



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 July 2020

## Commentary

The Russell Midcap® Value Index has returned 4.72% QTD, led primarily by contributions from the industrials, consumer discretionary and utilities sectors. Our portfolio has lagged the benchmark, with industrials, information technology and health care sectors among the top detractors. Consumer discretionary exposures have been a top relative contributor, as is our zero weighting in the energy sector, which has been the index's worst performing sector.

Top QTD contributors include AutoNation, IAC/Interactive Corp and Thor.

Car dealer AutoNation's variable cost model has shown resilience. The predictable, high-margin parts and service business remains highly profitable, covering all dealership overhead, even while new and used car sales volumes are challenged. C-suite clarity and the company's renewed emphasis on cost controls have been supportive of margin focused efforts as well.

Top QTD detractors include Kirby Corporation, Air Lease and Analog Devices.

Kirby, a company specializing in marine transportation, faces ongoing challenges related to its oil and gas distribution business. However, its inland barge business appears to have stabilized. We believe Kirby's management team is solid—it has historically done a good job allocating capital (e.g., purchasing struggling competitors at the bottom of the cycle). Further, incentives at Kirby have been focused on the issues we believe matter: cash generation and ROC.

Airplane leasing firm Air Lease has recovered somewhat from the initial hit the pandemic laid on its stock price. However, the outlook for air travel has not improved materially. Air Lease has strong liquidity and market positioning and is led by a battle-tested management team. It is carefully and wisely financed and still has an undemanding valuation based on normalized earnings power.

We devote all our time to researching companies from every available angle, building a bench of cash-producing businesses in strong financial condition. When valuations reach undemanding levels and we are comfortable with the margin of safety, we will be opportunistic and put capital to work. By being disciplined and opportunistic, we believe we tilt the odds of delivering superior results for our investors in our favor.

## Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$15.96	\$15.92
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2020 <sup>1</sup>	1.22%	1.07%
Prospectus 30 Sep 2019 <sup>2</sup>	1.21%	1.07%

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Thor Industries Inc (Consumer Discretionary)	5.0
AutoNation Inc (Consumer Discretionary)	3.7
Analog Devices Inc (Information Technology)	3.7
Genex Corp (Consumer Discretionary)	3.2
Globe Life Inc (Financials)	2.9
AMERCO (Industrials)	2.8
The Progressive Corp (Financials)	2.7
Expedia Group Inc (Consumer Discretionary)	2.7
Arch Capital Group Ltd (Financials)	2.7
BorgWarner Inc (Consumer Discretionary)	2.6
<b>TOTAL</b>	<b>32.0%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

	Fund	RMCV <sup>1</sup>
Communication Services	13.5	3.8
Consumer Discretionary	23.4	11.2
Consumer Staples	5.9	4.5
Energy	0.0	4.1
Financials	21.4	15.3
Health Care	6.5	7.9
Industrials	11.4	16.5
Information Technology	7.3	9.8
Materials	4.8	6.6
Real Estate	5.9	10.8
Utilities	0.0	9.3
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Investment Results (%)

As of 31 July 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	3.77	3.77	-15.38	-12.21	-1.19	2.65	7.63	8.70
Advisor Class: APDQX	3.78	3.78	-15.32	-12.06	-1.05	2.78	7.71	8.74
Russell Midcap® Value Index	4.72	4.72	-14.22	-8.41	0.56	4.31	10.01	8.75
Russell Midcap® Index	5.87	5.87	-3.79	2.04	7.30	7.83	12.21	9.34

As of 30 June 2020

Investor Class: ARTQX	2.26	25.14	-18.45	-14.38	-2.04	1.49	7.88	8.54
Advisor Class: APDQX	2.27	25.22	-18.40	-14.24	-1.91	1.63	7.96	8.57
Russell Midcap® Value Index	1.13	19.95	-18.09	-11.81	-0.54	3.32	10.29	8.53
Russell Midcap® Index	1.80	24.61	-9.13	-2.24	5.79	6.76	12.35	9.06

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 <sup>1</sup>
24.2+	22.5	17.8
16.7–24.2	7.2	20.3
11.2–16.7	22.0	21.2
6.9–11.2	15.2	18.5
0–6.9	33.1	22.3
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Team Leadership (Pictured left to right)



### Portfolio Managers

James C. Kieffer, CFA
Thomas A. Reynolds IV
Daniel L. Kane, CFA
Craig Inman, CFA

### Years of Investment Experience

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21
22
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 Jul 2020: Air Lease Corp 2.2%; IAC/InterActiveCorp 2.5%; Kirby Corp 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.

**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. **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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