



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX As of 30 April 2020

Commentary

Economic lockdowns remained in place across much of the world in April. As consumers struggled to adjust and businesses sought government assistance, some 30 million Americans still filed for unemployment insurance. Despite the implications of rising unemployment, US equity markets had the best single month since 1987. The Russell Midcap® Value Index returned 13.35% QTD, led by a massive rebound in the energy sector, as well as strong returns from the consumer discretionary sector. Our portfolio is outperforming QTD, with consumer discretionary names like Thor and AutoNation leading the way.

Thor is a recreational vehicle manufacturer with a resilient business model built to handle cyclicity. Prior to the pandemic, skeptical investors had stared down an inventory bubble, uncertainty surrounding a large European acquisition and increasing leverage. These are all factors we view as temporary. In a normalized environment, this is an industry-leading business with strong return on capital, consistent free cash flow and sensible capital allocation. Steady debt paydown, an increased dividend and insider share purchases have given credibility to management's long-term strategic goals. Though not our base case, Thor would likely benefit should post-pandemic consumer preferences reflect rising interest in outdoor recreation that puts the traveler in control.

Travel restrictions, falling consumer spending and the effects working from home is having on commutes added to cyclical pressures from which autos were suffering well before the pandemic. The car dealer business isn't growing rapidly, but on a normalized basis generates a lot of cash and creates worthwhile returns on capital. We think an underappreciated aspect of auto retailing is its variable cost model which allows the business to stay highly profitable through the cycle. Top-three contributor AutoNation, exemplar of this variable cost model, has proved resilient. The predictable, high-margin parts and service business can be valuable as well, due to rising complexity in car manufacturing.

Global insurer Arch Capital was our largest detractor. This is a company we are very familiar with, having held it since 2002. Arch has an admirable business position and management team with a great track record of building shareholder wealth. However strong our admiration, Arch is facing a bounty of issues in this pandemic environment, notably due to its position as a leading mortgage insurance provider in the US. Rising unemployment is weighing on the mortgage market, from underwriters and servicers to the insurers. Direct government support for the likes of Arch may not be forthcoming. Management is prudent, but uncertainty is very high for this business, which corresponds with a low price. We count this situation as among those that exemplify the challenge of investing amid a rising range of outcomes.

Our process is built to capitalize on market dislocations, when fear and uncertainty dominate. But we are also vigilantly risk-aware. This is where a thoughtful and repeatable process makes all the difference. We are guided by our margin of safety criteria. Those safety elements aren't foolproof in times like these or under these conditions, but they are intellectually honest, based on sound principals and time-tested.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$13.98	\$13.94
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2019	1.20%	1.06%
Prospectus 30 Sep 2019 ¹	1.21%	1.07%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Thor Industries Inc (Consumer Discretionary)	4.6
Analog Devices Inc (Information Technology)	4.0
Globe Life Inc (Financials)	3.5
AutoNation Inc (Consumer Discretionary)	3.3
Genex Corp (Consumer Discretionary)	3.3
IAC/interactivecorp (Communication Services)	3.2
Air Lease Corp (Industrials)	3.0
DENTSPLY SIRONA Inc (Health Care)	2.8
Expedia Group Inc (Consumer Discretionary)	2.7
The Progressive Corp (Financials)	2.7
TOTAL	33.0%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	11.7	3.8
Consumer Discretionary	22.6	8.2
Consumer Staples	4.1	5.4
Energy	0.6	4.1
Financials	27.0	16.5
Health Care	4.9	8.4
Industrials	10.5	11.9
Information Technology	7.8	7.9
Materials	6.3	7.4
Real Estate	4.4	13.7
Utilities	0.0	12.6
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.8% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 30 April 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	13.75	13.75	-25.87	-22.83	-4.49	-0.90	5.62	8.07
Advisor Class: APDQX	13.80	13.80	-25.85	-22.73	-4.37	-0.77	5.69	8.11
Russell Midcap® Value Index	13.35	13.35	-22.59	-16.74	-2.02	1.99	8.09	8.29
Russell Midcap® Index	14.36	14.36	-16.60	-10.00	3.46	4.81	9.83	8.66

As of 31 March 2020

Investor Class: ARTQX	-25.20	-34.84	-34.84	-28.12	-8.72	-3.30	4.57	7.38
Advisor Class: APDQX	-25.17	-34.84	-34.84	-28.00	-8.60	-3.18	4.63	7.41
Russell Midcap® Value Index	-22.70	-31.71	-31.71	-24.13	-5.97	-0.76	7.22	7.61
Russell Midcap® Index	-19.49	-27.07	-27.07	-18.31	-0.81	1.85	8.77	7.93

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
24.2+	16.5	12.3
16.7–24.2	7.6	19.1
11.2–16.7	12.3	21.2
6.9–11.2	19.7	18.7
0–6.9	43.9	28.7
TOTAL	100.0%	100.0%

Source: Artisan Partners/Russell. ¹Russell Midcap® Value Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
James C. Kieffer, CFA	31
Thomas A. Reynolds IV	21
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.

Current and future portfolio holdings are subject to risk. 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 Apr 2020: Arch Capital Group Ltd 2.4%. 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.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Margin of Safety, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss — all investments contain risk and may lose value. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations.

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