



Artisan Mid Cap Fund

MONTHLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 31 December 2017

Commentary

Markets concluded a strong year with a solid Q4. US stocks led developed markets on the ongoing strength of corporate earnings and investor enthusiasm for forthcoming corporate tax cuts. Emerging markets, which led global markets for the year, and European markets were also positive. From a style standpoint, growth stocks led in Q4 and for 2017 overall, while performance across market caps was relatively undifferentiated.

Our portfolio trailed the Russell Midcap[®] and Russell Midcap[®] Growth Indices in Q4. For the full year, our portfolio trailed the Russell Midcap[®] Growth Index but outperformed the Russell Midcap[®] Index. Among our bottom contributors in Q4 were Envision Healthcare and Regeneron. Envision Healthcare is the largest owner of physician practices that staff such hospital departments as emergency rooms or anesthesia. We were initially attracted to it as we observed a growing trend of hospitals attempting to improve care while managing costs by outsourcing this work to professional companies (such as Envision). But hospital volumes have materially slowed following the bump from Affordable Care Act enrollment a couple of years ago. Without volume growth, our thesis became far less interesting, and we consequently exited our position in Q4.

Regeneron delivered a solid quarter, led by strong Eylea[®] growth and an ongoing promising launch for Dupixent[®]. We remain very optimistic about Dupixent's[®] long-term potential and Regeneron's R&D capabilities; however, during the quarter, competitive data from Novartis raised questions about future market-share trends for Eylea[®]. In light of this development, we have reduced our position.

Among our top Q4 contributors were Progressive and SVB Financial Group. Progressive appears to be having a thesis-affirming year. Its revenue growth is accelerating thanks to its low-cost structure and superior market segmentation data—factors allowing the company to take market share from auto insurers who have faced the need to raise prices to offset past underwriting mistakes. We capitalized on a brief period of share-price weakness following the Fall hurricanes to increase our exposure.

SVB Financial Group (SIVB) illustrates well why we're positive on high-quality, traditional financial franchises. As short-term interest rates have begun moving up, SIVB has captured higher net-interest margins. Meanwhile, its leading position within the West Coast's tech community is enabling it to outgrow its competitors. SIVB is also poised to be one of the largest beneficiaries of corporate tax cuts among our holdings.

We will have further detail on these and other holdings in our forthcoming quarterly communication.

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.

Portfolio Details

	ARTMX	APDMX
Net Asset Value (NAV)	\$38.11	\$38.29
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2017	1.18%	1.05%
Prospectus 30 Sep 2016 ¹	1.19%	1.05%

¹See prospectus for more information.

Top 10 Holdings (% of total portfolio)

LKQ Corp (Consumer Discretionary)	4.7
Global Payments Inc (Information Technology)	4.5
IHS Markit Ltd (Industrials)	3.6
The Progressive Corp (Financials)	3.5
S&P Global Inc (Financials)	3.4
Cigna Corp (Health Care)	2.9
Boston Scientific Corp (Health Care)	2.6
Concho Resources Inc (Energy)	2.4
Becton Dickinson and Co (Health Care)	2.2
Atlassian Corp PLC (Information Technology)	2.2
TOTAL	32.0%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCG ¹
Consumer Discretionary	12.6	17.6
Consumer Staples	3.5	4.2
Energy	4.5	2.5
Financials	14.5	7.3
Health Care	17.3	13.2
Industrials	21.1	17.4
Information Technology	25.1	27.8
Materials	1.4	6.4
Real Estate	0.0	3.3
Telecommunication Services	0.0	0.2
Utilities	0.0	0.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 3.0% of the total portfolio. ¹Russell Midcap[®] Growth Index.

Investment Results (%)

As of 31 December 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	-0.10	2.94	20.48	20.48	6.86	12.12	8.64	13.17
Advisor Class: APDMX	-0.10	2.95	20.61	20.61	6.99	12.20	8.68	13.19
Russell Midcap [®] Growth Index	0.54	6.81	25.27	25.27	10.30	15.30	9.10	8.67
Russell Midcap [®] Index	0.93	6.07	18.52	18.52	9.58	14.96	9.11	9.97

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCG ¹
25.0+	25.4	18.5
17.0–25.0	15.8	18.8
12.0–17.0	27.4	20.9
7.9–12.0	12.8	21.2
0–7.9	18.6	20.6
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)	18
James D. Hamel, CFA	21
Craigh A. Cepukenas, CFA	29
Jason L. White, 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.

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 2017: Regeneron Pharmaceuticals Inc 1.0%; SVB Financial Group 1.5%. 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.

Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expense ratio information, and is as of the date shown in the upper right hand corner. 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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