



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 December 2016

Commentary

US stocks finished 2016 meaningfully ahead, despite a bumpy start to the year. Value stocks bested growth stocks in the month and year, a reversal from 2015. The Russell Midcap® Value Index underperformed the Russell 1000® Value and Russell 2000® Value Indices in December. As expected, the US Federal Reserve raised its benchmark interest rate a quarter point, citing steady employment growth among other economic measures. Oil prices continued rising following OPEC's announcement of a production cut agreement.

While our portfolio trailed the Russell Midcap® Value Index in December, we outperformed in Q4 and 2016. Our below-benchmark exposure to the real estate and utilities sectors was a headwind in December, as both were among the top performing areas. We've had below-benchmark exposure to these areas for some time, as we believe valuations have generally appeared stretched. We'd note that in Q4 and 2016, this below-benchmark exposure was beneficial. On an individual security level, shares of Devon Energy pulled back in the month, though the name remains a top performer in 2016.

A number of our financials holdings were top performers. Our exposure to financials differs from the index in part due to our larger exposure to insurance companies. (As always, our portfolio is built from the bottom-up, without regard to index construction and is instead focused on where we are finding opportunities.) Insurance holdings Alleghany, Allied World Assurance and Torchmark were among our top performers this month. We believe the companies are executing well, generating free cash flow and returning it to shareholders through share repurchases. In the case of Allied World Assurance, shares advanced on acquisition news, as the company agreed to be acquired by Fairfax Financial at about an 18% premium.

We sold our position in steel producer Nucor. We had initiated our position as overcapacity in the steel industry weighed on shares. Steel prices have since recovered and gross margins at Nucor improved. We exited our position on success as shares hit our estimate of fair value.

We initiated a position in Tesoro Corp, one of the leading refiners in the US. We've had our eyes on the company for some time, but have held off as the stock has historically traded at a premium to peers due to its dominant position in PADD 5 (petroleum administration for defense districts) of the US refining network. Tesoro recently announced the acquisition of Western Refining, a smaller refinery with a presence in Western Texas and New Mexico, which we believe is poised to benefit from the upcoming production boom in the Delaware Basin. Refiners in general have suffered of late due to prolonged low oil prices and excess inventories of refined products, lowering valuations for the whole group and allowing us to establish a position.

Investment Results (%)

As of 31 December 2016	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	0.77	7.26	22.47	22.47	3.86	11.13	7.78	10.68
Advisor Class: APDQX	0.77	7.34	22.60	22.60	3.94	11.18	7.80	10.70
Russell Midcap® Value Index	1.78	5.52	20.00	20.00	9.45	15.70	7.59	10.28
Russell Midcap® Index	1.14	3.21	13.80	13.80	7.92	14.72	7.86	9.46

Source: Artisan Partners/Russell. ¹Returns for periods less than one year are not annualized. Advisor Class performance is that of the Investor Class from 28 March 2001 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

	ARTQX	APDQX
Net Asset Value (NAV)	\$22.35	\$22.30
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2016	1.16/—	1.06/1.05 ¹
Prospectus 30 Sep 2015	1.19/—	1.05 ² /—

¹Net expenses reflect the voluntary waiver of a portion of the adviser's management fee. ²Includes estimated expenses for the current fiscal year.

Top 10 Holdings (% of total portfolio)

Devon Energy Corp (Energy)	3.9
Air Lease Corp (Industrials)	3.4
Alleghany Corp (Financials)	3.1
Apache Corp (Energy)	3.1
Hess Corp (Energy)	2.8
Arrow Electronics Inc (Information Technology)	2.6
Avnet Inc (Information Technology)	2.6
Celanese Corp (Materials)	2.6
Fifth Third Bancorp (Financials)	2.5
Torchmark Corp (Financials)	2.4
TOTAL	29.1%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Consumer Discretionary	18.7	8.5
Consumer Staples	0.0	3.2
Energy	12.5	10.6
Financials	25.1	19.9
Health Care	1.8	4.2
Industrials	14.2	12.6
Information Technology	15.2	8.8
Materials	10.0	6.0
Real Estate	0.9	13.9
Telecommunication Services	0.0	1.4
Utilities	1.6	10.9
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 8.8% of the total portfolio. ¹Russell Midcap® Value Index.

Average Annual Total Returns

As of 31 December 2016	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	17.4	18.9
14.0–21.0	12.4	20.9
9.5–14.0	17.1	19.9
5.7–9.5	27.7	20.1
0–5.7	25.4	20.2
TOTAL	100.0%	100.0%

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

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
James C. Kieffer, CFA	28
George O. Sertl, CFA	24
Daniel L. Kane, CFA	18

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.

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.

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.

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: Allied World Assurance Co Holdings AG 2.0%; Tesoro Corp 1.7%. 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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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