



Artisan Mid Cap Fund

MONTHLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX

As of 31 March 2019

Commentary

Markets notched a solid first quarter, led by the US, with major global indices uniformly in the black. Despite ongoing Brexit- and trade-related uncertainty, UK and China markets were nicely positive. Nascent signs of decelerating global economic data prompted the Fed and ECB to notably weaken their policy stances, likely contributing to a boost for the real estate sector—which was among the best performers—while weighing on financials. From a style perspective, growth handily outperformed value in Q1.

Our portfolio outperformed the Russell Midcap® and Russell Midcap® Growth Indices in Q1. Among our top contributors were Worldpay and Wayfair. We have held Worldpay for its attractive exposure to digital payments and have anticipated its global footprint would allow it to grow market share. Shares were rewarded in Q1 by FIS's announced acquisition of Worldpay. Though we see this as a positive validation of our thesis, we are evaluating the investment case from here. Given it's a stock and cash transaction, investors in Worldpay will become wholly investors in FIS. While there may be a valid thesis supporting a potential FIS profit cycle, it will require additional research.

Wayfair, a leading online furniture retailer, is executing well. The company's investments in growth have weighed on profits in the US and its less mature international markets. However, we're seeing strong signs these investments are rational and likely to pay off nicely in the longer term. Further, the company's customer acquisition costs have been relatively stable, while repeat-purchase rates are strong. Though we anticipate ongoing volatility, as longer term investors, we are attracted to the company's progress relative to a very large market opportunity.

Among our bottom contributors were Take-Two Interactive and ABIOMED. Shares of Take-Two, a leading video game developer, have been pressured as investors weigh the impact of new viral free-to-play hits like Fortnite and, more recently, Apex Legends on full-price games like Take-Two's. Though we believe the company remains well-positioned to capitalize on the secular trend toward digital gaming, we have pared our exposure in favor of other opportunities.

ABIOMED is a leading medical devices company focused on mechanical circulatory support to improve outcomes for high-risk cardiovascular patients. The market opportunity is significant, and ABIOMED, which has a virtual monopoly for now, has barely begun penetrating the market. With a broad runway ahead and the potential for additional products and indications, we believe the profit-cycle potential is meaningful.

We will discuss these and other holdings in more depth in our forthcoming quarterly commentary.

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	Average Annual Total Returns
As of 31 March 2019									
Investor Class: ARTMX	0.92	21.64	21.64	12.30	13.87	8.00	16.72	13.18	
Advisor Class: APDMX	0.91	21.72	21.72	12.43	14.01	8.11	16.79	13.21	
Russell Midcap® Growth Index	1.35	19.62	19.62	11.51	15.06	10.89	17.60	8.80	
Russell Midcap® Index	0.86	16.54	16.54	6.47	11.82	8.81	16.88	9.67	

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)	\$35.08	\$35.36
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2018	1.18%	1.04%
Prospectus 30 Sep 2018 ¹	1.18%	1.05%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Global Payments Inc (Information Technology)	5.2
Atlassian Corp PLC (Information Technology)	4.3
Veeva Systems Inc (Health Care)	3.9
IHS Markit Ltd (Industrials)	3.7
The Progressive Corp (Financials)	3.5
Worldpay Inc (Information Technology)	3.3
Boston Scientific Corp (Health Care)	3.2
Tableau Software Inc (Information Technology)	3.1
Roper Technologies Inc (Industrials)	2.7
Harris Corp (Industrials)	2.5
TOTAL	35.4%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCG ¹
Communication Services	4.0	3.8
Consumer Discretionary	11.8	16.1
Consumer Staples	0.0	3.0
Energy	0.0	1.5
Financials	7.9	6.4
Health Care	24.1	14.4
Industrials	15.4	15.7
Information Technology	35.6	33.2
Materials	1.2	3.5
Real Estate	0.0	2.3
Utilities	0.0	0.0
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 2.1% of the total portfolio. ¹Russell Midcap® Growth Index.

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCG ¹
22.0+	32.1	28.7
16.0–22.0	24.5	20.9
11.3–16.0	7.7	16.2
7.2–11.3	20.8	19.5
0–7.2	14.9	14.7
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

19

22

30

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.

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 Mar 2019: ABIOMED Inc 0.9%; Take-Two Interactive Software Inc 1.0%; Wayfair Inc 1.4%. 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.

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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4/3/2019 A19588L_vR



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