

# Artisan's Stellar Managers Earn Plenty of Medals

A closer look at the firm's investment teams.

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Artisan Partners has thrived in recent years. Seven of its 14 funds now have 10-year records. Of those, five surpassed more than 80% of their peers for the decade ending March 18, 2014, and the other two land in their categories' top halves. Investors have responded accordingly: Artisan's funds have taken in a net \$11 billion since the start of 2012, when the lineup had a combined \$30 billion in assets. At the end of February 2014, combined with market appreciation, those flows have pushed Artisan's fund assets to \$61 billion.

How has Artisan succeeded? First, by hiring investors who, by and large, already owned proven track records. The firm also has given them freedom to live where they want, build teams as they see fit, and close funds before they grow too large. Indeed, the firm's six investment teams (including the one for just-launched Artisan High Income) are spread around the U.S.—Milwaukee, San Francisco, Atlanta, New York, and Kansas City—and several analysts are based in London. The teams range in size from just a few members to more than 20. And seven of the firm's funds are closed to new investors.

Morningstar analysts think highly of the prospects of the four teams we cover, too. Four Artisan funds earn Morningstar Analyst Ratings of Gold and six earn a Silver. Let's take a closer look at those teams.

## **Artisan International (ARTIX) (Silver) and Artisan International Small Cap (ARTJX) (Gold)**

Team leader Mark Yockey joined Artisan in late 1995 after a successful six-year stint managing a fund now named Waddell & Reed International Growth (UNCGX). He has since amassed an impressive investing record and won Morningstar's International-Stock Manager of the Year award for 1998. He's also put together a sizable, experienced team of 20 comanagers, analysts, and junior analysts. They seek a mix of fast growers, steady-Eddie fare, and turnaround plays. That's proved to be a winning formula: Yockey's oldest charge, Artisan International, has beaten more than 80% of its foreign large-blend peers over the past 10 and 15 years. While the fund has grown

large at times, Yockey hasn't closed it yet. But size hasn't slowed it down—the fund beat 90% of its peers in 2011, 2012, and 2013.

On the other hand, Yockey and his team shut Artisan International Small Cap to new investors in 2003, just two years after its launch, to preserve its flexibility. That's worked out exceedingly well, as the fund has outpaced more than 90% of its foreign small/mid-growth peers since inception.

Yockey and company also manage Artisan Global Equity (ARTHX) (off to a strong start since its 2010 inception) and Artisan Global Small Cap (ARTWX) (launched in June 2013). Compared with other Artisan teams, Yockey was slow to name comanagers on his funds—the first was Barry Dargan at Global Equity (Dargan left the firm in 2013)—but now all of his charges have at least one comanager.

## **Artisan Mid Cap Value (ARTQX) (Gold), Artisan Small Cap Value (ARTVX) (Gold), and Artisan Value (ARTLX) (Silver)**

Scott Satterwhite founded this compact team, but other members have taken on major roles. Satterwhite and James Kieffer have worked together for 25 years. When the former managed small-value portfolios for Wachovia (including a fund now called Wells Fargo Advantage Special Small Cap Value (ESPAX)), Kieffer was a key analyst for him. They joined Artisan together in 1997, and Artisan Small Cap Value was launched. Kieffer, promoted to comanager in 2000, has served as the lead on Artisan Mid Cap Value since the team took it over in 2001. George Sertl, who joined the team in 2000, was promoted to comanager when a third fund, Artisan Value, launched in 2006. The trio won Morningstar's Domestic-Stock Manager of the Year for 2011.

The picture here isn't particularly rosy at the moment. The funds have struggled lately as the market hasn't favored the team's risk-conscious style, which balances valuations and business quality. Satterwhite also plans to retire in October 2016. (Artisan requires portfolio managers

to give three years' notice.) But the team has gone through dry spells before, and Kieffer and Sertl are veteran managers now. The lengthy transition period also allows Dan Kane (an analyst since 2008 who was promoted to comanager in 2012) to gradually take over Satterwhite's responsibilities. (The team has two analysts.) The team's prudent approach to managing its workload—Small Cap Value closed to new investors in 2000 and Mid Cap Value has been closed for most of the past eight years—also inspires confidence.

#### **Artisan International Value (ARTKX) (Gold) and Artisan Global Value (ARTGX) (Silver)**

This team's principals, David Samra and Dan O'Keefe, had no track record when they were hired in 2002. Nevertheless, Samra and O'Keefe, who previously served as analysts for David Herro of Oakmark International (OAKIX), have racked up superb records at their two charges. Like their former boss, Samra and O'Keefe (along with their five analysts) ply a valuation-sensitive approach and are willing to avoid entire sectors and countries when the individual stocks within them don't fit their criteria. But they emphasize business quality to a greater degree, which has helped the funds (both closed to new investors) hold up quite well in down markets. Artisan International Value has crushed its typical peer on a risk-adjusted basis since its 2002 inception, and Artisan Global Value has done the same since launching in 2007. The duo won Morningstar's International-Stock Manager of the Year award twice—once for holding up well in 2008 and then for beating nearly all rivals in 2013's rally.

This team may be due for a period of less-impressive returns. It has found fewer compelling ideas lately as stocks have surged, so both funds' cash stakes hover around 12% (a rare event), and Samra and O'Keefe report that their holdings' average discount to fair value is now smaller than usual. But the team's risk-sensitive strategy should keep the funds from imploding if the market turns south.

#### **Artisan Global Opportunities (ARTRX) (Silver), Artisan Mid Cap (ARTMX) (Silver), and Artisan Small Cap (ARTSX) (Silver)**

Andy Stephens founded this team in 1997 after 11 years as an analyst and portfolio manager at Strong Funds, but he's built a crew of savvy investors to help carry the load. Matthew Kamm, who joined the team in 2003, serves as the lead skipper on the team's original and largest charge, Artisan Mid Cap. Jim Hamel, hired when Mid Cap launched in 1997, has led the effort at Artisan Global Opportunities since its 2008 inception. Jason White joined the team in 2000 and is a comanager on all three funds. The one outlier is Craig Cepukenas, who comanaged

Artisan Small Cap as part of a separate team until 2009. That's when he joined this team as it took over management of the then-struggling fund (Cepukenas has served as the lead since then).

Like the other Artisan managers, this growth-oriented team doesn't get too aggressive: It avoids speculative highfliers, which has kept the funds from underperforming in bear markets. Artisan Small Cap's performance has dramatically improved since the team took over, and both of its other charges boast fine records. And like other teams, this one has generally kept a close eye on capacity: Artisan Mid Cap closed to new investors in 2002 (although continuing inflows arguably moderated performance in the mid-2000s), as did Artisan Small Cap in mid-2013.

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Clarifications:

Artisan Partners Global Equity team is comprised of 24 portfolio managers, analysts and research associates. Artisan Global Value and International Value Funds each had approximately 14-15% cash as of 28 Feb 2014. Jason White is an Associate Portfolio Manager for Artisan Global Opportunities, Mid Cap and Small Cap Funds.

***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.***

**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 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. Artisan Global Equity, Artisan Global Small Cap, Artisan International, Artisan International Small Cap, Artisan Mid Cap, Artisan Global Opportunities and Artisan Small Cap Funds invest in growth securities, which may underperform other asset types during a given period. Artisan Global Value, Artisan International Value, Artisan Mid Cap Value, Artisan Value and Artisan Small Cap Value Funds invest in value securities, which may underperform other asset types during a given period.**

Investment Results (%) as of 31 December 2013

Fund	Ticker	1 Yr	5 Yr	10 Yr	Inception	Inception Date
Artisan International Fund	ARTIX	25.18	16.60	8.93	10.64	12/28/95
Artisan International Small Cap Fund <sup>1</sup>	ARTJX	29.13	21.67	13.09	15.31	12/21/01
Artisan Global Equity Fund	ARTHX	29.65	—	—	17.37	3/29/10
Artisan Global Small Cap Fund	ARTWX	—	—	—	18.82	6/25/13
Artisan Value Fund	ARTLX	25.75	17.86	—	6.58	3/27/06
Artisan Mid Cap Value Fund <sup>1</sup>	ARTQX	35.80	20.72	12.13	12.35	3/28/01
Artisan Small Cap Value Fund <sup>1</sup>	ARTVX	27.49	16.68	9.52	10.67	9/29/97
Artisan Global Value Fund <sup>1</sup>	ARTGX	31.12	19.66	—	8.85	12/10/07
Artisan International Value Fund <sup>1</sup>	ARTKX	30.49	18.75	12.37	16.00	9/23/02
Artisan Global Opportunities Fund	ARTRX	24.30	23.37	—	12.59	9/22/08
Artisan Mid Cap Fund <sup>1</sup>	ARTMX	37.39	26.02	11.43	14.84	6/27/97
Artisan Small Cap Fund <sup>1</sup>	ARTSX	42.82	25.62	9.73	9.39	3/28/95

Source: Artisan Partners. <sup>1</sup>Closed to most new investors.

**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. For Artisan Global Equity, Global Opportunities, Global Small Cap, Global Value, International, International Small Cap and International Value Funds, the performance information shown does not reflect the deduction of a 2% redemption fee on shares held by an investor for 90 days or less and, if reflected, the fee would reduce the performance quoted. Artisan Global Equity and Global Small Cap Funds' investments in initial public offerings (IPOs) made a material contribution to the Funds' performance. IPO investments are not an integral component of the Funds' investment process and may not be available in the future. Artisan Global Equity, Global Opportunities, Global Small Cap and Global Value Funds' performance information reflects Artisan Partners' agreement to limit the Fund's expenses and has had a material impact on the Fund's performance, which would have been lower in its absence. The Artisan Global Small Cap Fund's return may vary greatly over short periods, and current performance may be materially lower or higher than the performance data quoted. Call 800.344.1770 for current to most recent month-end performance.**

Expense Ratios for fiscal year ended 30 Sep 2013

Fund	Ticker	Subsidized	Unsubsidized
Artisan International Fund	ARTIX		1.20%
Artisan International Small Cap Fund	ARTJX		1.51%
Artisan Global Equity Fund	ARTHX	1.50%	1.77% <sup>1</sup>
Artisan Global Small Cap Fund	ARTWX	1.50%	2.51% <sup>1,2</sup>
Artisan Value Fund	ARTLX		1.04%
Artisan Mid Cap Value Fund	ARTQX		1.20%
Artisan Small Cap Value Fund	ARTVX		1.24%
Artisan Global Value Fund	ARTGX		1.38% <sup>3</sup>
Artisan International Value Fund	ARTKX		1.18% <sup>3</sup>
Artisan Global Opportunities Fund	ARTRX		1.28%
Artisan Mid Cap Fund	ARTMX		1.29% <sup>3</sup>
Artisan Small Cap Fund	ARTSX		1.41% <sup>3</sup>

<sup>1</sup>Artisan Partners has contractually agreed to reimburse the Fund for any ordinary expenses in excess of 1.50% through 1 Feb 2015, at which time the contract may be renewed, revised or discontinued. <sup>2</sup>For the Fund's inception through the fiscal year ended 30 Sep 2013. <sup>3</sup>For The Expense Ratio noted above includes indirect expenses the Fund may incur from investing in an investment company (Acquired Fund Fees and Expenses); such indirect expenses are not paid from the Fund's assets but are reflected in the Fund's return realized by its investment in acquired funds.

Morningstar Rankings as of 31 Dec 2013 (Absolute Rank / Number of Funds in Category)

Fund	Category	1 Yr	5 Yr	10 Yr
Artisan International Fund	Foreign Large Blend	78 / 791	29 / 629	42 / 323
Artisan International Small Cap Fund	Foreign Small/Mid Growth	57 / 144	20 / 89	6 / 59
Artisan Global Equity Fund	World Stock	232 / 1040	—	—
Artisan Global Small Cap Fund	World Stock	—	—	—
Artisan Value Fund	Large Value	1107 / 1213	141 / 947	—
Artisan Mid Cap Value Fund	Mid-Cap Value	177 / 415	118 / 306	2 / 187
Artisan Small Cap Value Fund	Small Blend	646 / 681	518 / 551	118 / 334
Artisan Global Value Fund	World Stock	163 / 1040	74 / 638	—
Artisan International Value Fund	Foreign Large Blend	5 / 791	7 / 629	1 / 323
Artisan Global Opportunities Fund	World Stock	589 / 1040	17 / 638	—
Artisan Mid Cap Fund	Mid-Cap Growth	193 / 703	20 / 548	29 / 416
Artisan Small Cap Fund	Small Growth	280 / 714	69 / 554	124 / 367

**Morningstar Rankings are based on average annual total historical returns of the funds ranked within the Morningstar Category and do not represent future results.**

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