



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 January 2020

Commentary

The Russell Midcap® Value Index returned -1.95% QTD, dragged down by the energy, materials and financials sectors. Utilities and real estate are the top contributors to the index's performance and are two of the three sectors with positive total returns. Health care also eked out positive gains.

Our portfolio trails the benchmark due primarily to a zero-weighting in utilities, an interest rate-sensitive sector that generally benefits in periods of flight-to-safety trading where interest rates fall—which was the case in January. Industrials and technology names also dragged on relative returns. Our consumer discretionary and financials holdings helped offset some of the relative losses.

Our top contributor is recreational vehicle manufacturer Thor Industries, which continues to improve after a strong performance into year end 2019. While the stock rose as industry shipment volumes normalized and the company's gross margin improved in Q3, the market is also starting to appreciate the potential inherent in the Erwin Hymer acquisition, completed in February 2019. Steady debt paydown, an increased dividend and insider share purchases have given credibility to the long-term strategic goals laid out by management.

Strong performances from the defensive, interest rate-sensitive sectors and weak performances from the cyclicals were consistent with the risk-off, flight-to-quality fear trade that dominated markets in January. The cause? Coronavirus—a rapidly spreading, easily contracted, flu-like virus—killed hundreds and infected tens of thousands in Southeast China, disrupting the Lunar New Year celebrations. The potential hit to China's economic activity is stark. For example, crude oil prices fell 15% in January—the biggest decline for that month in the past 30 years—based on estimates that China's demand for oil would be down 20%, the equivalent of 3% of global demand.

Our top two detractors QTD are companies with operational exposure to commodities markets and China's industrial activity. Chemicals and advanced materials producer Celanese was our biggest detractor. The global materials sector faced persistent headwinds in 2019 on the back of US-China trade tensions and weak global automobile and industrial production. For most of the year, investors were comforted by continued operational improvements at Celanese that overcame cyclical challenges. However, with generally weak industrial activity looking to continue in 2020, the new risk of coronavirus and concern that there isn't much more room for Celanese to improve operationally, investors fled en masse in January. Despite cyclical challenges in the global auto sector and the recent developments in China, Celanese's strong free cash flow and a solid balance sheet have it positioned, we believe, to win through the cycle.

Kirby Corporation operates a fleet of inland tank barges and was down 18.4% in January. The company transports industrial chemicals, refined petroleum products, black oil products and agricultural chemicals. Oil price shocks can weigh on Kirby, but we believe these will be short-lived. In addition to the recent loss of a major competitor in the industry, Kirby's management team is solid—it has historically done a good job allocating capital, and it has been focused on the issues we believe matter: cash generation and ROIC.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$18.11	\$18.06
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)	4.0
Celanese Corp (Materials)	3.4
Globe Life Inc (Financials)	3.4
Air Lease Corp (Industrials)	3.4
Arch Capital Group Ltd (Financials)	3.4
Analog Devices Inc (Information Technology)	3.1
Gentex Corp (Consumer Discretionary)	3.1
AutoNation Inc (Consumer Discretionary)	2.9
The Kroger Co (Consumer Staples)	2.9
M&T Bank Corp (Financials)	2.9
TOTAL	32.4%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	11.6	3.9
Consumer Discretionary	16.5	8.9
Consumer Staples	3.0	4.6
Energy	1.6	5.0
Financials	30.7	18.4
Health Care	4.3	7.1
Industrials	11.9	11.7
Information Technology	6.8	7.5
Materials	7.4	6.4
Real Estate	6.1	14.4
Utilities	0.0	12.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.7% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 31 January 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	-3.98	-3.98	-3.98	6.43	4.07	5.43	9.48	9.68
Advisor Class: APDQX	-3.94	-3.94	-3.94	6.60	4.23	5.57	9.55	9.72
Russell Midcap® Value Index	-1.95	-1.95	-1.95	12.96	6.80	7.50	12.50	9.77
Russell Midcap® Index	-0.80	-0.80	-0.80	16.89	10.87	9.50	13.49	9.78

As of 31 December 2019

Investor Class: ARTQX	2.84	5.63	23.53	23.53	6.25	5.77	9.48	9.96
Advisor Class: APDQX	2.84	5.69	23.71	23.71	6.40	5.90	9.55	10.00
Russell Midcap® Value Index	3.04	6.36	27.06	27.06	8.10	7.62	12.41	9.93
Russell Midcap® Index	2.29	7.06	30.54	30.54	12.06	9.33	13.19	9.87

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+	13.0	21.6
16.7–24.2	22.3	18.7
11.2–16.7	17.5	21.0
6.9–11.2	15.8	19.2
0–6.9	31.4	19.4
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.

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 31 Jan 2020: Kirby Corp 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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business.

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