



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 December 2020

Commentary

The Russell Midcap® Value Index returned 20.43% in Q4, led by contributions from financials, industrials and consumer discretionary. Our portfolio outperformed, primarily supported by a lack of exposure to the poor performing utilities sector. In addition, strong stock selection in the industrials and communication services sectors was a notable driver of relative outperformance. Our financials holdings and the portfolio's lack of exposure to energy dampened relative returns.

As the portfolio's top contributor in Q4, online travel agent Expedia has weathered the pandemic using a flexible cost structure which has allowed it to scale back performance advertising as demand has declined. Despite the currently depressed state of global travel, the business's moat remains wide as Expedia is one of two globally scaled online travel agencies. This scale advantage remains key to our investment case as leisure travel returns to normal in the years to come.

Another top contributor, Internet company IAC/InteractiveCorp is a collection of eclectic businesses, some of which have struggled but most of which have prospered amid the pandemic. In total, IAC's operations are asset-light and built for an online world, which makes the current environment a net positive. After a successful spinoff of its Match online dating business this summer, management announced in Q4 a planned spinoff of its online-video tools platform Vimeo. This new spinoff further unlocks the sum-of-parts discount of IAC shares. IAC still has an undemanding valuation despite the re-rating higher and a pile of cash which management has a history of deploying wisely.

Kroger, one of the largest US food retailers, was the top detractor from relative performance. The business has benefited from some of the pandemic-related consumer behaviors as we all relied more on local groceries and less on restaurants. Throughout 2020, Kroger was able to generate cash and deliberately chose to not raise prices in ways that might damage longer term customer loyalty. Management continued investing in digital, new products, higher wages and more sustainable pensions. However, the market is concerned about how much of this positive momentum carries into a more normalized, post-pandemic demand environment. Kroger is working to shore up revenue by increasing its digital advertising footprint as more customers shift to online grocery shopping. We believe Kroger remains in a strong competitive position with an undemanding valuation.

Recreational vehicle manufacturer Thor has taken a breather and landed among the portfolio's top detractors in Q4. The market was quick to put a premium on RV travel as airlines were grounded and people relied more on driving. With the commencement of winter and the beginning of the vaccine rollout, some of this premium is diminishing. Critically, management has noted results will likely be strong for a couple years as the jump in demand emptied out industry inventory. Thor continues to adhere to its forward-looking approach with its recently announced acquisition of Tiffin Motorhomes. Our core views are unchanged: Thor operates a resilient business model built to handle cyclicity. This is an industry-leading business with strong return on capital, consistent free cash flow and sensible capital allocation.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$19.51	\$19.44
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2020	1.21%	1.06%
Prospectus 30 Sep 2019 ¹	1.21%	1.07%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Analog Devices Inc (Information Technology)	3.8
Expedia Group Inc (Consumer Discretionary)	3.5
Gentex Corp (Consumer Discretionary)	3.2
AMERCO (Industrials)	3.2
IAC/InterActiveCorp (Communication Services)	3.1
Air Lease Corp (Industrials)	3.0
Thor Industries Inc (Consumer Discretionary)	2.9
Globe Life Inc (Financials)	2.8
Lamar Advertising Co (Real Estate)	2.6
Fifth Third Bancorp (Financials)	2.6
TOTAL	30.9%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	11.5	4.1
Consumer Discretionary	20.8	12.3
Consumer Staples	5.3	3.9
Energy	0.0	3.8
Financials	22.3	15.3
Health Care	6.2	7.9
Industrials	13.7	17.1
Information Technology	7.4	10.2
Materials	4.2	7.3
Real Estate	8.5	10.1
Utilities	0.0	7.9
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.2% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 31 December 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	6.09	22.30	5.44	5.44	4.03	9.15	8.60	9.73
Advisor Class: APDQX	6.11	22.28	5.57	5.57	4.18	9.29	8.68	9.77
Russell Midcap® Value Index	4.63	20.43	4.96	4.96	5.37	9.73	10.49	9.67
Russell Midcap® Index	4.68	19.91	17.10	17.10	11.61	13.40	12.41	10.23

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
27.5+	21.5	21.3
18.7–27.5	17.7	20.3
12.9–18.7	16.0	20.0
7.5–12.9	23.9	20.0
0–7.5	20.9	18.5
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	32
Thomas A. Reynolds IV	22
Daniel L. Kane, CFA	22
Craig Inman, CFA	21

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. 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 Dec 2020: The Kroger Co 1.6%. 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.

Return on Capital (ROC) is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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