



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 31 August 2018

## Commentary

Developed markets have overall risen QTD, led by US equities. Emerging markets are in the red QTD and YTD as investors weigh ongoing turmoil in Turkey (among others) and the potential for contagion. Developed-world sentiment has been boosted in Q3 by signs of progress toward a renegotiated trade deal in North America. Elsewhere, global economic data remain largely positive, and global central banks seem content to take a wait-and-see approach to inflation. Against this backdrop, health care and technology stocks lead QTD, with energy and materials trailing, while growth leads value.

Our portfolio is outperforming the Russell Midcap® and Russell Midcap® Growth Indices QTD as well as YTD. Among our top QTD contributors are Atlassian and Veeva Systems. Atlassian's execution has been impressive, with revenues maintaining their rapid growth as more teams within companies of all sizes adopt the company's software tools. Importantly, ample cash-flow growth has followed top-line growth. As Atlassian widens its growth runway with new products for broader audiences, we believe it capable of driving an ongoing profit cycle.

Veeva Systems, a leading provider of cloud-based SaaS solutions for the pharmaceutical and life sciences industries, is capitalizing on the transition to cloud-based systems to drive recurring revenue growth—particularly as its Vault system increasingly gains traction among customers—in turn resulting in attractive levels of margin expansion. With ample runway ahead—particularly as the company expands into new markets—we maintain our conviction in the profit cycle.

Among our bottom QTD contributors are Noble Energy and Gardner Denver. We have held Noble Energy for its top acreage in the US's Permian Basin, which offers the attractive combination of low-cost yet high-quality and rich shale deposits. However, sluggish oil prices and growing political risk—particularly in Colorado—have recently pressured shares. With our thesis delayed and little visibility into the likelihood of near-term reacceleration, we exited our position in favor of better opportunities elsewhere.

Conversely, we have modestly increased our exposure to Gardner Denver, whose shares have been similarly pressured by the company's energy exposure. Despite these pressures, the company is showing signs of early internal operational progress under its new management team, and we believe it is in the relatively early stages of an internal transformation which we anticipate will result in a compelling profit cycle.

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)	\$44.63	\$44.89
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2018 <sup>1</sup>	1.19%	1.05%
Prospectus 30 Sep 2017 <sup>2</sup>	1.18%	1.05%

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Global Payments Inc (Information Technology)	4.8
Atlassian Corp PLC (Information Technology)	4.5
IHS Markit Ltd (Industrials)	3.7
The Progressive Corp (Financials)	3.5
Veeva Systems Inc (Health Care)	3.2
Boston Scientific Corp (Health Care)	2.9
Tableau Software Inc (Information Technology)	2.9
Worldpay Inc (Information Technology)	2.4
Guidewire Software Inc (Information Technology)	2.3
TD Ameritrade Holding Corp (Financials)	2.2
<b>TOTAL</b>	<b>32.4%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCG <sup>1</sup>
Consumer Discretionary	12.5	17.8
Consumer Staples	2.0	2.9
Energy	2.1	1.6
Financials	10.1	7.0
Health Care	15.9	14.9
Industrials	19.1	16.4
Information Technology	36.2	33.6
Materials	2.0	3.6
Real Estate	0.0	2.0
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 and cash equivalents represented 2.7% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

## Investment Results (%)

As of 31 August 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	5.61	8.80	17.11	21.21	12.15	11.62	11.60	13.58
Advisor Class: APDMX	5.62	8.82	17.24	21.35	12.30	11.73	11.65	13.60
Russell Midcap® Growth Index	5.76	8.03	13.87	25.06	15.29	14.19	11.64	9.05
Russell Midcap® Index	3.11	5.67	8.15	17.89	13.37	12.80	10.92	10.05
As of 30 June 2018								
Investor Class: ARTMX	-0.22	3.53	7.64	12.55	7.58	11.19	10.80	13.24
Advisor Class: APDMX	-0.22	3.57	7.73	12.70	7.73	11.29	10.85	13.26
Russell Midcap® Growth Index	0.39	3.16	5.40	18.52	10.73	13.37	10.45	8.73
Russell Midcap® Index	0.69	2.82	2.35	12.33	9.58	12.22	10.23	9.85

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (27 June 1997); Advisor (1 April 2015). For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different 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>
25.0+	20.3	19.8
17.0–25.0	32.2	22.5
12.0–17.0	15.4	23.2
7.9–12.0	19.4	16.4
0–7.9	12.7	18.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet/Russell. <sup>1</sup>Russell 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 Aug 2018: Gardner Denver Holdings Inc 1.8%. 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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