



Artisan Mid Cap Value Fund

MONTHLY Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 January 2019

Commentary

After a difficult end to 2018, global markets surged in January amid easing trade tensions, a temporary resolution to the partial US government shutdown and the US Federal Reserve's commitment to "be patient." The S&P 500® Index had its best January since 1987. Not to be outdone, by month end, the Russell Midcap® Value Index was up a sharp 16% from its December bottom.

Solid stock picking led our portfolio to outpace the Russell Midcap® Value Index QTD. Our industrials and communication services holdings contributed prominently to relative returns. Notably, not owning any utilities names was the top contributing factor to our outperformance. Conversely, below-benchmark exposure to the real estate sector—one of the index's top performing sectors—weighed on relative returns, as did individual consumer discretionary names.

Just as swiftly changing sentiment on the health of the economic cycle led to December's selloff and January's rebound, the aptly named airplane leasing firm Air Lease Corp soared QTD as recession fears abated. In the near term, should cyclical weakness finally make its descent on the world economy, that is likely a headwind for Air Lease. But demand for air travel by the global emerging middle class and the rise of ultra-low-cost carriers provide secular tailwinds in the long term. Air Lease signed several lease placement deals with various carriers in January, and business is brisk. 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.

Another top contributor, consumer financial services company Synchrony Financial, succeeded in extending its exclusive partnership to manage and service Sam's Club members' credit cards. Synchrony also expanded similar programs with Amazon, the home shopping behemoth Qurate Group, eBay and Walgreens. The contentious relationship with Walmart reached a resolution as Walmart dropped its lawsuit against Synchrony, and Synchrony agreed to sell the Walmart receivables in its portfolio to Capital One, which should close sometime in 2H 2019. Amid these concurrent contract renewals, the balance sheet remains solid, credit metrics are still improving, and profitability remains strong.

We all know there's no avoiding death or taxes, but it turns out there's nothing eternal about the standard deduction. 2017's Tax Cuts and Jobs Act significantly raised the standard deduction for individual taxpayers, which implies fewer filers will need to itemize their tax returns this year. H&R Block, our top detractor and only holding with a negative total return QTD, suffered as analysts raised concerns that fewer itemizations would mean less demand for HRB's tax preparation services. However, we would note over 70% of HRB's customers take the standard deduction already, and we think changes in the tax law are not likely to materially impact the company over the longer term. Even as the tax code evolves, we believe the company is one of the industry's best brands based on its strong market-share position, and a highly cash generative business model. Expectations remain low for HRB despite a healthy balance sheet, and much of the cash generated is allocated to dividends and share repurchases.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$18.88	\$18.83
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)	3.3
The Kroger Co (Consumer Staples)	3.1
Air Lease Corp (Industrials)	3.0
IAC/InterActiveCorp (Communication Services)	3.0
M&T Bank Corp (Financials)	2.9
Torchmark Corp (Financials)	2.8
Fifth Third Bancorp (Financials)	2.7
Analog Devices Inc (Information Technology)	2.7
AMERCO (Industrials)	2.7
AutoNation Inc (Consumer Discretionary)	2.7
TOTAL	29.0%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	12.7	3.3
Consumer Discretionary	14.4	8.9
Consumer Staples	3.4	5.0
Energy	7.4	6.2
Financials	26.7	17.7
Health Care	4.1	6.8
Industrials	14.9	12.0
Information Technology	5.4	8.5
Materials	7.8	6.2
Real Estate	3.3	14.5
Utilities	0.0	11.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 6.7% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 31 January 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	11.45	11.45	11.45	-7.54	11.85	4.91	12.91	9.86
Advisor Class: APDQX	11.49	11.49	11.49	-7.36	12.00	5.02	12.97	9.89
Russell Midcap® Value Index	10.29	10.29	10.29	-5.43	11.67	7.90	15.39	9.59
Russell Midcap® Index	10.79	10.79	10.79	-2.90	13.29	8.89	16.09	9.39

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.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	21.6	23.5
14.5–21.0	17.4	18.3
10.5–14.5	9.1	18.4
6.5–10.5	21.8	19.7
0–6.5	30.1	20.1
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 31 Jan 2019: H&R Block Inc 2.1%; Quate Retail Inc 2.7%; Synchrony Financial 2.2%. 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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