



Artisan Mid Cap Fund

MONTHLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX

As of 31 August 2019

Commentary

Global equity markets have given back some of the solid YTD gains so far in Q3 as US-China trade tensions have ratcheted higher, with both countries signaling they will impose another round of tariffs and a near-term resolution seemingly unlikely. The US leads QTD, followed by non-US developed and emerging markets. Concerns about slowing global growth linger, and many central banks have shifted toward accommodative policies. At the sector level, energy, materials and financials lag QTD, while real estate, utilities and consumer staples lead.

Our portfolio trails the Russell Midcap® Growth Index and leads the Russell Midcap® Index QTD. Among our bottom QTD contributors are Alexion Pharmaceuticals and Cree. Shares of Alexion have been pressured as investors weigh the competitive threats from future generic versions of Soliris®—a risk we believe is still a few years out. Alexion is well-positioned to stave off most competition by converting Soliris® patients to the company's more convenient and patent-protected drug Ultomiris® over the next couple of years—an effort that is already underway and which is progressing well.

Shares of Cree, a producer of semiconductors used in electronic vehicles (EVs), have been pressured against a backdrop of unresolved US-China trade tensions, which could impact the company's revenue growth trajectory. Though we maintain our conviction in Cree's profit-cycle potential, we are weighing the potential risks of a prolonged trade dispute and are prepared to pivot accordingly.

Among our top QTD contributors are Pagseguro Digital and L3Harris Technologies. Brazilian digital payments provider Pagseguro is capitalizing on its first-mover advantages to drive higher payment volumes and profitability. Further, its expanded banking-product offerings position it well to take share in a still-underpenetrated market for small and micro-sized merchants who value easy, online provisioning.

L3Harris, a defense, communications and electronics equipment provider, is progressing well with the L3 integration, which we anticipate will lead to meaningful synergies. Further, with a growing backlog, mainly in communications, we believe there remains ample runway ahead.

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 adhere to this approach, regardless of the macro backdrop and how it evolves in the period ahead.

Investment Results (%)

	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
As of 31 August 2019								
Investor Class: ARTMX	-3.05	-0.34	33.50	9.41	13.97	9.68	14.67	13.39
Advisor Class: APDMX	-3.07	-0.33	33.63	9.52	14.12	9.81	14.74	13.42
Russell Midcap® Growth Index	-1.82	0.47	26.68	5.96	14.92	10.72	14.85	8.91
Russell Midcap® Index	-2.85	-1.46	19.57	0.54	10.05	7.94	13.48	9.60

As of 30 June 2019

Investor Class: ARTMX	7.60	10.12	33.95	19.45	16.27	10.13	15.70	13.51
Advisor Class: APDMX	7.63	10.15	34.08	19.59	16.42	10.26	15.77	13.54
Russell Midcap® Growth Index	7.02	5.40	26.08	13.94	16.49	11.10	16.02	8.96
Russell Midcap® Index	6.87	4.13	21.35	7.83	12.16	8.63	15.16	9.75

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)	\$38.50	\$38.82
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2019 ¹	1.20%	1.08%
Prospectus 30 Sep 2018 ²	1.18%	1.05%

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

Top 10 Holdings (% of total portfolio)

Global Payments Inc (Information Technology)	5.5
Atlassian Corp PLC (Information Technology)	4.0
IHS Markit Ltd (Industrials)	3.6
Veeva Systems Inc (Health Care)	3.4
Fidelity National Information Services Inc (Information Technology)	3.4
L3Harris Technologies Inc (Industrials)	3.3
Boston Scientific Corp (Health Care)	3.0
Guidewire Software Inc (Information Technology)	2.7
Motorola Solutions Inc (Information Technology)	2.6
Roper Technologies Inc (Industrials)	2.6
TOTAL	34.2%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCG ¹
Communication Services	5.2	5.1
Consumer Discretionary	10.8	15.2
Consumer Staples	0.0	3.4
Energy	0.0	1.2
Financials	3.4	4.5
Health Care	26.3	14.8
Industrials	16.7	17.0
Information Technology	37.6	32.8
Materials	0.0	3.0
Real Estate	0.0	3.0
Utilities	0.0	0.0
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 3.3% of the total portfolio. ¹Russell Midcap® Growth Index.

Average Annual Total Returns

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCGI ¹
22.0+	48.6	31.8
16.0–22.0	7.5	19.6
11.3–16.0	16.7	17.5
7.2–11.3	15.6	18.1
0–7.2	11.6	13.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet/Russell. ¹Russell Midcap® Growth Index.

Team Leadership (Pictured left to right)



Portfolio Managers

Matthew H. Kamm, CFA (Lead)

19

James D. Hamel, CFA

22

Craig A. Cepukenas, CFA

30

Jason L. White, CFA

Years of Investment Experience

Matthew H. Kamm, CFA (Lead)

19

James D. Hamel, CFA

22

Craig A. Cepukenas, CFA

30

Jason L. White, CFA

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 2019: Alexion Pharmaceuticals Inc 1.5%; Cree Inc 1.2%; Pagseguro Digital Ltd 1.6%. 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: GardenSM, CropSM and HarvestSM. GardenSM 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. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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