



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 30 November 2019

Commentary

The Russell Midcap® Value Index has gained 322bps QTD and is up 23.31% so far this year, led by the communication services and industrials sectors, as equity market strength continues to be broad-based. Only two sectors in the index—energy and utilities—have posted negative QTD total returns. Q3 earnings growth, while still likely to be negative year over year, has been better than anticipated, and with GDP growth revised higher, stocks set new record highs in November.

Our portfolio trails the index slightly QTD as consumer discretionary and industrials holdings have lagged the benchmark on a relative basis. No exposure to utilities and below-benchmark weights in the real estate and energy sectors contributed.

Thor, a recreational vehicle manufacturer, has returned 13.3% QTD and remains a top contributor. In Q3, unit sales growth was positive in Europe but contracted in North America as expected. Thor's variable cost model led to higher gross margins on weaker volumes. We have owned this name for two quarters, and management has done well so far delivering value to shareholders. Steady debt paydown, an increased dividend and insider share purchases have given credibility to the long-term strategic goals. We have added shares on recent weakness.

QTD, online travel agent Expedia is our top detractor, down 24.1%. In our view, the market has overreacted to a deceleration. Bookings and revenues grew year on year, albeit at a slower pace. Adjusted EBITDA was flat, and management significantly lowered guidance for the full year. Much of the pressure is on the cost side, and while Expedia faces competitive headwinds and execution risks, it remains a leader in the global online travel booking business, operates with a strong balance sheet and is growing revenue almost 10% per year organically. Given its scale, business mix, shift to cloud and re-platforming efforts, we believe Expedia is in a position to grow margins and has not yet realized its long-term earnings power.

Amerco, the parent company of U-Haul, is among our top QTD detractors. After peaking at the highest levels since 2016, the stock took a dive in November, bringing the QTD total return to -7.13%. With such strong performance in October, expectations were high, but earnings disappointed and the market re-rated the stock. Though revenue growth was a little weak and earnings were flat, we believe overall results were positive. Additionally, self-storage room rental is gaining ground and impressed in Q3. The company owns and operates the largest fleet of rental trucks for the DIY mover and has an unmatched network of locations that provides a competitive advantage. It also owns and operates a self-storage business that has a large development pipeline which looks undervalued by the market. We think Amerco is a quality business with an attractive long-term outlook due to the compounding of book value from its large-scale advantages.

Investment Results (%)

As of 30 November 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	2.10	2.72	20.12	7.55	5.54	5.12	9.68	9.84
Advisor Class: APDQX	2.15	2.77	20.29	7.73	5.68	5.25	9.75	9.88
Russell Midcap® Value Index	2.67	3.22	23.31	10.37	7.65	7.13	12.65	9.80
Russell Midcap® Index	3.57	4.66	27.61	14.96	11.63	8.88	13.56	9.79

As of 30 September 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	4.54	-0.60	16.94	-2.49	6.80	4.94	9.64	9.78
Advisor Class: APDQX	4.55	-0.55	17.05	-2.32	6.95	5.06	9.70	9.81
Russell Midcap® Value Index	4.06	1.22	19.47	1.60	7.82	7.55	12.29	9.70
Russell Midcap® Index	1.97	0.48	21.93	3.19	10.69	9.10	13.07	9.61

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)	\$18.34	\$18.28
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2019	1.20%	1.06%
Prospectus 30 Sep 2018 ¹	1.20%	1.05%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Celanese Corp (Materials)	4.2
Air Lease Corp (Industrials)	3.7
AutoNation Inc (Consumer Discretionary)	3.6
Globe Life Inc (Financials)	3.4
Thor Industries Inc (Consumer Discretionary)	3.2
Arch Capital Group Ltd (Financials)	3.2
Analog Devices Inc (Information Technology)	3.2
GCI Liberty Inc (Communication Services)	3.1
The Kroger Co (Consumer Staples)	3.0
Gentex Corp (Consumer Discretionary)	3.0
TOTAL	33.5%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	12.6	3.8
Consumer Discretionary	15.6	9.1
Consumer Staples	3.0	4.5
Energy	1.7	5.1
Financials	30.2	19.3
Health Care	4.3	6.9
Industrials	12.6	11.9
Information Technology	7.2	7.4
Materials	8.3	6.6
Real Estate	4.5	14.3
Utilities	0.0	11.0
TOTAL	100.0%	100.0%

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

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	25.8	30.7
14.5–21.0	20.0	18.1
10.5–14.5	9.1	14.1
6.5–10.5	19.1	19.3
0–6.5	26.0	17.8
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. 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 Nov 2019: AMERCO 2.6%; Expedia Group Inc 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.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities.

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