



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX | Advisor Class: APDMX | As of 31 March 2020

## Commentary

The COVID-19 global pandemic and the threat of an oil price war decimated equity market returns in Q1. We expect the virus to temporarily disrupt global supply chains and demand, pressuring corporate profits for at least the first half of 2020. While recent efforts by central banks and governments around the globe have seemingly helped markets find a near-term bottom, we suspect markets will remain volatile until COVID-19 cases trend more favorably and investors can better grasp the magnitude of the impact on consumers and corporations.

While our portfolio was down in Q1, we were encouraged by its relative durability, meaningfully outperforming the Russell Midcap® Growth and Russell Midcap® Indices. Among our top contributors were Zoom Video Communications and Atlassian. Our Zoom investment thesis has been bolstered by COVID-19 travel restrictions. Workers have been forced to conduct more business remotely, turning to Zoom's video-conferencing capabilities to stay connected with clients and colleagues. This has increased product awareness and the likelihood video conferencing will become a more common substitute for corporate travel. While we are monitoring valuation, we believe the profit cycle remains compelling.

Atlassian, a leading provider of innovative, customizable team-collaboration software tools for enterprises, is delivering strong subscription growth. We remain confident in the fundamental outlook as companies of all sizes adopt its tools and as the company expands its product offerings into increasingly enterprise-wide solutions.

Among our bottom Q1 contributors were Aptiv and Exact Sciences. Aptiv is a leading provider of safety, infotainment and electronic control components to the automotive market. While the company has a strong balance sheet and the longer term secular trend towards electric vehicles is still ahead, we trimmed our position given recent supply chain disruptions and demand destruction from COVID-19.

Exact Sciences has recently experienced weakened demand for its Cologuard colon cancer screenings as COVID-19 has curtailed primary care visits. While we expect a significant slowdown in Cologuard sales in the near term, we expect demand for colon cancer screenings will likely rebound naturally as people are able to resume visits to their primary care providers.

We will discuss these and other holdings in more depth in our forthcoming quarterly commentary.

Our process is focused on identifying franchises exposed to accelerating profit cycles with reasonable valuations. It is our belief that owning companies with these characteristics should lead to outperformance over full market cycles. We will continue to adhere to this approach, regardless of the macro backdrop and how it evolves in the period ahead.

## Portfolio Details

|                                     | ARTMX       | APDMX      |
|-------------------------------------|-------------|------------|
| Net Asset Value (NAV)               | \$31.08     | \$31.44    |
| Inception                           | 27 Jun 1997 | 1 Apr 2015 |
| Expense Ratios                      |             |            |
| Annual Report 30 Sep 2019           | 1.19%       | 1.04%      |
| Prospectus 30 Sep 2019 <sup>1</sup> | 1.19%       | 1.05%      |

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

|  |              |
|--|--------------|
| Global Payments Inc (Information Technology)           | 5.0          |
| Atlassian Corp PLC (Information Technology)            | 4.3          |
| Veeva Systems Inc (Health Care)                        | 4.2          |
| Zoom Video Communications Inc (Information Technology) | 3.5          |
| DexCom Inc (Health Care)                               | 3.4          |
| L3Harris Technologies Inc (Industrials)                | 3.2          |
| Zynga Inc (Communication Services)                     | 2.8          |
| Advanced Micro Devices Inc (Information Technology)    | 2.7          |
| Lonza Group AG (Health Care)                           | 2.6          |
| IHS Markit Ltd (Industrials)                           | 2.6          |
| <b>TOTAL</b>   | <b>34.4%</b> |

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

|                        | Fund          | RMCG <sup>1</sup> |
|------------------------|---------------|-------------------|
| Communication Services | 7.0           | 4.2               |
| Consumer Discretionary | 5.0           | 12.9              |
| Consumer Staples       | 0.3           | 3.6               |
| Energy                 | 0.0           | 0.7               |
| Financials             | 2.3           | 4.3               |
| Health Care            | 29.5          | 16.8              |
| Industrials            | 15.7          | 16.1              |
| Information Technology | 37.6          | 35.4              |
| Materials              | 0.0           | 2.8               |
| Real Estate            | 0.0           | 3.1               |
| Utilities              | 2.6           | 0.0               |
| <b>TOTAL</b>           | <b>100.0%</b> | <b>100.0%</b>     |

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

## Investment Results (%)

| As of 31 March 2020          | Average Annual Total Returns |        |        |        |       |      |       |           |
|------------------------------|------------------------------|--------|--------|--------|-------|------|-------|-----------|
|                              | MTD                          | QTD    | YTD    | 1 Yr   | 3 Yr  | 5 Yr | 10 Yr | Inception |
| Investor Class: ARTMX        | -10.43                       | -11.55 | -11.55 | 0.43   | 9.39  | 6.62 | 11.63 | 12.58     |
| Advisor Class: APDMX         | -10.43                       | -11.51 | -11.51 | 0.66   | 9.57  | 6.79 | 11.72 | 12.62     |
| Russell Midcap® Growth Index | -14.91                       | -20.04 | -20.04 | -9.45  | 6.53  | 5.61 | 10.89 | 7.93      |
| Russell Midcap® Index        | -19.49                       | -27.07 | -27.07 | -18.31 | -0.81 | 1.85 | 8.77  | 8.26      |

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (27 June 1997); 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          | RMG <sup>1</sup> |
|----------------|---------------|------------------|
| 26.7+          | 27.5          | 11.6             |
| 20.6–26.7      | 21.3          | 17.6             |
| 14.3–20.6      | 11.1          | 25.0             |
| 8.8–14.3       | 12.5          | 20.9             |
| 0–8.8          | 27.5          | 24.9             |
| <b>TOTAL</b>   | <b>100.0%</b> | <b>100.0%</b>    |

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

## Team Leadership (Pictured left to right)



| Portfolio Managers          | Years of Investment Experience |
|-----------------------------|--------------------------------|
| Matthew H. Kamm, CFA (Lead) | 20                             |
| James D. Hamel, CFA         | 23                             |
| Craigh A. Cepukenas, CFA    | 31                             |
| Jason L. White, 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.

International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. 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. Growth securities may underperform other asset types during a given period.

Russell Midcap<sup>®</sup> Growth Index measures the performance of US mid-cap companies with higher price/book ratios and forecasted growth values. Russell Midcap<sup>®</sup> 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 Mar 2020: Aptiv PLC 0.9%; Exact Sciences Corp 1.4%. 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.

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.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. Crop<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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