



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX As of 30 November 2018

## Commentary

Our portfolio trailed the Russell Midcap® Value Index QTD. Our stock selection has been additive to performance, but weakness from the energy and industrials sectors has in general weighed on returns.

Judging by headlines alone, it was a tough month for car manufacturers, adding to an already difficult quarter. Palace intrigue has embroiled former Nissan and Renault chairman Carlos Ghosn. GM announced layoffs and plant closures as it halted production on a handful of brands. Trump's trade war has complicated exports and raised steel prices, squeezing manufacturers on both sides of their ledgers.

While we don't own those particular names, the impacts have been widespread, and it's of little surprise our largest QTD detractor was Delphi Technologies, an automotive parts supplier to manufacturers. In addition to the sector's woes, the market continues to have what we consider a misunderstanding of Delphi's long-term prospects. We were initially attracted to the business due to an undemanding valuation. The business fell further out of favor after our initial purchase as investors fretted the combination of a slowing auto market, the potential impact of emission regulations in Europe and declining expectations for Chinese auto sales in the second half of the year. We continue to believe Delphi is executing well against a challenging backdrop, and it remains poised to benefit from the trend of cars being more fuel efficient and producing less emissions.

Fluor, an engineering and construction company, was another key QTD detractor as its shares remain under pressure due to legacy project problems, primarily in the power and downstream markets. It certainly did not help that energy prices took a hit in November, falling 22%—the largest decline since 2008. We continued paring our holdings.

Among our top QTD contributors was Omnicom Group, a global advertising and marketing services holding company, whose stock moved higher on better-than-expected organic revenue growth in Q3—both in North America and internationally—which boosted earnings per share above estimates.

TripAdvisor was the portfolio's top contributor QTD. While cutting back on marketing expenses led to less-than-expected revenue growth in the third quarter, profitability was higher. It remains an industry-leading platform that generates free cash flow and maintains a sound balance sheet while still growing its unique travel review content and operating the world's second-largest restaurant reservation system.

## Investment Results (%)

As of 30 November 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	0.55	-6.87	-3.47	-2.05	8.04	4.49	13.14	9.97
Advisor Class: APDQX	0.57	-6.82	-3.33	-1.90	8.16	4.59	13.20	10.00
Russell Midcap® Value Index	2.40	-4.98	-2.00	-0.79	8.90	8.39	14.84	9.77
Russell Midcap® Index	2.46	-6.05	0.95	1.89	9.84	9.14	15.71	9.50

As of 30 September 2018

Investor Class: ARTQX	-0.97	2.39	3.65	8.55	12.54	6.94	9.94	10.52
Advisor Class: APDQX	-0.97	2.39	3.75	8.68	12.67	7.03	9.98	10.55
Russell Midcap® Value Index	-0.79	3.30	3.13	8.81	13.09	10.72	11.29	10.18
Russell Midcap® Index	-0.64	5.00	7.46	13.98	14.52	11.65	12.31	9.99

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (28 March 2001); 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

	ARTQX	APDQX
Net Asset Value (NAV)	\$18.92	\$18.86
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2018	1.19%	1.05%
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)

Celanese Corp (Materials)	3.5
The Kroger Co (Consumer Staples)	3.3
IAC/InterActiveCorp (Communication Services)	3.2
Air Lease Corp (Industrials)	2.9
Fifth Third Bancorp (Financials)	2.9
M&T Bank Corp (Financials)	2.9
Torchmark Corp (Financials)	2.9
Qurate Retail Inc (Consumer Discretionary)	2.7
AMERCO (Industrials)	2.6
AutoNation Inc (Consumer Discretionary)	2.6
<b>TOTAL</b>	<b>29.3%</b>

Source: Artisan Partners/FactSet (GICS).

## Sector Diversification (% of total portfolio equities)

	Fund	RMCV <sup>1</sup>
Communication Services	15.1	3.3
Consumer Discretionary	14.4	8.8
Consumer Staples	3.4	5.1
Energy	8.6	6.3
Financials	24.7	17.9
Health Care	3.6	6.9
Industrials	14.2	12.1
Information Technology	5.1	8.6
Materials	7.7	6.1
Real Estate	3.2	13.8
Utilities	0.0	11.1
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 5.5% of the total portfolio. <sup>1</sup>Russell Midcap® Value Index.

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

\$ in billions	Fund	RMCV <sup>1</sup>
23.0+	18.7	17.5
16.0–23.0	13.0	19.5
11.0–16.0	16.3	22.2
6.5–11.0	23.1	21.5
0–6.5	28.9	19.3
<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	20

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 30 Nov 2018: Delphi Technologies PLC 1.1%; Fluor Corp 1.7%; Omnicom Group Inc 2.4%; TripAdvisor Inc 2.4%. 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.

**Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock.

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