

Artisan Focus Fund

QUARTERLY Commentary

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

As of 31 March 2026



Portfolio Manager
Christopher Smith

“Speed is a competitive advantage. ... We don’t wait for perfect clarity. We prefer doing and iterating to debating endlessly. ... If you’re wrong, you’ll fix it faster than your competitors finish arguing about it.”—Patrick Collison, co-founder and CEO of Stripe

Stripe has built one of the most effective operating cultures in modern technology. In a business where the landscape shifts quickly and competition is relentless, the company has consistently prioritized speed, iteration and pragmatism over rigid planning. That orientation has allowed it to compound into a critical piece of global financial infrastructure. We think this quality of adaptiveness and flexibility is particularly relevant to today’s volatile environment.

Performance Review

For Q1, the portfolio returned -3.76% versus -4.33% for the S&P 500® Index, outperforming by 58bps.

Exhibit 1: Investment Results

As of 31 Mar 2026	Q1 2026	Annualized (since inception)	Cumulative (since inception)
Artisan Focus Fund (Investor Class)	-3.76%	16.73%	298.34%
S&P 500® Index	-4.33%	13.86%	218.97%
Alpha (percentage points)	0.58	2.87	79.37
S&P 500® Equal Weight Index	0.67%	10.80%	150.11%
Alpha (percentage points)	-4.42	5.93	148.24

Source: Antero Peak Group/S&P. As of 31 Mar 2026. 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. Returns greater than one year are annualized unless otherwise noted. Fund inception: 24 Apr 2017.

The underlying market environment was notably complex in Q1, with two forces dominating the narrative. First, artificial intelligence (AI) continued to pressure the perceived long-term economics and durability of large parts of the market’s ecosystem, particularly in software. Second, geopolitical instability, most notably the war in Iran, reintroduced tail risks that are inherently unpredictable.

While these two crosscurrents are very different, they share a common consequence: They undermine the reliability of forecasts, albeit on very different time horizons. AI-driven uncertainty is clouding the long term, while conflict in the Middle East is throwing the near term into chaos.

Our portfolio navigated these dynamics in Q1. Among our top contributors were several newer positions, including Caterpillar, Applied Materials and Analog Devices, while AI-related semiconductors (NVIDIA and Broadcom) and Capital One Financial were notable detractors.

Fundamentally, our research execution was strong in Q1, with our portfolio companies’ 2026 consensus EPS estimates expanding by 5% in aggregate during the period.

Software, HALO and the Illusion of Precision

“This is a particularly poor environment for stubbornness.”—Chris Smith, portfolio manager of the Antero Peak Group

With the emergence of AI, industries are converging, and the range of outcomes is widening. We believe clinging to prior assumptions can do real damage. The prudent response is to adapt and direct capital toward opportunities where we believe we can create analytical edge through differentiated research. Consistent with this approach, we largely avoided the drawdowns in the software sector relative to the index, as our process naturally redirected capital toward areas where we had greater conviction.

The software sector has long been viewed as one of the more “modellable” areas in public markets. High margins, recurring revenue, pricing power with little competition and long growth runways lend themselves naturally to discounted cash flow analysis. With modest tangible capital employed, return on invested capital (ROIC) levels are high, rightly clearing the way for high valuations. Even though this contextual framing remains, the emergence of AI has obscured the key element—what do these businesses look like in 5–10 years?

The truth is, we simply don’t know, and we can only guess at this time. Sure, we have very well-informed views about 5 and 10 years from now, but our job is not to prognosticate on this time horizon; it’s to go find areas of analytical differentiation with high confidence, continue to examine the software sector and act decisively as conditions evolve.

Why Is It So Hard Today?

Entering 2026, the 10 largest software sector companies in the S&P 500® Index derived around 55% (median) of their current valuation from the net present value (NPV) of the next 10 years’ cash flow in the discounted cash flow (DCF) model. This means that the remainder of their valuations (~45%) came from assumptions beyond the year 2036. Across this same group, the median implied terminal growth rate entering 2026 was approximately 4.5%, which is above the long-term GDP growth for the US. But what if the terminal growth rate should actually be 3%? Or 5%?

Given the valuation calculation’s sensitivity to the growth rate, small changes can result in wide valuation swings. For example, a +/- 1% change in the growth rate assumption can result in double-digit percentage changes in a company’s valuation. When valuation is this sensitive to assumptions a decade out, the distinction between differentiated analysis and speculation becomes increasingly narrow.

The volatility in software stocks, in our view, reflects the lack of precision in these assumptions and their amplified impact on present value. As a result, investors have begun to place a premium on certainty, even when that certainty points to more modest outcomes, simply because it is more knowable.

Over the past year, we’ve seen the emergence of what has been referred to as the “HALO” trade. This is an acronym for rotation of capital—selling asset-light companies to buy *hard assets* with *low obsolescence* exposure. This reflects a huge reversal from what market participants have been trained to value at a premium.

Software, by its nature, sits at the far end of this spectrum—highly asset-light combined with high margins correctly driving high valuations, elevated dependence on future growth and margins increasingly exposed to rapid technological iteration. In prior cycles, asset-light was synonymous with superior economics. Today, it increasingly comes with a different question—not just how large the opportunity is but how durable it will be.

We have long held the belief that markets are very efficient at pricing known information and very inefficient during periods of change. We will continue to apply our process and, over time, view this dislocation as an opportunity. Not dissimilar to when Amazon expanded into transportation, retail, auto parts and industrial distribution, some areas proved meaningfully disrupted while others were largely noise. We are on high alert as clarity emerges, with the goal of capitalizing on the volatility created by this lack of precision.

Patrick Collison’s quote at the beginning of this commentary captures this idea: *Speed is not recklessness. It is a recognition that iteration outperforms over-analysis when the future is uncertain.*

Moreover, AI may shift parts of software toward more capital-intensive models, where returns are driven less by incremental margins and more by sustained investment and utilization. In that context, small changes in long-term assumptions carry even greater weight, further reducing the precision of valuation frameworks that rely heavily on distant cash flows.

Early evidence suggests AI infrastructure requires significantly more capital expenditure (capex) per dollar of revenue than legacy cloud, which mechanically lowers near-term ROIC, despite similar levels of operating profitability. Higher AI cloud capital intensity is driven by increased compute, networking, and power and cooling requirements, among other factors.

Exhibit 2: Legacy Versus AI Cloud Illustrative Example—Similar Earnings, But Lower Economic Returns

	Legacy Cloud	AI Cloud
Revenue	100	100
Earnings Before Interest and Taxes (EBIT)	25	25
Invested Capital (IC)	125	175
ROIC, Pre-Tax (EBIT/IC)	20%	14%

For illustrative purposes only. Typical estimates assume capex spend is approximately 30%–50% higher for AI vs. legacy cloud. This illustrative example uses 40%, the midpoint from this range.

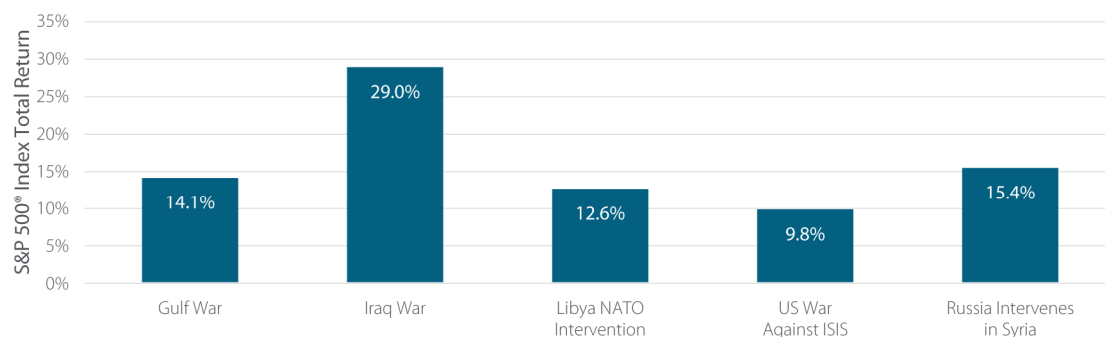
When the Future Becomes Less Knowable

At the same time, geopolitical developments have reintroduced a different kind of uncertainty—one that resists quantification altogether. Escalation involving Iran is not simply a macro variable to plug into a model. It affects energy markets, global risk appetite, inflation and policy responses in ways that are nonlinear and path dependent.

In the near term, the market response reflects this uncertainty—energy markets move quickly, positioning shifts, and volatility rises. And yet, history offers a somewhat counterintuitive perspective.

Across prior Middle East conflicts involving major powers, equity markets have typically experienced short-lived drawdowns followed by relatively strong forward returns. While the magnitude and duration vary, the pattern is consistent—once uncertainty transitions into a more defined scenario, markets tended to stabilize and recover.

Exhibit 3: S&P 500® Index Total Returns, 12 Months Following Start of Middle East Conflicts Involving Global Power



Source: FactSet/Bloomberg. As of 17 Mar 2026. **Past performance does not guarantee and is not a reliable indicator of future results.** 12-month total returns shown from the start of each conflict: Gulf War (2 Aug 1990), Iraq War (3 Mar 2003), Libya NATO Intervention (3 Mar 2011), US War Against ISIS (8 Aug 2014) and Russia Intervenes in Syria (30 Sep 2015).

In other words, while the path of markets during conflict is highly uncertain, the destination has historically been more resilient than feared. The short term is dominated by narratives and second-order effects, while longer term results are driven by earnings and economic adaptability.

If software highlights the risks of being wrong about the distant future, geopolitics highlights the difficulty of predicting the immediate one.

US Output: A Structural Rebuild of American Industrial Capacity

Our exposure to the US industrial complex has expanded materially over the last 12 months, and we continue to find incremental ideas that fit our process in this area. We think there is a structural driver underneath to create this fertile stock-picking environment.

We believe the US is entering a new phase of industrial expansion that is often characterized as cyclical but is more appropriately understood as the early stages of a multi-decade rebuild of domestic productive capacity.

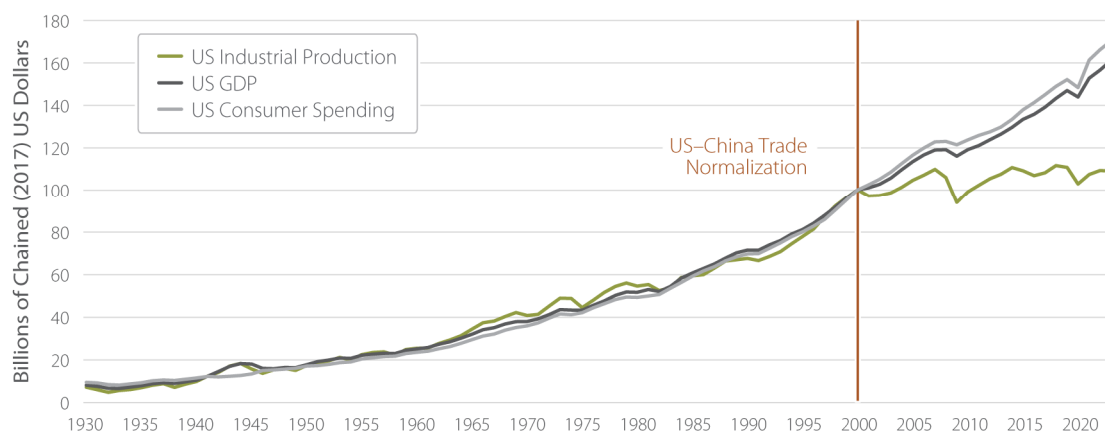
For over two decades, US consumption and production diverged. Following the normalization of trade relations with China—marked by the 2000 US-China Relations Act and China's entry into the World Trade Organization (WTO)—US GDP and consumption compounded at approximately 3% annually, while domestic manufacturing investment remained largely flat (Exhibit 3). Over time, this imbalance coincided with widening trade deficits, greater reliance on offshore production and a decline in the US share of global manufacturing output from roughly 25% to approximately 18%.

In our view, this was not simply a geographic shift in production but a gradual erosion of the domestic industrial system. The US effectively offshored not only manufacturing activity but also supplier networks, skilled labor and process knowledge. As a result, current industrial capacity appears constrained not only by capital but by capability.

The scale of underinvestment is significant. We estimate that US manufacturing investment has lagged long-term trends by approximately \$270 billion annually over the past two decades, implying a cumulative shortfall approaching \$3 trillion. This gap reflects aging infrastructure, insufficient domestic capacity and reduced redundancy across critical supply chains.

Exhibit 4: The Decoupling of US Consumption and Production (Post-2000)

Since the 2000 US–China Relations Act and China’s 2001 entry into the World Trade Organization (WTO), US manufacturing investment has lagged gross domestic product (GDP) and consumption, driving a sustained gap between domestic demand and production.



Source: Board of Governors of the Federal Reserve System/Bureau of Economic Analysis. As of 16 Mar 2026. Chained (2017) US dollar values are inflation adjusted and expressed in 2017 dollars to allow for comparisons over time.

We believe several structural forces are now aligning to support a reacceleration in US industrial activity. Policy has been increasingly supportive, with more than \$50 billion in CHIPS Act incentives, roughly \$1 trillion in infrastructure spending and production-linked tax credits directly subsidizing domestic investment. At the same time, tariffs and enforcement have, in our view, increased the effective cost of offshore production by approximately 10%–25% in key categories. The US also maintains a structural energy advantage, with natural gas prices approximately 70%–80% below those in Europe and Asia. There is even talk of adding greenfield (new site) refining capabilities, something we didn’t expect to see again in our lifetime.

Labor dynamics further reinforce this shift. Manufacturing employment remains approximately 30% below its 1979 peak, while an estimated 20% of skilled trades workers are expected to retire this decade. In parallel, large-cap technology companies have increased capital expenditures as a percentage of revenue, reflecting the physical infrastructure requirements of AI, including data centers, power systems and semiconductors.

These dynamics are beginning to translate into observable activity. After an extended period of stagnation, US industrial production and machinery orders have started to reaccelerate, alongside shifts in trade policy and global supply chains. Notably, this is occurring after a period in which the ISM Manufacturing Index signaled contraction approximately 90% of the time over the last three years.

Importantly, we believe the current environment has become increasingly defined by physical constraints that could lead to a steady flow of investment ideas. Large-scale data centers now require 100–500 megawatts of capacity per site, while grid interconnection timelines have been extended out to 5–7 years and equipment lead times have reached 18–36 months. At the same time, persistent shortages in skilled labor and elevated lead times for critical industrial equipment may limit the pace at which capacity can be expanded.

As a result, we believe growth is increasingly constrained not by demand but by the ability to build. This distinction has several implications. First, we expect that the current cycle could prove longer in duration than typical industrial recoveries, as capacity must be rebuilt rather than simply re-utilized. Second, returns on incremental invested capital (ROIIC) may expand and remain elevated due to structural supply constraints and improving pricing dynamics, while inflationary pressures may prove more persistent given the presence of real resource bottlenecks.

At a sector level, these dynamics appear most evident in capital goods, power and electrical equipment, and automation, where demand is being driven by both cyclical recovery and structural capacity needs. Defense spending has become increasingly oriented toward production capacity and supply chain resilience, while analog semiconductors are benefiting from rising industrial and electrification trends.

The key distinction, in our view, is that this is not a traditional cycle. The US cannot simply increase output—it has to rebuild an industrial system that has been eroded over decades.

Closing Thoughts

This is not an environment that rewards stubbornness. As assumptions become more fragile and outcomes more path dependent, the cost of being wrong has the potential to increase significantly. Much of today’s market relies on long-duration forecasts that require a level of precision the current environment does not support. As those assumptions are tested, volatility should be expected.

Our approach remains unchanged. We aim to concentrate capital where the economics are both attractive and, importantly, knowable and avoid areas where outcomes are dominated by variables that cannot yet be reliably forecasted. Discipline, in our view, lies as much in what we choose not to own as in what we do own.

We appreciate your ongoing support and the trust you have placed in us. We remain committed to applying our process with discipline and to allocating capital toward an effort to maximize our risk-adjusted returns.

Thank you for your continued trust and partnership.

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Investment Results (%)

As of 31 March 2026	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTTX—Inception: 24 Apr 2017	-3.76	-3.76	17.58	19.40	9.43	—	16.73
Advisor Class: APDTX—Inception: 31 Jul 2018	-3.72	-3.72	17.86	19.65	9.64	—	16.90
Institutional Class: APHTX—Inception: 3 Feb 2020	-3.70	-3.70	17.93	19.73	9.73	—	16.95
S&P 500® Index	-4.33	-4.33	17.80	18.32	12.06	—	13.86

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. 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.

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.

Expense Ratios (%)*

	ARTTX	APDTX	APHTX
Annual Report	1.36/—	1.14/—	1.06/—
Prospectus	1.36/—	1.15/—	1.07/—

*Unsubsidized/subsidized. Annual Report: 30 Sep 2025. Prospectus: 30 Sep 2025. See prospectus for further details.

Top 5 Issuers (% of net assets)

NVIDIA Corp	9.3
Taiwan Semiconductor Manufacturing Co Ltd	9.1
Rolls-Royce Holdings PLC	7.0
Apple Inc	6.6
Analog Devices Inc	6.2
Total	38.1%

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.

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S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. **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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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 transaction-based methodology, which includes the impact of 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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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%. **Earnings Before Interest and Tax (EBIT)** is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses and taxes. **Net Present Value** represents the difference between the present value of cash inflows and the present value of cash outflows over a period of time. **Upward Revisions** represent positive changes to previous earnings estimates or earnings forecast and indicate a more positive or increased outlook for the company, portfolio or index. **Earnings Per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Return on invested capital (ROIC)** is a calculation used to assess a company's efficiency in allocating capital to profitable investments. **Return on Incremental Invested Capital (ROIIC)** measures how much profit a company generates from new capital investments, calculated as the change in earnings divided by the change in invested capital over a specific period of time. **Capital Expenditures (Capex)** represents the funds used to purchase, maintain or upgrade assets, such as buildings, equipment, infrastructure, computer hardware and other tangible property. **ISM Manufacturing Index or Purchasing Managers' Index (PMI)** is a key monthly economic indicator from the Institute for Supply Management (ISM) that gauges the health of the US manufacturing sector, revealing expansion or contraction by surveying purchasing managers on trends in new orders, production, employment, supplier deliveries, and inventories, with readings above 50 indicating growth and below 50 showing decline. **Tangible Capital** refers to the physical assets owned by a company that have physical substance and are used to generate revenue, including land, buildings, machinery, equipment, vehicles and inventory. **Discounted Cash Flow (DCF)** is a valuation method that estimates the present value of an investment based on its expected future cash flows. **Terminal Growth Rate** is the constant rate at which a company's expected free cash flows are assumed to grow, indefinitely. **Free Cash Flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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