



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 August 2017

Commentary

Our portfolio held up better than the Russell Midcap® Value Index in August and is outperforming QTD. We benefited from strength among our industrials holdings, including Rockwell Collins, a provider of communications and aviation electronics for military and commercial customers. Shares advanced on speculation of an acquisition by diversified industrial conglomerate United Technologies (the deal was officially announced in the beginning of September). In our view, the deal makes strategic sense—there's minimal product overlap between the companies, and the scale of the combined business would allow for a more advantageous negotiating position with Boeing and Airbus. We've held the stock since 2008 and used strength in the month to trim our position.

Shares of North American auto retailer AutoNation also boosted results. The company has been investing in initiatives building out its brand and paying down debt. AutoNation has a history of repurchasing shares and recently added \$250 million to its buyback authorization, which along with lower leverage, should put the company in a better position to return cash to shareholders. Additionally, although flooding in Texas will likely hamper near-term results, it could be a tailwind in the future as water-damaged cars are repaired and replaced. (Texas represents about 20% of company revenue.) We continue to believe that based on a reasonable assumption of annual SAAR in the US, the valuation is compelling relative to the market, and that management is focused on increasing per-share economic value.

On the downside, oil and natural gas E&Ps Apache and Hess weighed on results as the stocks fell along with oil prices. As with all our energy-exposed holdings, we own what we believe are high-quality companies in an unloved area capable of delivering value by better weathering a sustained, weaker operating environment. Additionally, the companies are in solid financial condition, allowing them to invest throughout the cycle.

Health care holding AmerisourceBergen, a drug distribution company, also weighed on results. Faster-than-anticipated deceleration in generic drug pricing and moderating inflation in branded drug pricing has weighed on investor sentiment and company profits, pressuring shares. We believe the selloff is overdone—drug distributors are critical to the health care system, as they have the scale and scope to get crucial pharmaceuticals to end users in a time-sensitive and cost-effective manner. Further, these are relatively low capital-intensity businesses that generate significant amounts of free cash flow, resulting in high returns on capital.

We recently reestablished our position in food retailer Kroger as the stock sold off on ratcheting competitive intensity and on fears food price disinflation may pressure top-line growth. Over the past few years, Kroger's sales growth has benefited from its push into natural and organic products, a data-driven loyalty program, and an expanded private-label selection. However, more recently, industry price competition has intensified as competitors have begun replicating Kroger's success in these areas and on Amazon's recent acquisition of Whole Foods. While we acknowledge the headwinds, we are attracted to Kroger's large store footprint, operational efficiency and best-in-class management team. The company has a high ROE and sound balance sheet, it generates strong free cash flow, and it has a history of creating shareholder value through share buybacks and dividends.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$23.19	\$23.16
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2017 ¹	1.19%	1.06%
Prospectus 30 Sep 2016 ²	1.16%	1.06%

¹Unaudited, annualized for the six month period. ²See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Air Lease Corp (Industrials)	4.0
Celanese Corp (Materials)	3.2
Alleghany Corp (Financials)	2.8
AutoNation Inc (Consumer Discretionary)	2.8
Devon Energy Corp (Energy)	2.6
Torchmark Corp (Financials)	2.4
Arch Capital Group Ltd (Financials)	2.4
Fifth Third Bancorp (Financials)	2.4
Liberty Interactive Corp QVC Group (Consumer Discretionary)	2.4
IAC/InterActiveCorp (Information Technology)	2.3
TOTAL	27.5%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Consumer Discretionary	17.4	12.0
Consumer Staples	1.9	3.9
Energy	13.3	7.4
Financials	24.5	19.6
Health Care	2.0	6.8
Industrials	13.9	11.4
Information Technology	12.8	6.6
Materials	10.6	5.3
Real Estate	1.9	14.9
Telecommunication Services	0.0	0.8
Utilities	1.8	11.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 9.4% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 31 August 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	-1.40	-0.30	3.76	12.07	3.44	10.68	7.50	10.47
Advisor Class: APDQX	-1.36	-0.26	3.86	12.26	3.55	10.75	7.54	10.49
Russell Midcap® Value Index	-1.87	-0.57	4.58	10.82	6.83	14.22	7.82	10.14
Russell Midcap® Index	-0.78	0.68	8.73	12.44	7.32	14.11	8.14	9.62

As of 30 June 2017

Investor Class: ARTQX	1.35	1.26	4.07	16.24	3.69	11.33	6.94	10.61
Advisor Class: APDQX	1.35	1.31	4.13	16.34	3.78	11.39	6.97	10.63
Russell Midcap® Value Index	1.49	1.37	5.18	15.93	7.46	15.14	7.23	10.29
Russell Midcap® Index	0.99	2.70	7.99	16.48	7.69	14.72	7.67	9.68

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	13.1	18.9
14.0–21.0	17.3	22.6
9.5–14.0	19.6	20.5
5.7–9.5	19.0	18.7
0–5.7	31.0	19.3
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	25
Daniel L. Kane, CFA	19

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 Aug 2017: AmerisourceBergen Corp 1.8%; Apache Corp 1.6%; Hess Corp 2.3%; Rockwell Collins Inc 1.2%; The Kroger Co 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.

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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. **SAAR** stands for seasonally adjusted annual rate. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity.

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