



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 May 2020

## Commentary

Our portfolio is outperforming QTD, led by strong performances from consumer discretionary and communication services names. Our benchmark, the Russell Midcap® Value Index, has returned 18.61% QTD, led primarily by contributions from the financials and consumer discretionary sectors. In addition to strong stock selection, above-benchmark exposure in the consumer discretionary space has been a notable driver of relative outperformance. Above-benchmark exposure to financials has been a drag on relative returns.

With a resilient business model built to handle cyclical, recreational vehicle manufacturer Thor is the top contributor QTD. But it's exactly *how resilient* its model is that is rewarding patient investors. Prior to the COVID-19 pandemic, the stock had fallen out of favor as an inventory bubble, uncertainty surrounding a large European acquisition and increasing leverage were fueling skepticism. We viewed these factors 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 gave credibility to their long-term strategic goals. Though not part of our base case, Thor is benefiting as the market anticipates a shift in post-pandemic consumer preferences toward outdoor recreation options that put the traveler in the driver's seat.

Diversified media and Internet company IAC/InteractiveCorp continued its strong recovery QTD after seeing its stock price more than cut in half this year. IAC is a collection of eclectic businesses, some of which have struggled and some 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 uniquely positive. Angie's List, which is a home services business, was initially hit hard by shelter-in-place orders but has swiftly rebounded and is growing again. Vimeo, a software-as-a-service business for creating professional quality videos, has accelerated its growth this year. However, the big story for IAC is in late June it plans to spin off online dating business Match Group to shareholders. This type of spinoff is core to IAC's corporate DNA. Management builds success inside the company, releases the assets to the market, then goes back to work looking for the next opportunities to create value for shareholders. After the Match Group spinoff, IAC will be a leaner and nimbler collection of smaller, quickly growing businesses and a pile of cash, which we believe IAC will deploy wisely.

One of only two names in the portfolio with negative returns QTD, Spirit AeroSystems is flying into industry headwinds. As a tier-one, independent supplier of aerostructures—e.g., fuselage, propulsion and wing systems—to the two largest airplane manufacturers on the planet, it's obviously exposed to a struggling industry. However, its strong balance sheet and industry positioning mean it should weather the storm and recover as either (or both) major customers improve in line with returning demand.

## Investment Results (%)

As of 31 May 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	7.58	22.38	-20.25	-9.95	-2.33	0.61	7.05	8.45
Advisor Class: APDQX	7.60	22.45	-20.21	-9.79	-2.20	0.73	7.12	8.49
Russell Midcap® Value Index	4.64	18.61	-19.00	-6.91	-0.43	2.56	9.47	8.50
Russell Midcap® Index	7.03	22.40	-10.73	2.63	5.51	5.94	11.43	9.00

  

As of 31 March 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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.

## Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$15.04	\$15.00
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
Analog Devices Inc (Information Technology)	3.8
IAC/Interactivecorp (Communication Services)	3.5
Gentex Corp (Consumer Discretionary)	3.3
Air Lease Corp (Industrials)	3.2
AutoNation Inc (Consumer Discretionary)	3.0
Globe Life Inc (Financials)	3.0
AMERCO (Industrials)	2.8
DENTSPLY SIRONA Inc (Health Care)	2.8
Expedia Group Inc (Consumer Discretionary)	2.8
<b>TOTAL</b>	<b>33.1%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

	Fund	RMCV <sup>1</sup>
Communication Services	12.6	4.1
Consumer Discretionary	23.1	8.5
Consumer Staples	3.9	5.4
Energy	0.4	4.0
Financials	23.7	16.3
Health Care	5.1	8.7
Industrials	12.0	12.2
Information Technology	7.7	8.0
Materials	6.2	7.4
Real Estate	5.3	13.0
Utilities	0.0	12.4
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Market Cap Distribution (% of total portfolio equities)

\$ in billions	Fund	RMV <sup>1</sup>
24.2+	17.3	16.0
16.7–24.2	9.0	18.3
11.2–16.7	17.7	19.8
6.9–11.2	16.9	20.0
0–6.9	39.2	25.8
<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	Years of Investment Experience
James C. Kieffer, CFA	31
Thomas A. Reynolds IV	21
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 May 2020: Spirit AeroSystems Holdings Inc 0.8%. 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. **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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