



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 30 June 2019

Commentary

June was a good month for equities, capping a solid quarter and an even better first half, despite some hiccups in May. In fact, for the S&P 500® Index, the first six months of 2019 were the best first half since 1997.

Quarter to date, the Russell Midcap® Value Index was up 3.19%, led by the industrials, communication services and financials sectors. Energy, consumer staples and discretionary each posted negative total returns in Q2. Our portfolio outpaced the index, led on a relative basis by consumer discretionary, financials and materials holdings, while exposures to the technology and industrials sectors detracted.

Airplane leasing firm Air Lease Corp was the top Q2 contributor. Demand for air travel from the global emerging middle class, along with the rise of ultra-low-cost carriers, provides secular tailwinds to the business. Air Lease maintains a young fleet of high-demand, fuel-efficient, low-operational-cost aircraft, and we continue to believe management has positioned the company as the industry leader.

Another top Q2 contributor was Dentsply Sirona, a global dental products manufacturer and distributor resulting from an all-stock merger-of-equals that took place in February 2016 between Sirona Technologies (digital tech) and Dentsply (dental supplies). The management team at the time botched the merger; subsequently, the board of directors cleaned house. There is now an extensive turnaround effort underway. Before we took up our position, the market had soured on the name amid all the mismanagement and turnover. Since then, the restructuring has gone well, execution risk has diminished, and the stock has outperformed. This name is exemplary of our approach: We had followed the business for a long while and waited patiently for the valuation to come to us. We like the company's steady, recurring, market-leading consumables business that serves the dentist office at every patient visit. That, along with management's new-found commitment to prudent capital management, is being reflected in the rising valuation.

The portfolio's top detractor for the quarter was Lions Gate Entertainment, which in its present form is the result of a 2016 acquisition of the Starz Network. Weighing on the stock was the company's announced intention to expand its streaming services to the competitive global marketplace, a costly prospect with potential negative implications for the near-term financials. While this strategy carries risks to the business that we do not endorse—and we have shared these misgivings with management—we remain invested in this franchise because we continue to see value in a free cash flow-generating content powerhouse trading at an excessive discount.

Investment Results (%)

As of 30 June 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	7.56	5.06	17.65	0.44	8.47	4.12	11.43	9.95
Advisor Class: APDQX	7.58	5.13	17.70	0.57	8.59	4.23	11.49	9.99
Russell Midcap® Value Index	6.75	3.19	18.02	3.68	8.95	6.72	14.56	9.77
Russell Midcap® Index	6.87	4.13	21.35	7.83	12.16	8.63	15.16	9.72

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)	\$19.93	\$19.88
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2019 ¹	1.21%	1.09%
Prospectus 30 Sep 2018 ²	1.20%	1.05%

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

Top 10 Holdings (% of total portfolio)

Celanese Corp (Materials)	3.6
Air Lease Corp (Industrials)	3.2
Analog Devices Inc (Information Technology)	3.1
Torchmark Corp (Financials)	2.9
M&T Bank Corp (Financials)	2.9
AutoNation Inc (Consumer Discretionary)	2.8
Arch Capital Group Ltd (Financials)	2.8
AMERCO (Industrials)	2.8
GCI Liberty Inc (Communication Services)	2.7
Thor Industries Inc (Consumer Discretionary)	2.6
TOTAL	29.4%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	13.4	3.2
Consumer Discretionary	15.2	8.4
Consumer Staples	2.4	4.7
Energy	3.4	5.4
Financials	28.2	17.8
Health Care	4.5	7.1
Industrials	14.5	12.7
Information Technology	6.7	9.0
Materials	8.1	6.0
Real Estate	3.5	14.0
Utilities	0.0	11.4
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 3.8% of the total portfolio. ¹Russell Midcap® Value Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	18.8	27.1
14.5–21.0	21.3	21.1
10.5–14.5	12.6	16.7
6.5–10.5	11.2	18.2
0–6.5	36.2	16.9
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	21
Craig Inman, 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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. 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 Jun 2019: DENTSPLY SIRONA Inc 2.5%; Lions Gate Entertainment 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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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7/3/2019 A19682L_vR