



# Artisan Mid Cap Fund

MONTHLY  
Commentary

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

## Commentary

Markets generally climbed in July, led by US equities, though most major global indices were positive. Sentiment improved on moderating protectionist rhetoric, including potential progress toward a free-trade deal between the US and EU—though pressure remains on China, whose market declined in July. At the sector level, financials and health care led US and foreign markets, while discretionary trailed. Larger stocks outperformed smaller, and—in a near-term reversal—value outpaced growth.

Our portfolio outpaced the Russell Midcap® and Russell Midcap® Growth Indices in July and is ahead YTD. Among our top contributors were Atlassian and Wabtec. Atlassian's Q2 results demonstrate that revenues continue growing at a fast rate as more teams within companies of all sizes adopt its software tools. Importantly, this top-line growth is translating into impressive cash-flow expansion. We maintain our conviction that Atlassian is in the middle innings of a compelling profit cycle.

Wabtec is a leading component supplier to the freight and transit rail markets. We have held it tied to our expectation that it is well-positioned in front of growing demand for its rail-related technology—particularly in EM—and that it would capitalize on recent acquisitions to broaden its growth runway as more cyclical headwinds faded. Shares have benefited from rising profits, which have begun accelerating as the US exits a downcycle for freight capex. Further, we believe Wabtec's recently announced acquisition of GE's transportation business has the potential to drive meaningful revenue and cost synergies.

Among our bottom contributors were Twitter and Vulcan Materials. We purchased Twitter in Q1 in the wake of recent steps it has taken to narrow and strengthen its strategic focus, including shuttering non-core operations and improving its user interface—efforts which have thus far been rewarded by higher user engagement. Investors were seemingly disappointed by the company's recent lowering of its outlook. Looking forward, we anticipate Twitter will begin driving higher monetization per user, which should contribute to margin expansion. For now, the position remains in the Garden<sup>SM</sup> until we begin to see evidence our thesis is playing out.

Shares of Vulcan Materials, the leading provider of aggregates in the US, were pressured in July as higher diesel costs crimped margins. While we believe Vulcan remains attractively positioned to capitalize on increasing infrastructure spending in many states, as well as a solid housing construction market, the position remains in the Garden<sup>SM</sup> while we await signs the profit cycle is taking hold as we anticipate.

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.

## Investment Results (%)

As of 31 July 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	3.02	3.02	10.89	14.26	7.85	10.09	11.32	13.34
Advisor Class: APDMX	3.03	3.03	11.00	14.41	8.00	10.19	11.37	13.37
Russell Midcap® Growth Index	2.15	2.15	7.66	19.08	10.92	12.49	11.12	8.80
Russell Midcap® Index	2.49	2.49	4.90	13.45	10.21	11.51	10.79	9.93

  

As of 30 June 2018								
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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.

## Portfolio Details

	ARTMX	APDMX
Net Asset Value (NAV)	\$42.26	\$42.50
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)	4.6
Atlassian Corp PLC (Information Technology)	3.9
IHS Markit Ltd (Industrials)	3.8
The Progressive Corp (Financials)	3.3
Boston Scientific Corp (Health Care)	2.9
Tableau Software Inc (Information Technology)	2.8
Veeva Systems Inc (Health Care)	2.4
Concho Resources Inc (Energy)	2.3
TD Ameritrade Holding Corp (Financials)	2.2
Roper Technologies Inc (Industrials)	2.2
<b>TOTAL</b>	<b>30.5%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCG <sup>1</sup>
Consumer Discretionary	13.2	18.2
Consumer Staples	2.7	3.0
Energy	3.7	1.7
Financials	11.1	7.3
Health Care	14.4	14.5
Industrials	20.5	17.0
Information Technology	32.5	32.1
Materials	2.0	3.9
Real Estate	0.0	2.1
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 2.0% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

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

\$ in billions	Fund	RMCG <sup>1</sup>
25.0+	25.4	18.0
17.0–25.0	25.0	22.9
12.0–17.0	14.3	21.4
7.9–12.0	19.9	17.1
0–7.9	15.4	20.6
<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 Jul 2018: Twitter Inc 0.6%; Vulcan Materials Co 0.9%; Wabtec 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.

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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