



Artisan Mid Cap Fund

MONTHLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 31 December 2016

Commentary

Continuing their post-US election run, global developed markets finished Q4 overall in the black. Though emerging markets were down modestly during the fourth quarter, they were up for the year, as were the majority of global developed indices. Oil prices were also up in Q4, contributing to the energy and materials sectors' solid performance. The fourth quarter was dominated by cyclical stocks, aiding value's meaningful outperformance versus growth for the quarter and the year. Small-cap stocks similarly significantly outperformed their larger counterparts over both periods. As expected, the Fed finally raised the benchmark rate by a quarter point in December.

Our portfolio trailed the Russell Midcap® Growth and the Russell Midcap® Indices in the fourth quarter, weighing on full-year relative performance, amid what appeared to be a preference shift from the secular to the more cyclical. We had observed some fundamental underpinnings to this rotation—including the potential for a broadening of growth after a long period of growth scarcity—and had begun making some portfolio shifts, though not quickly or significantly enough to bolster Q4 performance. We will further discuss Q4 and year-to-date performance and portfolio positioning in our forthcoming quarterly commentary.

Among Q4's largest detractors were DexCom and Workday. Shares of DexCom have been pressured by a modestly more competitive environment for its continuous glucose monitoring systems along with sales weakness following a product recall earlier in 2016. Though these headwinds may persist in the near term, we believe several attractive and meaningful catalysts still lie ahead for DexCom.

Over time, we believe the potential for growth in Workday's customer base and its product offerings can turn it into a much larger software company. However, Workday is facing stiff competition and slower-than-anticipated uptake, both of which have weighed on sales growth. Consequently, we trimmed our exposure in Q4.

NVIDIA and SVB Financial were among Q4's top contributors. NVIDIA's fundamentals remain exceptionally solid as it benefits from rapidly growing demand for its graphic processing units-based architecture. We have high conviction in NVIDIA's position as artificial intelligence and machine learning gain momentum; however, we modestly trimmed our exposure in Q4 in accordance with our valuation discipline.

SVB Financial is among the more differentiated banking franchises given its focus on and relationships in Silicon Valley. Investors' heightened expectations for rising interest rates and corporate tax reform precipitated strong post-election price appreciation, as SVB could be a major beneficiary of these developments.

Our process is focused on identifying franchises exposed to accelerating profit cycles with reasonable valuations. It is our belief that owning companies with these characteristics should lead to outperformance over full market cycles. We will continue to be disciplined and methodical in our approach.

Investment Results (%)

As of 31 December 2016	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	-2.23	-4.15	-0.89	-0.89	2.29	11.94	8.70	12.81
Advisor Class: APDMX	-2.22	-4.09	-0.76	-0.76	2.38	11.99	8.73	12.83
Russell Midcap® Growth Index	0.35	0.46	7.33	7.33	6.23	13.51	7.83	7.88
Russell Midcap® Index	1.14	3.21	13.80	13.80	7.92	14.72	7.86	9.55

Source: Artisan Partners/Russell. ¹Returns for periods less than one year are not annualized. Advisor Class performance is that of the Investor Class from 27 June 1997 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ 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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

Portfolio Details

	ARTMX	APDMX
Net Asset Value (NAV)	\$36.38	\$36.49
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2016	1.18%	1.05%
Prospectus 30 Sep 2015	1.19%	1.05% ¹

¹Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

IHS Markit Ltd (Industrials)	4.8
LKQ Corp (Consumer Discretionary)	4.3
Boston Scientific Corp (Health Care)	4.2
Global Payments Inc (Information Technology)	3.6
S&P Global Inc (Financials)	3.6
Regeneron Pharmaceuticals Inc (Health Care)	2.9
Waste Connections Inc (Industrials)	2.7
Fortune Brands Home & Security Inc (Industrials)	2.7
Cigna Corp (Health Care)	2.5
Concho Resources Inc (Energy)	2.4
TOTAL	33.5%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCG ¹
Consumer Discretionary	19.4	23.6
Consumer Staples	3.2	7.3
Energy	4.2	1.4
Financials	10.1	5.5
Health Care	19.2	15.0
Industrials	21.9	14.9
Information Technology	20.3	21.9
Materials	1.7	5.2
Real Estate	0.0	4.7
Telecommunication Services	0.0	0.5
Utilities	0.0	0.0
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 5.0% of the total portfolio. ¹Russell Midcap® Growth Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCG ¹
19.0+	33.3	19.7
13.5–19.0	13.8	20.1
9.5–13.5	16.2	19.8
6.3–9.5	19.3	20.3
0–6.3	17.4	20.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet/Russell. ¹Russell Midcap® Growth Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Matthew H. Kamm, CFA (Lead)	17
James D. Hamel, CFA	20
Craigh A. Cepukenas, CFA	28
Jason L. White, CFA	17

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

Russell Midcap® Growth Index measures the performance of US mid-cap companies with higher 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Fund's total net assets as of 31 Dec 2016: DexCom Inc 1.7%; NVIDIA Corp 1.7%; SVB Financial Group 2.0%; Workday Inc 1.0%. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

All information in this report includes all classes of shares, except performance and expense ratio information and as otherwise indicated, and is as of the date shown in the upper right hand corner unless otherwise indicated. Totals may not sum due to rounding.

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

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 investments are holdings 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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