



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 30 September 2017

## Commentary

Markets concluded another positive quarter in September, with most major indices in the black. Emerging markets led, and foreign developed markets modestly outperformed domestic. The Fed announced it will finally begin unwinding quantitative easing, allowing maturing debt to gradually roll off the balance sheet—news that markets met with indifference. Domestic growth led value modestly in the large- and mid-cap spaces, with small-cap growth and value in line. In foreign developed markets, the reverse was true.

Our portfolio trailed the Russell Midcap® and Russell Midcap® Growth Indices in Q3. Among our bottom Q3 contributors were DexCom and Ulta Beauty. As the quarter concluded, DexCom received news the FDA approved Abbott's continuous glucose-monitoring (CGM) system—which represents a disruptive, low-price competitor to DexCom's CGM. While DexCom remains a strong franchise, competitors are closing the gap faster than we thought likely—as a result, we are paring our exposure while we evaluate the profit-cycle potential from here.

Ulta Beauty remains a relatively rare bright spot against a challenging retail backdrop, gaining share across beauty categories and growing its e-commerce business. However, the combination of high expectations for Ulta and increasingly strained investor nerves about retail's overall prospects weighed on shares. We expect Ulta to continue growing nicely over the next year, but moderating beauty category growth and an already large fleet of stores suggest that growth could moderate over time. We have consequently begun harvesting our position.

Among our top contributors in Q3 were Cigna and Delphi Automotive. Long-time Crop<sup>SM</sup> holding Cigna is keeping costs contained via innovative products and collaborative partnerships with physicians, allowing it to profitably gain market share. Though its recently proposed merger with Anthem was blocked, we believed it capable of a strong, standalone profit cycle, given its substantial balance-sheet capacity.

Delphi Automotive is capitalizing on its investments in next-generation auto technologies, including advanced driver-assistance systems (ADAS), infotainment systems and electrification, to take market share and drive earnings growth. We believe its upcoming spinoff of its powertrain business should unlock further growth opportunities as it transforms Delphi into a pure-play franchise exposed to the aforementioned growth areas.

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

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)	\$42.58	\$42.75
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)	4.4
Global Payments Inc (Information Technology)	4.4
LKQ Corp (Consumer Discretionary)	4.3
Boston Scientific Corp (Health Care)	3.7
S&P Global Inc (Financials)	3.2
Cigna Corp (Health Care)	3.0
Regeneron Pharmaceuticals Inc (Health Care)	2.3
The Progressive Corp (Financials)	2.3
Delphi Automotive PLC (Consumer Discretionary)	2.3
Waste Connections Inc (Industrials)	2.2
<b>TOTAL</b>	<b>32.0%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCG <sup>1</sup>
Consumer Discretionary	16.1	17.4
Consumer Staples	3.6	4.1
Energy	3.9	2.6
Financials	12.1	7.1
Health Care	18.2	14.2
Industrials	20.0	16.7
Information Technology	24.9	27.8
Materials	1.2	6.5
Real Estate	0.0	3.3
Telecommunication Services	0.0	0.2
Utilities	0.0	0.1
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash represented 3.4% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

## Investment Results (%)

As of 30 September 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	0.54	1.57	17.04	12.19	7.76	11.78	8.28	13.19
Advisor Class: APDMX	0.54	1.62	17.16	12.36	7.89	11.86	8.32	13.21
Russell Midcap® Growth Index	2.83	5.28	17.29	17.82	9.96	14.18	8.20	8.43
Russell Midcap® Index	2.77	3.47	11.74	15.32	9.54	14.26	8.08	9.78

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+	38.4	31.4
13.5–19.0	22.1	16.5
9.5–13.5	18.3	20.7
6.3–9.5	11.2	18.2
0–6.3	10.0	13.2
<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
Craig 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 Sep 2017: Ultra Beauty Inc 1.0%; DexCom Inc 0.5%. 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: 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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