



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX | Advisor Class: APDMX

As of 30 June 2017

## Commentary

Markets concluded a positive Q2 on a quiet note as investors considered the likely direction of global monetary policy. Foreign developed stocks led the way in Q2, with emerging markets and the US also positive. European markets were bolstered by the outcome of the French presidential election and the UK's snap election, which seemed to indicate a moderating political environment. Growth stocks handily outpaced value for the quarter and are well ahead for the year, with larger stocks leading smaller. The domestic and foreign energy sectors continue to trail, notching another negative quarter as oil prices reached year-to-date lows.

Our portfolio led the Russell Midcap® and the Russell Midcap® Growth Indices in Q2 and is nicely ahead for the year. Among our top Q2 contributors were Regeneron, Global Payments and Veeva Systems. Shares of Regeneron were pressured in 2016 as its Praluent® launch fell shy of expectations and Eylea® sales growth matured. We maintained our position based on our conviction in its pipeline and have thus far been rewarded in 2017 for our patience—not only in terms of rebounding share prices, but also in terms of pipeline successes.

Global Payments' focus on software-enabled payments is differentiating it from other merchant acquirers, contributing to accelerating organic growth and solid margin expansion. Its recent acquisition of Heartland Payment is beginning to yield meaningful fruit as it expands its reach into international markets, adding to the company's growth runway.

Veeva Systems is steadily growing its customer relationship management and its Vault products—both cloud-based systems aimed at life-sciences industry customers. Encouragingly, there are nascent signs of uptake for its software among customers in other industries, which could add meaningfully to the company's market opportunity.

Among our relatively few negative contributors in Q2 were HD Supply and energy companies Concho Resources and Diamondback Energy. HD Supply is a leading distributor of maintenance and repair supplies to residential apartment managers. Recent fundamental headwinds have pressured shares, and we exited our position in favor of more compelling opportunities elsewhere.

As with most energy-sector names, Concho Resources and Diamondback have followed oil prices down as global supply growth has shown few signs of abating in the near term. However, we have been highly selective and believe our holdings are well positioned, with high-quality assets in the best geographies and solid balance sheets that should enable them to weather a challenging commodities price environment.

We will have more detail on these and other holdings in our forthcoming quarterly letter.

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)	\$41.92	\$42.07
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2017 <sup>1</sup>	1.20%	1.04%
Prospectus 30 Sep 2016 <sup>2</sup>	1.19%	1.05%

<sup>1</sup>Unaudited, annualized for the six month period. <sup>2</sup>See prospectus for more information.

## Top 10 Holdings (% of total portfolio)

IHS Markit Ltd (Industrials)	5.2
Global Payments Inc (Information Technology)	4.2
LKQ Corp (Consumer Discretionary)	4.1
S&P Global Inc (Financials)	4.0
Regeneron Pharmaceuticals Inc (Health Care)	3.6
Boston Scientific Corp (Health Care)	3.5
Cigna Corp (Health Care)	2.8
Veeva Systems Inc (Health Care)	2.2
Becton Dickinson and Co (Health Care)	2.2
Waste Connections Inc (Industrials)	2.2
<b>TOTAL</b>	<b>34.1%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCG <sup>1</sup>
Consumer Discretionary	18.3	18.1
Consumer Staples	3.6	4.5
Energy	4.1	2.3
Financials	13.1	6.8
Health Care	20.2	15.1
Industrials	18.0	16.6
Information Technology	20.9	26.4
Materials	1.9	6.5
Real Estate	0.0	3.3
Telecommunication Services	0.0	0.2
Utilities	0.0	0.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 2.5% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

## Investment Results (%)

As of 30 June 2017	Average Annual Total Returns							
	MTD <sup>1</sup>	QTD <sup>1</sup>	YTD <sup>1</sup>	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	1.18	6.78	15.23	16.93	6.42	12.65	8.71	13.27
Advisor Class: APDMX	1.18	6.80	15.29	17.08	6.54	12.73	8.75	13.29
Russell Midcap® Growth Index	0.30	4.21	11.40	17.05	7.83	14.19	7.87	8.26
Russell Midcap® Index	0.99	2.70	7.99	16.48	7.69	14.72	7.67	9.72

Source: Artisan Partners/Russell. <sup>1</sup>Returns 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 <sup>1</sup>
19.0+	39.2	25.8
13.5–19.0	18.9	18.8
9.5–13.5	18.1	19.3
6.3–9.5	17.3	21.0
0–6.3	6.4	15.1
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet/Russell. <sup>1</sup>Russell Midcap<sup>®</sup> 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<sup>®</sup> Growth Index measures the performance of US mid-cap companies with higher price/book ratios and forecasted growth values. Russell Midcap<sup>®</sup> 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 30 Jun 2017: Concho Resources Inc 2.1%; Diamondback Energy Inc 1.2%. 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.

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: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> 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. Crop<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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