



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 December 2017

Commentary

Our portfolio outperformed the Russell Midcap® Value Index in December. Energy holdings Devon and Andeavor aided results as their shares advanced with oil prices. We continue to believe our energy holdings are high-quality names selling at undemanding valuations.

Also among our top contributors was Air Lease (AL)—shares of this global aircraft leasing company advanced in part due to ongoing solid execution and healthy global air travel demand. Air Lease is also perceived to be a large beneficiary of tax reform, which passed in December. Specifically, AL's book value per share could increase ~\$3 and GAAP EPS should increase 20%. The stock advanced in line with the increase in book value and the trading multiple; however, we highlight that nothing changes on a cash flow basis for AL as they are not a cash tax payer and their lenders grant credit on cash flow. While much of the focus in the near term is on tax reform, the continued strength in Asian economies has led to more investor confidence in the region's long-term air travel growth trajectory. We believe Air Lease is a best-in-class operator, and we like its management team, which founded the industry and has been through several cycles. AL operates a conservative financial profile and focuses on creating long-term shareholder value.

Shares of insurance provider Arch Capital Group were weak again in December. Investors had bid up the name in October largely on expectations that industry-wide losses related to tropical storms would lead to rising insurance rates. However, investors have recently been questioning whether the losses were great enough to force a turn in pricing, and shares have weakened as a result. We're long-term investors and remain attracted to Arch Capital's track record of successfully navigating industry cycles and growing its book value through its disciplined approach to underwriting.

We sold our position in regulated electric gas utility SCANA. SCANA and partner Santee Cooper announced they would halt construction on their nuclear project after nine years of progress. When SCANA initially agreed to embark on the project, it was guaranteed under the BLRA (Base Load Review Act) that the company would get paid for prudent expenses should the project be abandoned. However, politicians are threatening to fight the constitutionality of the BLRA in an attempt to appease their constituents' concerns over lost jobs and increased electric bills—potentially altering SCANA's ability to recoup costs that have already been spent, having been deemed prudent and thus protected under the BLRA Law. We decided to exit our position on the heightened political uncertainties.

Investment Results (%)

As of 31 December 2017	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	1.47	4.72	12.36	12.36	7.44	11.32	8.86	10.78
Advisor Class: APDQX	1.48	4.76	12.46	12.46	7.55	11.39	8.90	10.80
Russell Midcap® Value Index	1.24	5.50	13.34	13.34	9.00	14.68	9.10	10.46
Russell Midcap® Index	0.93	6.07	18.52	18.52	9.58	14.96	9.11	9.98

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.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$22.73	\$22.68
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2017	1.17%	1.06%
Prospectus 30 Sep 2016 ¹	1.16%	1.06%

¹See prospectus for more information.

Top 10 Holdings (% of total portfolio)

Air Lease Corp (Industrials)	4.5
Celanese Corp (Materials)	3.4
Devon Energy Corp (Energy)	3.4
AutoNation Inc (Consumer Discretionary)	3.2
Alleghany Corp (Financials)	2.9
Torchmark Corp (Financials)	2.8
Hess Corp (Energy)	2.7
Fifth Third Bancorp (Financials)	2.7
Liberty Interactive Corp QVC Group (Consumer Discretionary)	2.5
IAC/InterActiveCorp (Information Technology)	2.4
TOTAL	30.6%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCI ¹
Consumer Discretionary	18.7	12.0
Consumer Staples	2.6	4.0
Energy	14.6	8.3
Financials	25.0	20.3
Health Care	2.2	6.5
Industrials	17.1	12.2
Information Technology	10.2	6.1
Materials	7.3	5.6
Real Estate	2.2	14.2
Telecommunication Services	0.0	0.5
Utilities	0.0	10.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 7.1% of the total portfolio. ¹Russell Midcap® Value Index.

Average Annual Total Returns

	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	7.44	11.32	8.86	10.78
Advisor Class: APDQX	7.55	11.39	8.90	10.80
Russell Midcap® Value Index	9.00	14.68	9.10	10.46
Russell Midcap® Index	9.58	14.96	9.11	9.98

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
23.0+	14.8	16.8
16.0–23.0	18.0	20.2
11.0–16.0	15.0	21.2
6.5–11.0	25.6	20.9
0–6.5	26.7	20.8
TOTAL	100.0%	100.0%

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

Team Leadership (Pictured left to right)



Portfolio Managers

James C. Kieffer, CFA

29

Thomas A. Reynolds IV

19

Daniel L. Kane, CFA

19

Years of Investment Experience

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 2017: Andeavor 2.4%; Arch Capital Group Ltd 2.2%. 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.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

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

Generally Accepted Accounting Principles (GAAP) are the common set of accounting principles, standards and procedures that companies use to compile their financial statements. Earnings per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2018 Artisan Partners. All rights reserved.



ARTISAN PARTNERS
ARTISANPARTNERS.COM | 800.344.1770