# Artisan U.S. Mid-Cap Value Strategy

QUARTERLY
Fact Sheet

As of 31 December 2019

For Institutional Investors Only — Not for Onward Distribution

## Investment Process Highlights

The investment team seeks to invest in cash-producing businesses in strong financial condition that are selling at undemanding valuations.

**Attractive Valuation**

- Distinct discount to intrinsic value
- Low expectations
- Favorable risk/reward

**Sound Financial Condition**

- Focus on financial flexibility and liquidity
- Evaluate on- and off-balance sheet liabilities
- Allows management to pursue value-enhancing initiatives

**Attractive Business Economics**

- Focus on free cash flow and return on capital capabilities
- Ability to grow underlying business value
- Avoid "value traps"

## Portfolio Details

| | |
|---|---|
| Composite Inception | 1 April 1999 |
| Total AUM (USD Millions) | $4,386 |

## Portfolio Statistics

| | Strategy | RMCV[1] |
|---|---|---|
| Median Market Cap (USD Billions) | $11.7 | $8.1 |
| Weighted Avg. Market Cap (USD Billions) | $15.6 | $15.8 |
| Weighted Harmonic Avg. P/E (FY1) | 14.3X | 15.8X |
| Weighted Harmonic Avg. P/E (FY2) | 13.6X | 14.8X |
| Median Price/Book Value | 1.8X | 2.3X |
| Median ROE | 12.0% | 11.0% |
| Median Fixed Charge Coverage Ratio | 5.4X | 4.3X |
| Active Share | 93.6% | — |
| Portfolio Turnover Rate[2] | 15.1% | — |
| Number of Securities | 46 | 631 |

Source: Artisan Partners/FactSet/Russell. [1]Russell Midcap® Value Index. [2]For the 12 months ended 31 Dec 2019.

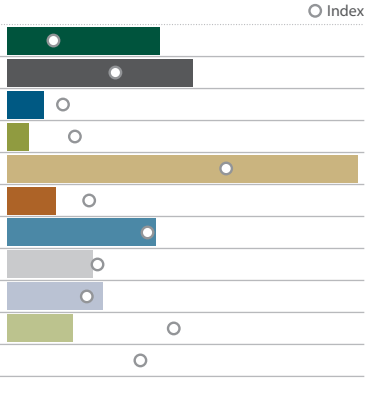
## Top 10 Holdings (% of total portfolio)

| | |
|---|---|
| Celanese Corp (Materials) | 3.9 |
| Thor Industries Inc (Consumer Discretionary) | 3.6 |
| Air Lease Corp (Industrials) | 3.6 |
| Globe Life Inc (Financials) | 3.3 |
| AutoNation Inc (Consumer Discretionary) | 3.2 |
| Analog Devices Inc (Information Technology) | 3.2 |
| Arch Capital Group Ltd (Financials) | 3.2 |
| The Kroger Co (Consumer Staples) | 3.0 |
| GCI Liberty Inc (Communication Services) | 2.9 |
| Gentex Corp (Consumer Discretionary) | 2.9 |
| **TOTAL** | **32.9%** |

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

| | Strategy | RMCV[1] |
|---|---|---|
| Communication Services | 12.8 | 3.9 |
| Consumer Discretionary | 15.6 | 9.1 |
| Consumer Staples | 3.1 | 4.7 |
| Energy | 1.8 | 5.7 |
| Financials | 29.4 | 18.4 |
| Health Care | 4.1 | 6.9 |
| Industrials | 12.5 | 11.8 |
| Information Technology | 7.2 | 7.6 |
| Materials | 8.0 | 6.7 |
| Real Estate | 5.5 | 14.0 |
| Utilities | 0.0 | 11.2 |
| **TOTAL** | **100.0%** | **100.0%** |




Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.7% of the total portfolio. [1]Russell Midcap® Value Index.

## Investment Results (% USD)

| As of 31 December 2019 | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
|---|---|---|---|---|---|---|---|
| | | | Average Annual Total Returns | | | | |
| **Composite — Gross** | **5.88** | **24.77** | **24.77** | **7.45** | **6.99** | **10.76** | **12.61** |
| **Composite — Net** | **5.64** | **23.62** | **23.62** | **6.46** | **6.00** | **9.74** | **11.55** |
| Russell Midcap® Value Index | 6.36 | 27.06 | 27.06 | 8.10 | 7.61 | 12.41 | 9.74 |
| Russell Midcap® Index | 7.06 | 30.54 | 30.54 | 12.06 | 9.33 | 13.19 | 9.57 |

## Annual Returns (% USD) 12 months ended 31 December

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Composite — Gross** | **-8.77** | **23.87** | **13.69** | **-12.53** | **24.77** |

## Calendar Year Returns (% USD)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Composite — Gross** | **15.75** | **7.67** | **12.73** | **37.46** | **2.70** | **-8.77** | **23.87** | **13.69** | **-12.53** | **24.77** |
| **Composite — Net** | **14.68** | **6.67** | **11.70** | **36.22** | **1.76** | **-9.62** | **22.74** | **12.64** | **-13.36** | **23.62** |
| Russell Midcap® Value Index | 24.75 | -1.38 | 18.51 | 33.46 | 14.75 | -4.78 | 20.00 | 13.34 | -12.29 | 27.06 |
| Russell Midcap® Index | 25.48 | -1.55 | 17.28 | 34.76 | 13.22 | -2.44 | 13.80 | 18.52 | -9.06 | 30.54 |

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

**Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.**

**Investment Risks:** Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described on the next page, which should be read in conjunction with this material.

# Artisan U.S. Mid-Cap Value Strategy

## Team Leadership

| Portfolio Managers | Years of Investment Experience |
|---|---|
| James C. Kieffer, CFA | 30 |
| Thomas A. Reynolds IV | 21 |
| Daniel L. Kane, CFA | 21 |
| Craig Inman, CFA | 20 |

## Market Cap Distribution (% of total portfolio equities)

| $ USD in billions | Strategy | RMCV[1] |
|---|---|---|
| 24.2+ | 13.3 | 20.8 |
| 16.7–24.2 | 21.8 | 20.6 |
| 11.2–16.7 | 18.5 | 19.2 |
| 6.9–11.2 | 20.4 | 20.0 |
| 0–6.9 | 26.0 | 19.3 |
| **TOTAL** | **100.0%** | **100.0%** |

Source: Artisan Partners/Russell. [1]Russell Midcap® Value Index.

## Portfolio Construction

- Typically 40-60 holdings
- Maximum position size generally 5%[1]
- Position sizes determined in part by how well a company meets the team's margin of safety criteria
- Attention to economic exposure
- Market capitalization range generally within that of the Russell Midcap® Index[2]
- Typically less than 10% cash

Based on a model portfolio. [1]Limitations apply at the time of purchase. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. [2]Market capitalization range determined as of the most recent calendar year end.

**Investment Risks: 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request.**

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

Securities of the same issuer are aggregated to determine a holding's weight in the portfolio. Securities referenced may not represent all of the securities in the portfolio. If certain information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio characteristics. All information in this report is as of the date shown in the upper right hand corner unless otherwise indicated and is subject to change without notice. Totals may not sum due to rounding.

Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio'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.

Russell Midcap® Value Index measures the performance of US mid-cap companies with lower price/book ratios and forecasted growth values. Russell Midcap® Index measures the performance of roughly 800 US mid-cap companies. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

Sector exposure percentages reflect sector designations as currently classified by GICS.

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**Market Cap** is the aggregate value of all of a company's outstanding equity securities. **Price-to-Earnings Ratio (P/E Ratio)** measures how expensive a stock is. Earnings figures used for FY1 and FY2 are estimates for the current and next unreported fiscal years. **Price-to-Book Ratio (P/B Ratio)** measures a company's stock price in relation to its book value (the total amount a company would be worth if it liquidated its assets and paid back all its liabilities). **Fixed Charge Coverage Ratio** indicates a firm's ability to satisfy fixed financing expenses, such as interest and leases. **Active Share** is defined as the percentage of a portfolio that differs from its benchmark index. Active Share can range from 0% for an index fund that perfectly mirrors its benchmark to 100% for a portfolio with no overlap with an index. **Portfolio Turnover** is a measure of the trading activity in an investment portfolio—how often securities are bought and sold by a portfolio. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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