



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 January 2018

## Commentary

Our portfolio started the year on a strong note, outperforming the Russell Midcap® Value Index. Though we're bottom-up investors and build our portfolios one stock at a time, it remains our contention that alpha in the current market may come from avoidance of more expensive sectors. This was the case in January, as our below-benchmark exposure to real estate and utilities was a tailwind. Our minimal exposure to these areas (~2% combined weight in our portfolio vs. ~23% in the index) stems from valuations that appear full to us.

On an individual holdings basis, shares of North American auto retailer AutoNation were strong. Continued stability in demand for new and used cars, coupled with investors leaning into the stock as a potential beneficiary of tax cuts (believing consumers will use money saved from the tax cut on a vehicle), has helped propel shares. We continue to like the company's management team, which thinks and acts like owners with the goal of increasing per-share economic value. Further, based on a reasonable assumption of annual SAAR in the US, we believe the valuation is compelling.

Insurance holding Allstate underperformed. The stock pulled back as politicians and regulators suggested the tax cut should pass through to consumers, arguing that rates (in some instances) are set and approved on the basis of ROE, and that the tax cut boosts ROE above the prescribed level—meaning the company should not be allowed to capture it. We don't believe this has much impact, as we already expect most of the benefit to be competed away. With that said, we're cognizant that wrinkles could emerge if a regulator enacts a curveball ruling.

We exited our position in Synopsys, a provider of electronic design automation software for the semiconductor and electronics industries. We initially purchased shares of Synopsys in December 2009, as the stock came under pressure, selling for around 10X our estimate of normalized earnings. We believed the selloff was overdone, and took the opportunity to establish a position in a quality business with a strong balance sheet. By having the valuation, financial condition and business economics on our side, we were rewarded over our long time-horizon, and exited our position as valuations appeared stretched.

## Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$23.68	\$23.63
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2017	1.17%	1.06%
Prospectus 30 Sep 2017 <sup>1</sup>	1.17%	1.06%

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Air Lease Corp (Industrials)	4.3
AutoNation Inc (Consumer Discretionary)	3.5
Celanese Corp (Materials)	3.3
Devon Energy Corp (Energy)	3.2
Alleghany Corp (Financials)	2.9
Fifth Third Bancorp (Financials)	2.8
Liberty Interactive Corp QVC Group (Consumer Discretionary)	2.8
Hess Corp (Energy)	2.8
IAC/InterActiveCorp (Information Technology)	2.8
Torchmark Corp (Financials)	2.7
<b>TOTAL</b>	<b>31.0%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCV <sup>1</sup>
Consumer Discretionary	20.1	12.3
Consumer Staples	2.8	3.9
Energy	14.2	8.2
Financials	24.6	20.7
Health Care	2.3	6.7
Industrials	17.2	12.4
Information Technology	9.4	6.4
Materials	7.1	5.7
Real Estate	2.2	13.3
Telecommunication Services	0.0	0.5
Utilities	0.0	9.9
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 8.1% of the total portfolio. <sup>1</sup>Russell Midcap® Value Index.

## Investment Results (%)

As of 31 January 2018	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: ARTQX	4.18	4.18	4.18	14.55	9.80	10.63	9.43	10.99
Advisor Class: APDQX	4.19	4.19	4.19	14.65	9.91	10.70	9.46	11.01
Russell Midcap® Value Index	2.30	2.30	2.30	14.03	10.36	13.56	9.86	10.55
Russell Midcap® Index	3.76	3.76	3.76	20.08	11.52	14.29	10.26	10.17

As of 31 December 2017

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. <sup>1</sup>Returns 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.

## Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV <sup>1</sup>
23.0+	16.8	18.5
16.0–23.0	20.9	20.6
11.0–16.0	13.1	21.4
6.5–11.0	24.6	20.1
0–6.5	24.7	19.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
James C. Kieffer, CFA	29
Thomas A. Reynolds IV	19
Daniel L. Kane, CFA	19

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 Jan 2018: The Allstate Corp 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.

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

SAAR stands for seasonally adjusted annual rate. Return on Equity (ROE) is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity.

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