



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 30 September 2019

Commentary

In Q3, the market broadly favored liquidity, with large-cap indices outperforming mid- and small-caps. Growth was favored in the large-cap indices but posted negative total returns in the smaller capitalization categories. In September, the Russell Midcap® Value Index rebounded from a weak August to post 1.22% total returns for Q3. Defensive and interest-rate proxy sectors—real estate, utilities and consumer staples—outperformed as investors sought protection amid weakening economic data and near-record low interest rates. Our below-benchmark exposure to these sectors detracted from relative results—though our holdings (in real estate and staples) were additive on an absolute basis, outperforming benchmark peers.

Construction services firm Fluor was the portfolio's top Q3 detractor. Since the CEO's abrupt departure in May, Fluor's share price has been under pressure as the company's long turnaround effort has tested investors' patience. When we take into account the cash outflows that will be necessary to deal with a multitude of problem projects, the balance sheet looks to be more levered than the headline numbers suggest. Additional uncertainty around further write-downs and several large fixed-cost projects in the backlog are also likely to weigh on the balance sheet. With growing leverage and increasing risks of further write-downs, our view on the business has materially changed. After starting to pare our holdings last year, we have fully exited this position as of September 30th.

Another top detractor, auto parts OEM Delphi Technologies, has suffered from cyclical headwinds in European and Chinese car markets, as well as from weakness in the commercial (i.e., trucking) segment. In addition to the auto industry's macroeconomic challenges, more stringent regulatory standards in Europe are adding pressure. The market continues to have what we consider a misunderstanding of Delphi's long-term prospects. We believe Delphi is executing well against a challenging backdrop, and it remains poised to benefit from the trend toward more fuel-efficient and lower emission cars.

AutoNation, an automobile retailer, was the top contributor in Q3. Distinct from the cyclical pressures globally for autos, the US car market is in a relatively better position. AutoNation's advantage is in its variable cost model, and the predictable, high-margin parts and service business is growing. In addition, shareholders appreciated recent C-suite changes, and the company's renewed emphasis on cost controls has supported the margin-focused efforts—a welcome surprise for investors.

Investment Results (%)

As of 30 September 2019	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)	\$19.81	\$19.77
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)	4.1
AutoNation Inc (Consumer Discretionary)	3.5
Air Lease Corp (Industrials)	3.3
Arch Capital Group Ltd (Financials)	3.2
Analog Devices Inc (Information Technology)	3.2
Globe Life Inc (Financials)	3.1
Gentex Corp (Consumer Discretionary)	2.9
Thor Industries Inc (Consumer Discretionary)	2.9
AMERCO (Industrials)	2.8
The Kroger Co (Consumer Staples)	2.8
TOTAL	31.7%

Source: Artisan Partners/FactSet (GICS).

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	12.5	3.6
Consumer Discretionary	15.8	8.9
Consumer Staples	2.9	4.6
Energy	1.8	5.5
Financials	29.9	18.9
Health Care	4.2	6.7
Industrials	12.6	11.4
Information Technology	7.4	7.2
Materials	8.5	6.5
Real Estate	4.5	14.7
Utilities	0.0	11.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/FactSet (GICS)/Russell. Cash and cash equivalents represented 4.5% of the total portfolio. ¹Russell Midcap® Value Index.

Average Annual Total Returns

Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMCV ¹
21.0+	19.3	27.5
14.5–21.0	26.7	19.4
10.5–14.5	6.0	14.7
6.5–10.5	17.8	19.2
0–6.5	30.2	19.2
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 Sep 2019: Delphi Technologies PLC 1.2%. 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.

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.

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