Artisan Select Equity Fund

QUARTERLY Commentary

Investor Class: ARTNX | Advisor Class: APDNX | Institutional Class: APHNX

As of 30 September 2025

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Team Overview

Our team has worked together for many years and has implemented a consistent and disciplined investment process. Our team is organized by geographic regions, but within those regions we are generalists who look across all industries. We believe this model enables our analysts to become broad thinkers and gain critical insight across all economic sectors.

Portfolio Management

Daniel J. O'Keefe
Portfolio Manager (Lead)
Managing Director

Michael J. McKinnon, CFA
Portfolio Manager
Managing Director

Investment Results (%)

As of 30 September 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTNX	**5.24**	**18.88**	**17.26**	**24.68**	**14.49**	—	**13.21**
Advisor Class: APDNX	**5.29**	**18.99**	**17.41**	**24.78**	**14.59**	—	**13.32**
Institutional Class: APHNX	**5.32**	**19.03**	**17.45**	**24.88**	**14.66**	—	**13.38**
S&P 500® Index	8.12	14.83	17.60	24.94	16.47	—	17.53

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. Class inception: Investor (28 February 2020); Advisor (28 February 2020); Institutional (28 February 2020).

Expense Ratios (% Gross/Net)	ARTNX	APDNX	APHNX
Semi-Annual Report 31 Mar 2025[1,2,3]	2.97/1.25	3.70/1.15	1.11/1.10
Prospectus 30 Sep 2024[2,3]	3.13/1.26	3.84/1.16	1.19/1.11

[1]Unaudited, annualized for the six-month period. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2026. [3]See prospectus for further details.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

AI Everything

Ho-hum, technology stocks did better than everything else this quarter. We've delivered this same message frequently over the past five years. But the numbers are now mind-boggling. For example, here is an eye-opener: $3 trillion. That's how much market cap the five top contributing stocks in the S&P 500® Index (all of them tech companies) added in three months. That's equal to 10 Coca-Cola companies. Or 6 Exxon Mobils. Or 3.5 JP Morgan Chases. It's about the same size as the UK stock market. The US central bank's gold reserves are valued at "only" about a trillion dollars.

This is what it takes to make gold:

Gold forms during cataclysmic cosmic events like supernovae and neutron star collisions over billions of years, long before Earth existed. These events provide the intense energy needed for the r-process, which creates heavy elements like gold. The gold travels through space as cosmic dust, eventually falling onto and forming planets such as Earth. Over time, the gold on Earth became concentrated in accessible deposits through geological processes.

Billions of years? Travelling through space? The stock market mints multiples of our nation's gold reserves in a few months.

We are witnesses to an almost supernatural money-minting machine. That machine is artificial intelligence (AI), or more specifically, OpenAI, the owner of ChatGPT. OpenAI is a private company with a roughly $13 billion annual revenue run rate and $18 billion in cash on its balance sheet, and it's burning $8 billion–$9 billion per year. Its October 2025 valuation pegs OpenAI's market value at $500 billion. (Note that the most valuable publicly traded company in all of Europe is worth about $375 billion.) OpenAI's valuation is not even the interesting part. By our estimates, this one money-losing company has committed to be the anchor customer for $500 billion or more in AI data center investment over the next four years.

In January, President Donald Trump and representatives from OpenAI, Oracle and Softbank announced the Stargate project, the largest AI infrastructure project in history. The venture launched with an initial investment of $100 billion, with plans to increase to $500 billion by 2029. It is unclear whether OpenAI will invest directly in the project, though it appears that Stargate's infrastructure will be used exclusively by OpenAI. How a company burning $8 billion–$9 billion per year is going to be the anchor customer for a $500 billion investment is a good question. Nevertheless, since the announcement, Softbank's market cap has increased by nearly $100 billion and Oracle's by $350 billion. We can imagine AI executives asking each other, "How many Coca-Cola Companies did YOU add this year?" In the case of Softbank, not even half. But in the case of Oracle, 1.2X (and we still have a quarter to go before year-end.)

In September, Oracle announced a "mega" contract from OpenAI. We don't know how much OpenAI can afford to spend with Oracle, but we do know that Oracle's market cap on the day of the announcement jumped by $250 billion, about one Coca-Cola Company.

In September, NVIDIA announced a partnership with OpenAI to deploy at least 10 gigawatts (GW) of AI data centers powered by NVIDIA systems. NVIDIA will invest up to $100 billion in OpenAI as each GW is deployed. The structure of this deal is interesting. Clearly, investing hundreds of billions of dollars in projects that rely on one customer, which arguably does not have the resources to commit to them, appears a bit dicey. What NVIDIA is doing here looks a lot like vendor financing, which is to say when your customer can't afford to buy your products, you just provide them with the money to do so. The stock market cheered NVIDIA that day, pushing up its market cap by almost two-thirds of a Coca-Cola Company, or $170 billion.

As we write today, Advanced Micro Devices (AMD) announced a deal whereby it will provide AI chips to power OpenAI's next-generation AI infrastructure. AMD expects the deal to "deliver tens of billions of revenue," though it didn't say how long it would take to realize those revenues. As part of the deal, OpenAI has been granted a warrant for up to 160 million AMD shares (roughly 10% of the shares outstanding), structured to vest as specific milestones are achieved. The deal is already highly profitable for both companies, as AMD's market value increased by $76 billion in the same day, or roughly one-third of a Coca-Cola Company.

We are asked frequently if all this AI hype is a bubble. As we already noted, the dollars being committed to AI infrastructure are dizzying, as are the market cap increases for those companies spending the money. It is unusual for companies committing massive amounts of capital to be instantly rewarded. Most large capital outlays are received with skepticism as management teams' projections are often wrong. But not in the case of AI. Four big tech companies alone (Amazon, Alphabet, Microsoft and Meta) are collectively spending $350 billion to $400 billion in capex just this year, with much or most of it for building out AI-related compute capacity. We know this spending has excited investors, but is it actually generating a return on investment? The answer is complicated.

Let's take a look at Alphabet, one of our long-standing holdings. We estimate Alphabet will spend $85 billion in capex this year. From 2021 through 2025, we estimate a cumulative spend of about $225 billion. How can we assess the return from this spending? Its EBIT was about $78 billion in 2021, and we believe it should end up around $135 billion this year. Clearly, the business continues to grow rapidly. But the business's returns are falling. Alphabet's return on capital employed (ROCE) was 74% pretax in 2021. In 2025, we estimate it will be 51% and at the margin, clearly much lower. Multiple factors are driving the returns down. The search business's returns during its exponential growth phase were probably well over 100%. As it has matured and the company has continued to invest, returns have certainly fallen. New ventures such as Waymo are losing money. YouTube and Google Cloud are both growing and are likely lower returning businesses than the legacy search. And, of course, the massive AI spend going into its cloud business and into building out Gemini is probably earning very low returns, if any. But large-scale capital investments don't usually generate immediate returns. In the cloud business, Alphabet is adding capacity, which it will then sell. The capital is in the ground, and the revenue is on the come. Google Cloud is growing very rapidly and is probably worth half a trillion dollars now, according to some. (We could debate that valuation, certainly.) As for Gemini, it's unclear how the revenue model will evolve. Currently, Alphabet sells Gemini subscriptions and uses Gemini to supplement search results through its Gemini AI summaries. We doubt Gemini subscriptions generate more than a few billion dollars of revenue, a drop in the bucket relative to Alphabet's total revenue base and its capital spending.

Some portion of Alphabet's capex spend is clearly defensive. The search business is probably worth $1.5 trillion to $2 trillion. Is it not rational to spend hundreds of billions to build its AI capabilities and defend itself from disruption from another AI competitor? Of course it is. So, as owners, we believe it is reasonable for Google to spend heavily on AI given its opportunity in cloud and its investment in Gemini, which may prove to be a large business at some point but is essential to defending the search business from disruption for now. But are the returns great on a standalone basis? For now, probably not.

Meta, another long-time holding, is similar. This year, the company is targeting capex investments around $70 billion, which is over 4X higher than what it spent in 2019. Over the past five years, its cumulative capex investments have totaled $180 billion. Over the same period, EBIT has increased 2.7X from $30 billion to $81 billion. Its ROCE has declined, but it remains exceptional in the high 30s. We estimate the incremental returns are in the 25%–30% range—a level well above the threshold for value creation (and a level that can only be described as aspirational for most companies). Similar to Google, it's difficult to parse how much of the business's growth was directly related to the increased investments. Certainly, many of its initiatives (e.g., Reality Labs and Meta AI glasses) are not generating any economic value yet. But Meta's situation is unlike Google's in one important way: Its AI spending should be largely incremental, driven by improving the core business and/or creating new business opportunities. It is likely to earn good returns by using AI to improve both content recommendations and the monetization of its core products through advertising. The returns from its investments in areas like Meta AI chatbots or AI glasses are less clear, but if successful, they should still be largely incremental to the core business.

Outside of the US tech industry, we don't see much impact from AI at all. Companies talk a lot about how they are implementing, or trying to implement, AI into their operations to make them leaner, smarter and more profitable, of course. But we don't see much actual impact. Margins don't seem to be going up due to AI. Despite apocalyptic news stories, employees are not yet being made redundant at scale due to AI. Indeed, the consulting firm Accenture made headlines in September for 11,000 layoffs as part of its AI "reskilling" strategy, but a closer study shows that it is actually growing its ~800,000-person workforce this year.

Our research process is grounded in beliefs based on evidence. At this point, we can see the prospect for returns at some of the major technology companies, but there is little in terms of tangible impact across the industrial world. This could obviously change, but for now, the title of a recent Financial Times article sums up our view: "America's top companies keep talking about AI—but can't explain the upsides."

We do believe that AI will prove to have a significant impact across industry and society, similar to other technological step changes, from the telegraph to the mobile phone. But given the amount of capital that is being committed and the amount of market value created in expectation of massive returns, the risks for disappointment between where we stand today and the eventual AI payoff are certainly not to be dismissed.

Portfolio Discussion

Our top-performing stocks this quarter were Alphabet, Samsung and Lam Research.

Alphabet shares rose 38% during the quarter. This represents a striking $810 billion increase in market value. Google's core business continued to perform well, with accelerating revenue growth and strong profitability. The shares also certainly benefited from the general enthusiasm around AI. But the most significant performance driver was the favorable conclusion to the remedies phase of a DOJ antitrust trial. Recall that Google was deemed to have an illegal search monopoly in August 2024, and the DOJ was pushing for some draconian remedies that had the potential to impair large parts of Google's business. After more than a year of this overhang, the court's remedies announced this past September were quite reasonable. There is an abundance of detail which we won't go into, but the key findings revolve around divestitures, paying for default search placement and data sharing and syndication. The judge did not require Google to divest its home-grown Chrome browser and allowed Google to continue paying handset manufacturers, such as Apple, for default search engine placement. Some amount of data sharing and search syndication is required, but it's limited. We think the judge ended up in largely the right place, since other outcomes would have had significant negative impacts on the technology ecosystem and consumer welfare.

Samsung shares rose 36% in the quarter, adding over $100 billion of market value. Samsung shares are finally starting to benefit from AI enthusiasm. The company is one of three major manufacturers of memory semiconductors, a key component in AI data centers. Samsung should have been at the center of the AI boom from the beginning, but it surprisingly fell behind on the technology curve and failed to develop cutting-edge chips capable of meeting the demanding specifications of the biggest AI customers. But Samsung started to catch up this quarter, announcing that Tesla will purchase $16.5 billion of chips from Samsung's Texas foundry. The deal marks a major proof point for its foundry strategy, which had thus far been slow to gain traction. Samsung also demonstrated progress on developing a high-bandwidth memory (HBM) product that it should be able to sell into NVIDIA's supply chain. If NVIDIA accepts the product, Samsung's semiconductor business should be significantly more profitable next year. In addition, the massive demand from AI has created a favorable pricing environment for commodity memory chips, where Samsung is still the leading player.

Lam Research shares rose 38% during the quarter. The reason should come as no surprise—Lam is one of the most direct beneficiaries of the AI data center investment frenzy. The company is one of four leading makers of semiconductor manufacturing equipment, which are the machines used to produce advanced semiconductors. This positions Lam well to benefit from the massive investments in AI data centers in the coming years. Further, Lam's particular specialty is equipment for making memory semiconductors. Memory chips are in short supply due to the strong demand from AI, which will require meaningful capacity expansion to meet expected demand. All of this should lead to strong demand for Lam's products and has driven the share price up nearly 100% this year. Like many other parts of the market, Lam's valuation reflects its favorable outlook, with shares trading at over 30X earnings.

Our worst performing stocks were Elevance, Aramark and Henry Schein.

Elevance's share price declined by 16%, making it our largest negative contributor. It was also our worst performer in Q2, and we wrote extensively about the stock's woes at that time. Without going over the same ground again, we can simply say that about half of Elevance's premiums, or $100 billion, are currently not making any margin. This is due to the upheaval in its Medicaid and the Affordable Care Act (ACA) business. The Medicaid market is under unprecedented profit pressure due to loss cost trend well above premium rate growth and a meaningful deterioration in the risk pool due to the reverification impact post COVID-19. These pressures may get worse in the near term as the recently passed One Big Beautiful Bill adds work verification requirements that may further disrupt the risk pool. All Medicaid insurers are aggressively lobbying state sponsors of Medicaid for rate increases which are, in our mind, a question of when, not if. States also appear to be changing the benefit designs of their plans in order to bend the cost curve.

The ACA has also emerged as a margin headwind. Tighter income verification practices have churned off large numbers of enrollees, especially the healthy ones, who are typically high-margin participants. The risk pools have deteriorated with consequent impact on margins. Managed care companies are responding by increasing rates in order to recover margins, which will likely shrink the pool of members further. At the end of 2025, the enhanced ACA plan subsidies are scheduled to expire, which will further pressure the risk pool, though these subsidies may get extended via legislation. Democrats in the Senate are using this issue as leverage, refusing to pass the continuing resolution to fund the government unless these subsidies are extended.

We expect Medicaid to revert to more normal margins over the next year or two, and we expect the ACA business to be profitable with a smaller number of enrollees and a lower base of premium revenue. Elevance stock is very cheap, and we have added to our holdings over the past six-month period of share price decline.

Aramark shares declined 8% during the quarter. There is nothing particularly notable about the performance this quarter. Aramark was one of our top performers last quarter, and it gave back some of those gains. The business is performing quite well, with good organic growth and profitability. The outlook for next year is similarly favorable, with continued growth and margin improvements. We believe the shares are reasonably priced at 20X earnings.

Henry Schein was down 9% this quarter. The dental market has been stagnant this year, with low growth and customer price sensitivity. In addition, the company is still struggling with weak profitability due to a bloated cost structure. The combination of slow growth and high costs has made it hard for Henry Schein to grow profits. The good news is that we are optimistic about recent changes at the board and management level. Earlier this year, KKR became the largest shareholder and joined the board. Shortly afterward, longtime CEO Stanley Bergman announced his retirement. Both are welcome changes. The company has a long track record of value creation but has struggled operationally over the past 4–5 years, and we believe that new management, in partnership with KKR, should help it address these recent operational issues.

Henry Schein shares trade at 13X earnings. The company is the leader in a defensive and stable market, and we believe its earnings should grow in the high-single digits over time due to market growth, improved product mix and cost reductions. The opportunity to buy a market leader in a good industry at a modest multiple is rare in this market.

Top 10 Holdings (% of total portfolio)

American Express Co	5.5
Alphabet Inc	5.5
The Bank of New York Mellon Corp	5.4
The Charles Schwab Corp	5.1
Shell PLC	5.0
Citigroup Inc	4.9
Meta Platforms Inc	4.9
Heidelberg Materials AG	4.7
Samsung Electronics Co Ltd	4.5
Aramark	4.4
TOTAL	**49.9%**

For more information: Visit www.artisanpartners.com | Call 800.344.1770

Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by calling 800.344.1770. Read carefully before investing.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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. 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 or growth securities may underperform other asset types during a given period.

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Contribution to Return (CTR) represents the contribution of an investment to the total portfolio return. CTR is calculated by multiplying a security's portfolio weight by its in-portfolio return daily for the period and has been derived from a holdings-based methodology, which uses daily positions and pricing rather than intraday transactions. **Attribution** quantifies the relationship between a portfolio's relative returns and the active management decisions differentiating the portfolio from the benchmark. **CTR and Attribution** are not exact, nor representative of actual investor returns due to several variables (e.g., fees, expenses, transactions) and therefore should be considered an approximation and examined in conjunction with the performance of the portfolio during the period. If applicable, securities of the same issuer are aggregated and may be delta-adjusted to determine the weight in the portfolio, and aggregation of corporate affiliates is subject to the determination of Artisan Partners. Further information on the methodology used is available upon request.

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Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Operating Margin** is a measure of profitability equal to operating income divided by revenue. **Run rate** uses current financial performance to extrapolate over a longer term period. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Investment (ROI)** measures the amount of return on an investment relative to the investment's cost. **Capital Expenditures (capex)** to either purchase fixed assets or to upgrade existing fixed assets having a useful life longer than the taxable year. **Earnings Before Interest & Tax (EBIT)** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. **Return on Capital Employed (ROCE)** is a profitability ratio that measures net income as a percentage of total assets minus current liabilities.

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A R T I S A N P A R T N E R S