

A Case for Global Mid-Cap Stocks

The Ideal Intersection of Quality and Growth

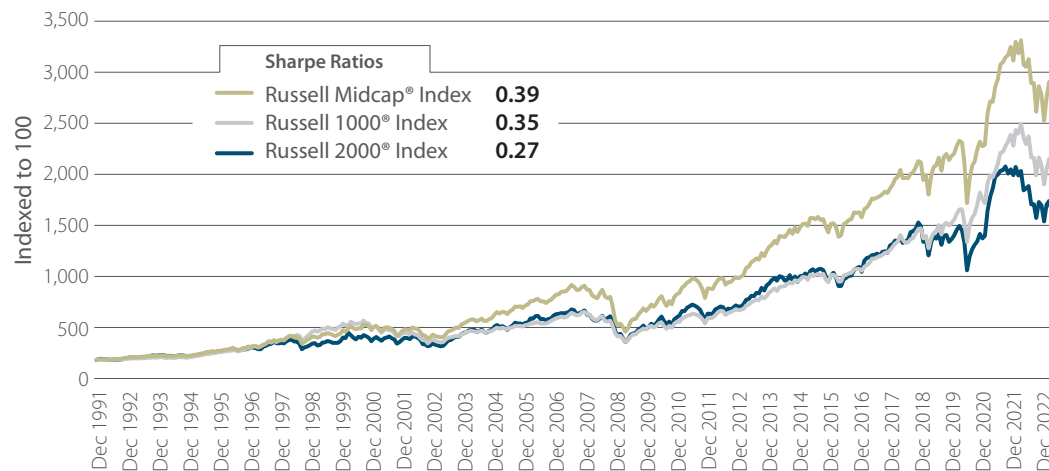
PORTFOLIO MANAGER
Viewpoints

June 2022

Your team has historically had a preference for mid-cap stocks. Can you talk about the characteristics of companies in this segment of the market that you find compelling?

Jason: Our founders, Andy Stephens and Jim Hamel, were attracted to mid-cap equities when they launched Artisan's Mid Cap Fund in 1997. They correctly viewed mid cap as an investing sweet spot—a compelling intersection of quality, competitively advantaged businesses with long growth runways, in possession of experienced, savvy management teams and a tendency to be a purer profit cycle play. The proof is in the data—domestic mid cap equities have generated better absolute and risk-adjusted returns over the past three cycles (Exhibit 1).

Exhibit 1: Domestic Mid-Cap Equities Have Historically Delivered Better Absolute and Risk-Adjusted Returns



Source: Russell, FactSet, Artisan Partners. As of 31 Dec 2022. Past performance is not indicative of future results. Sharpe Ratio is measured from December 1991 through December 2022 and indicates the average return minus the risk-free return (3-month treasury bill) divided by the standard deviation of return of the index. A larger value generally indicates a more attractive risk-adjusted return.

The mid cap asset class is clearly an attractive one as you have laid out. What has been your approach to finding companies best positioned to deliver above-average returns in this area of the market?

Jason: It is a combination of people, philosophy and a repeatable investment process. We believe we have assembled a team of profit cycle hunters. We have built this great group of minds one person at a time from two investment professionals in 1997 to 18 today. We have a team of people who we believe can find growth wherever it is occurring across the global economy. These individuals not only have years of investment experience, but several of them also bring prior industry experience in the sectors they cover which we believe enhances our investment judgement. In fact, we like to call this our judgment factory.

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 last page, which should be read in conjunction with this material.



Jason L. White, CFA
Portfolio Manager

23 Years Investment Experience

Domestic mid-cap equities have generated better absolute and risk-adjusted returns over the past three cycles.

Several members of our team bring industry experience in the sectors they cover. We believe this enhances our investment judgement.

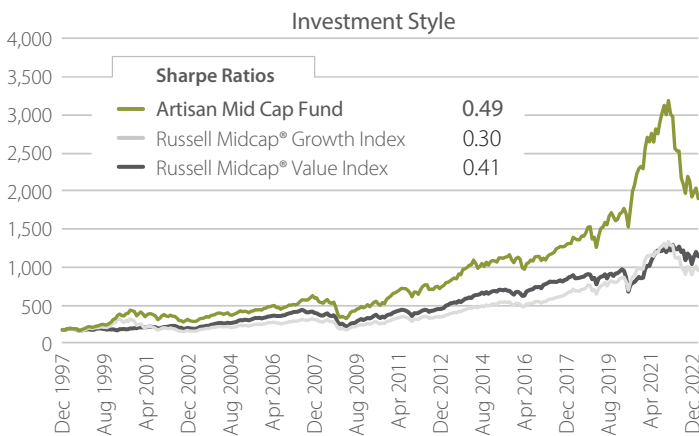
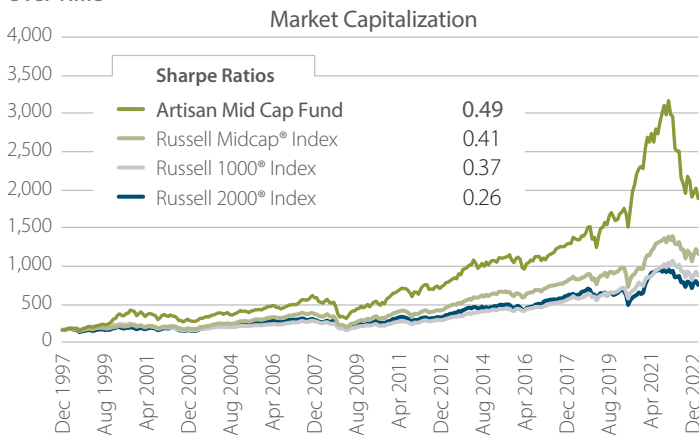


Global Discovery boosts our mid-cap investing capabilities through more degrees of freedom: no upper limit to our market cap mandate, an ability to own small cap franchises and more leeway to hunt for profit cycles outside of the US.

Our [process](#) is structured around a core belief: [stocks follow profits](#) over any reasonable period of time. We look for companies with durable competitive advantages, trading at valuations we can understand and benefiting from an acceleration in profit growth. We stage our clients' capital across three phases based on our level of conviction: *GardenSM*, *CropSM* and *HarvestSM*.

Our approach has been consistent since we set out to exploit this segment of the market when we launched our mid-cap fund in 1997 (Exhibit 2). It has withstood various market environments. Furthermore, our diverse talent pool has accumulated the scar tissue from the mistakes made during these periods.

Exhibit 2: Our Approach to Mid-Cap Investing Has Been Rewarded Over Time



Source: Russell/FactSet/Artisan Partners. As of 31 Dec 2022. Past performance is not indicative of future results.

The team launched the Global Discovery Fund in 2017.

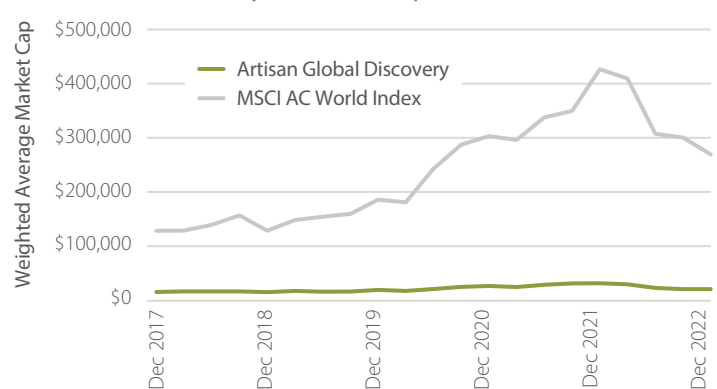
How is this portfolio structured to enhance the team's mid-cap investing capabilities?

Jason: Global Discovery adds further degrees of freedom to our mid-cap focus, and it primarily represents the team's best 40-60 global small-and mid-cap ideas. We don't have an upper limit on our market cap mandate—we can let our winners run—and we can add small cap franchises who possess the characteristics we tend to find among mid-cap companies. We also have a lot more leeway to hunt for profit growth internationally, providing us with a significantly larger opportunity set. We are returning to our roots with this mid-cap focus, though its important to note we are leveraging a much more experienced and globalized research platform.

You touched on the portfolio's broad geographic reach. Looking at each of your holdings, there are several unique aspects of your portfolio relative to your MSCI AC World benchmark. Can you expand upon this?

Jason: The MSCI AC World Index is a very broad benchmark mostly comprised of mid-and-large cap companies. Over time, the MSCI AC World Index has drifted toward mega-cap territory while Global Discovery continues to plot along the small- to mid-cap range for market capitalization (Exhibit 3). Our portfolio offers less volatility and more exposure to small- and mid-cap companies. By going down the market cap spectrum, we offer a portfolio with many unique holdings at an intersection of quality and growth. Lastly, our portfolio offers an attractive alternative to active global strategies populated with the US FAANG stocks (none of which we own), Chinese large tech platforms, large global financials, etc.

Exhibit 3: Global Discovery Fund Market Cap vs. MSCI AC World Index



Source: FactSet/MSCI/Artisan Partners. As of 31 Dec 2022. Represents the weighted average market cap.



Our portfolio also has a high 98.5% active share, and the top 20 contributors to our performance since our inception are unique relative to the MSCI AC World Index. These same holdings have also driven the majority of our performance over this time period.

What are some of your top ideas in the portfolio today?

Jason: Foremost, we tend to gravitate toward businesses less dependent on the overall strength of the underlying global economy. We focus more on innovation and internal change (new management team, new product/service, etc.). Areas of innovation prominent in our portfolio include:

- Health care companies with new drugs, diagnostics and/or solutions to make health care more effective and efficient
- Software solutions to facilitate a more collaborative, efficient, mobile and secure work environment
- New technologies and solutions that streamline manufacturing processes
- Companies driving the transition to a sustainable energy economy.

Valmont is a company we believe will benefit from internal change and several secular and cyclical tailwinds. The company is a leading designer and manufacturer of engineered metal products. Its portfolio includes metal and concrete poles for traffic lighting, cell towers and

highway signs; utility support structures such as poles for transmission lines and a single-axis solar tracker for utility-scale solar installations; and electric-powered, center-pivot irrigation systems that efficiently irrigate fields ranging from 4 to 500 acres. The relatively new management team, who has changed the compensation system by rewarding improving ROIC, has done a nice job executing fundamentally. We believe the growth runway ahead is compelling given several secular and cyclical tailwinds: accelerating spending for solar and wind, grid hardening and renewed irrigation investments in international markets to ensure more efficient water usage. The company's precision agriculture product—which uses a center-pivot machine versus drip or flood irrigation to improve application efficiency up to 90%—positions it particularly well for the renewed irrigation investments in the US and Internationally—the later of which has been underscored by the pandemic and war in Ukraine.

Lattice Semiconductor is another company not only benefiting from internal change and secular tailwinds, but also new product introductions. This semiconductor company is a fabless vendor of field programmable gate array (FPGA) chips, which customers can program and configure to their specifications. What makes Lattice a franchise is its leadership position and possession of intellectual property in the small, power efficient segment of the market. The company's low-power FPGA chips serve multiple end markets well-suited for several long-term, sustainable secular growth tailwinds: data centers, 5G infrastructure, industrial Internet of Things devices, factory automation and automobiles.

Artisan Mid Cap Fund Investment Results

(% USD) As of 31 March 2023	Average Annual Total Returns						Expenses (Gross/Net) ¹
	QTD	1 Yr	3 Yr	5 Yr	10 yr	Inception	
Investor Class: ARTMX	12.37	-15.96	12.03	9.66	10.39	12.52	1.18
Advisor Class: APDMX	12.43	-15.85	12.18	9.83	10.52	12.57	1.05
Russell Midcap* Growth Index	9.14	-8.52	15.20	9.07	11.17	8.75	—
Russell Midcap* Index	4.06	-8.78	19.20	8.05	10.05	9.48	—

Artisan Global Discovery Fund Investment Results

(% USD) As of 31 March 2023	Average Annual Total Returns						Expenses (Gross/Net) ¹
	QTD	1 Yr	3 Yr	5 Yr	10 yr	Inception	
Investor Class: APFDX	11.52	-10.76	13.62	10.49	—	11.75	1.38/—
Advisor Class: APDDX	11.56	-10.63	13.73	10.56	—	11.80	1.41/1.30²
MSCI All Country World Index	7.31	-7.44	15.36	6.93	—	7.70	—

Source: Artisan Partners/MSCI/Russell. Class inception: Artisan Global Discovery Fund—Investor (21 August 2017), Advisor (3 February 2020). Artisan Mid Cap Fund—Investor (27 June 1997), Advisor (1 April 2015). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different if such expenses were reflected.¹ As of 30 Sep 2022. Unaudited, annualized for the six-month period. ² Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024.

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.



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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. Growth securities may underperform other asset types during a given period.

This summary represents the views of the investment team as of 31 Mar 2021. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Funds' total net assets (including all share classes) as of 31 Mar 2023: Artisan Global Discovery Fund—Lattice Semiconductor Corp 3.2%, Valmont Industries Inc 1.5%. Artisan Mid Cap Fund—Lattice Semiconductor Corp 4.4%. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: GardenSM CropSM and HarvestSM. GardenSM investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM holdings are investments that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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Market Cap is the aggregate value of all of a company's outstanding equity securities. **Sharpe Ratio** is a measure that indicates the average return minus the risk-free return divided by the standard deviation of return on an investment. A larger value generally indicates a more attractive risk-adjusted return. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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