance, reflecting sensitivity to interest rates and uneven consumer demand.

### Performance Discussion

The portfolio outperformed the Russell 1000® Value Index in Q4. For the year, the portfolio participated strongly, returning 14.28% (investor share), but trailed the index's 15.91% return. Taking a longer perspective—over 3-, 5- and 10-year time frames—the portfolio has generated positive excess returns. In Q4, sector allocation meaningfully contributed to relative performance, owing to an above-

benchmark weighting in information technology and a lack of real estate and utilities holdings. Our top three individual contributors, each returning 20%-plus, were Lam Research, Alphabet and Merck.

Lam Research, a global leader in wafer fabrication equipment used in the production of semiconductors, is continuing to see strong demand for its chipmaking tools supported by the current massive buildout of data centers running AI applications. We purchased Lam in April near the depths of the post-Liberation Day market selloff. As value investors, conditions of fear and uncertainty are fertile ground for creating attractive long-term buying opportunities. Few areas of the market were under greater pressure to start the year than semiconductors & semiconductor equipment stocks. We had been researching Lam since 2023, so we knew the company well and were able to act quickly when the stock plunged. At our initial purchase, Lam was selling for ~\$60, almost 50% below its July 2024 highs. Lam is one of the key global suppliers of chip equipment serving the memory (NAND and DRAM) and foundry/logic markets. The financial condition is rock solid as it has a net cash balance sheet, and the company returns 100% of earnings to shareholders via share repurchases and dividends. Shares were selling for a 17X P/E on cyclically depressed earnings at the time of initial purchase, which we believed was an attractive valuation given the compounding nature of the business.

Perceptions of Alphabet, the parent company of Google and YouTube, in the AI race have quickly switched from it being "hunted" to it being a "hunter." After lagging the broader large-cap technology sector from the April lows through the summer, the stock surged since September. First, the antitrust ruling issued in early September proved far less onerous than expected. Google will not be required to divest Chrome and may continue making payments to key partners, such as Apple, to maintain its position as the default search engine on mobile devices. The company's Q3 results also contributed to renewed momentum. Alphabet reported a reacceleration across the business, with broad-based strength in all segments and encouraging management commentary regarding competitive positioning and the integration of AI into workloads. In November, Google unveiled Gemini 3, its newest AI model, which is being rolled out across its product ecosystem. Another critical development has been the company's increasing usage of TPUs (tensor processing units), the company's in-house alternative to Nvidia's dominant GPUs (graphics processing units), for powering its AI solutions. Greater control over its AI infrastructure stack provides a strategic competitive advantage, cost efficiencies and a major revenue driver. As a result, the perception of Google as an "AI loser" at risk of disruption has widely reversed.

Shares of Merck, a health care solutions company, soared in November when health care stocks surged amid a rotation to cheaper laggards. The stock had gotten short shrift over the past year due to concerns it doesn't have enough in the pipeline to offset blockbuster oncology drug Keytruda coming off patent in 2028. Merck has also

garnered little respect for the multitude of deals it has completed over the past five years. Instead, the market has focused on the near-term headwinds in Gardasil, a vaccine for human papillomavirus (HPV). A narrative has formed that the company's innovation engine is broken, and Merck is unlikely to navigate its way out of an eventual earnings headwind. Though recent Gardasil setbacks have weighed on sentiment, the overarching issue for shareholders remains the success of the company's late-stage pipeline. Merck seems to be getting little credit from investors for the dozens of 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.

Our biggest detractors were payments and financial technology companies Fiserv and PayPal Holdings. Fiserv's shares tanked after the company significantly missed earnings expectations and slashed its full-year guidance. Management also announced several changes to its management team and a strategic shift, which added to uncertainty about execution and future growth. CEO Mike Lyons, who joined Fiserv in January 2025 and became CEO in May, cited prior management's overly optimistic growth targets and decisions to defer investments and cut costs, which boosted margins in the short term but compromised its technology and product development. Given the limited visibility into the issues causing deceleration across its merchant acceptance and financial solutions segments and unresolved questions regarding management's credibility, we chose to exit our position in favor of other opportunities.

PayPal is the original e-commerce payments platform with years of experience in the marketplace, a large trove of customer data, a first-class risk engine and embedded consumer and merchant trust. Presently, PayPal has over 200 million monthly active accounts globally and executes 26 billion network transactions per year, which equates to \$1.7 trillion of payments volumes. Though branded payment volumes growth has been steady, and transaction margins have expanded, investors want to see growth accelerate. The payments space is highly competitive, and PayPal's place in the future is by no means a given despite its considerable incumbency advantages. The current CEO, who joined in 2023, is reinvigorating the company after prior management was unfocused, made poor acquisitions and underinvested. Shares currently sell for just 10X 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. While we wait for stabilization of market share and a return to higher growth rates, we should have plenty of free cash flow pointed back at us in the form of share repurchases and dividends.

Turning to our review of the full year, the portfolio generated a solid absolute return, benefiting from broad-based strength across sectors. Gains were led by our technology, industrials and communication services holdings. On a relative basis, underperformance was

attributable to select holdings in the financials and energy sectors. Our bottom three contributors in 2025 were Fiserv, PayPal Holdings and Diageo. Diageo is the largest spirits company in the world by revenue, with over 200 brands to choose from. Diageo and other spirits makers are contending with a mix of cyclical and structural demand headwinds. Growth has normalized after a COVID-induced bounce, and consumers have been trading down to cheaper value alternatives, which is a headwind for Diageo's premium brands. Additionally, changing consumer preferences, GLP-1 weight loss drugs and aging demographics are sapping demand. Tariff uncertainty further clouds Diageo's profits growth outlook. In the near term, margin expansion will likely be constrained, but the company continues to generate meaningful free cash flow and return it to shareholders through dividends and share repurchases. Over the past five years, Diageo generated \$15 billion in free cash flow and returned \$17 billion to shareholders. Despite current growth challenges, Diageo remains a market leader, with strong brands and significant scale and distribution advantages. Shares sell for just 12X EV/EBIT (enterprise value to EBIT)—the cheapest since 2009—providing us, we believe, with a favorable risk/reward.

#### Portfolio Activity

We added two new names in Q4: Airbnb and Union Pacific (UNP). Our only sale was Fiserv.

Airbnb is an online marketplace for lodging, connecting hosts with travelers globally. Airbnb's stock has been under pressure due to moderating growth expectations, especially as the US is no longer in hyper-growth mode, concerns about a stretched consumer, tough comparisons following the Paris Olympics and skepticism around newer initiatives such as experiences and services. Some investors also fear AI-driven disintermediation, despite limited evidence. Airbnb is a category creator with exceptional brand strength—~90% of bookings are direct and unaided. Its global, hyper-local marketplace benefits from a powerful supply-demand flywheel, deep review history and trusted customer service. Ongoing quality initiatives have improved guest satisfaction and reinforced the moat, while expansion in international markets and major global events support long-term growth. Airbnb's business economics and financial strength are well above average. The company operates an asset-light model, with high gross margins, high returns on invested capital and strong free cash flow. Airbnb has a large net cash position, earns meaningful interest income on its float and has steadily reduced dilution while aggressively repurchasing shares. At current levels, expectations embed conservative growth assumptions. With consensus numbers, downside risk appears limited, in our view, while any reacceleration in growth and operating leverage could drive meaningful upside.

UNP is the largest freight railroad in the US. Transports are cyclical and generally of lower quality due to capital intensity and less pricing power in downturns when excess capacity exists. As a result, there are very few business models in the space which possess a wide moat. UNP is unique in that despite its cyclicity and capital intensity, the

business has pricing power and scale, allowing it to sustain high margins even in downturns. UNP owns one of the most valuable transport assets globally, with an irreplaceable, east–west rail network spanning 52,000 miles. UNP’s stock has lagged due to a prolonged freight recession, weak intermodal volumes amid depressed trucking rates and investor skepticism around near-term volume growth. Uncertainty around the timing, concessions and ultimate benefits of the proposed Norfolk Southern merger has also capped sentiment. The main evolution in the industry in the last 20 years is the operational shift to precision scheduled railroading (PSR). The key theme of PSR is “efficiency,” which is created by operating fewer, longer and heavier trains on a simplified network to increase asset utilization by decreasing dwell time and increasing speed. PSR has structurally improved efficiency, asset utilization and operating ratios, positioning UNP as arguably the highest quality business in rail. UNP generates attractive economics with mid-teens returns on invested capital, steady capex and strong free cash flow. The balance sheet is resilient, and even post-merger, leverage is expected to remain manageable, with ample cash flow to de-lever while maintaining dividends. Shares trade below historical earnings multiples, despite improving operations and a potential generational merger opportunity.

### Perspective

There is no shortage of reasons investors may be concerned about risks to US equities in 2026. These include elevated valuations following three consecutive years of strong market returns; high concentration within market-cap-weighted large-cap indices; concerns about Federal Reserve independence; political uncertainty surrounding upcoming US midterm elections; ongoing geopolitical risks (including Ukraine, Iran, Venezuela and Greenland); and renewed inflation and interest rate risks stemming from tariffs, fiscal stimulus and reduced immigration. We can appreciate these concerns; however, as bottom-up value investors, we see a very different opportunity set beneath the surface. Many stocks in our value universe have not fully participated in the past three years’ bull market and continue to trade at attractive relative valuations. Moreover, growth may broaden across the economy as policy stimulus supports more widespread economic participation, potentially benefiting many of our portfolio companies. Separately, the increasing application of AI has the potential to drive productivity gains across industries, helping narrow the gap between the “haves” and “have-nots” after a period in which a relatively small group of technology-focused companies has garnered supernormal profits growth.

The portfolio continues to be tilted toward high-quality large-cap names selling at undemanding valuations. The portfolio sells for 16.9X FY1 earnings compared to the Russell 1000® Value Index’s 18.6X and the Russell 1000® Index’s 24.1X. We believe the portfolio is also higher quality as it has a higher return on equity (19.2% versus 11.8% and 12.7%) and a fixed charge coverage ratio (8.9X versus 5.2X and 5.4X)—one of our preferred measures of financial condition. We can’t predict the markets or economic trends. What we can control is the execution

of our process, and we believe the characteristics of the portfolio today demonstrate our continued execution of our investment discipline.

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## Top 10 Holdings (% of total portfolio)

Wells Fargo & Co	4.3
Heineken Holding NV	3.3
Alphabet Inc	3.2
Thermo Fisher Scientific Inc	3.1
Bank of America Corp	3.1
Salesforce Inc	2.9
Philip Morris International Inc	2.9
Kerry Group PLC	2.8
Elevance Health Inc	2.7
United Parcel Service Inc	2.7
<b>TOTAL</b>	<b>31.0%</b>

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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. 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.

Russell 1000<sup>®</sup> Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. Russell 1000<sup>®</sup> Index measures the performance of roughly 1,000 US large-cap companies. The Dow Jones US Select Dividend Index measures the performance of the US's leading stocks by dividend yield. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

The portfolio managers' views are subject to change, and Artisan disclaims any obligation to advise investors of such changes.

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