



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 28 February 2019

Commentary

Momentum continued pressing equity markets higher in February—there were no substantive changes in the fundamental outlook. Sentiment has certainly improved, most notably due to relatively more dovish positioning from the Federal Reserve. The Russell Midcap® Value Index rallied through the first half of the month but was flat in the second half. Still, the index's 13.81% YTD return has been enough to surpass the December peak, making up for losses in the sharp, year-end selloff. In the index, sector strength has been broad-based, with technology, financials and energy leading the way.

Our portfolio outpaced the Russell Midcap® Value Index QTD due primarily to strong stock selection among our industrials, financials, energy and communication services holdings. Overall exposure to consumer discretionary, information technology and health care was a modest drag on relative returns.

Our portfolio's top contributor, consumer financial services company Synchrony Financial, has benefited from its contract renewals with major partners (i.e., Sam's Club, Amazon, Qurate, eBay and Walgreens). Additionally, share prices have appreciated based on expectations of hearty stock repurchases—approximately \$5bn—over the next 18 months. Adding to this momentum are a solid balance sheet, still-improving credit metrics and a record of profitability. Synchrony's low valuation, healthy business fundamentals and strong capital return have been favorable for the stock price YTD.

Airplane leasing firm Air Lease Corp held firm as a top QTD contributor. In the near term, an economic downturn could prove problematic for Air Lease. Demand for air travel, which drives demand for planes, is generally pro-cyclical. However, some demand for air travel is secular. Globally, the emerging middle class and the rise of ultra-low-cost carriers are likely to be long-term tailwinds. Air Lease maintains a young fleet of fuel-efficient aircraft that are in high demand as they are lower cost to operate for the carriers. Priced at a discount to book value, the valuation remains compelling, and we continue to believe management has positioned the company as the industry leader.

Television and online retailer Qurate was the largest QTD detractor from relative returns. The stock price was essentially flat for the month until management released Q4 earnings. While revenue was in line with consensus expectations, rising costs have put pressure on margins. The market is anticipating additional need for capital investment, which could deteriorate margins further. Altogether, the stock was off almost \$4/share (down approximately 18%) in the final trading day of the month.

Investment Results (%)

As of 28 February 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	2.86	14.64	14.64	1.08	11.95	4.54	14.22	9.99
Advisor Class: APDQX	2.87	14.68	14.68	1.25	12.10	4.65	14.27	10.02
Russell Midcap® Value Index	3.18	13.81	13.81	2.63	12.58	7.44	17.31	9.74
Russell Midcap® Index	4.30	15.55	15.55	5.63	14.46	8.56	17.81	9.61

As of 31 December 2018

Investor Class: ARTQX	-10.47	-16.62	-13.57	-13.57	5.95	1.70	10.80	9.24
Advisor Class: APDQX	-10.45	-16.55	-13.43	-13.43	6.08	1.80	10.86	9.27
Russell Midcap® Value Index	-10.50	-14.95	-12.29	-12.29	6.06	5.44	13.03	9.03
Russell Midcap® Index	-9.92	-15.37	-9.06	-9.06	7.04	6.26	14.03	8.81

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)	\$19.42	\$19.37
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2018	1.19%	1.05%
Prospectus 30 Sep 2018 ¹	1.20%	1.05%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Celanese Corp (Materials)	3.5
The Kroger Co (Consumer Staples)	3.2
M&T Bank Corp (Financials)	2.9
Air Lease Corp (Industrials)	2.9
Analog Devices Inc (Information Technology)	2.9
AMERCO (Industrials)	2.8
Fifth Third Bancorp (Financials)	2.8
Torchmark Corp (Financials)	2.7
Arch Capital Group Ltd (Financials)	2.5
IAC/InterActiveCorp (Communication Services)	2.5
TOTAL	28.8%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	12.5	3.2
Consumer Discretionary	14.0	8.8
Consumer Staples	3.4	4.9
Energy	6.2	5.8
Financials	27.7	18.1
Health Care	4.0	6.9
Industrials	15.3	12.1
Information Technology	5.4	8.9
Materials	8.1	6.1
Real Estate	3.3	14.1
Utilities	0.0	11.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 7.5% of the total portfolio. ¹Russell Midcap® Value Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	22.4	24.8
14.5–21.0	16.6	20.2
10.5–14.5	9.3	16.4
6.5–10.5	22.4	20.1
0–6.5	29.4	18.6
TOTAL	100.0%	100.0%

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

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
James C. Kieffer, CFA	30
Thomas A. Reynolds IV	20
Daniel L. Kane, CFA	20
Craig Inman	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 28 Feb 2019: Quorate Retail Inc 2.2%; Synchrony Financial 2.3%. 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.

Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities.

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