



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX As of 30 September 2020

Commentary

The Russell Midcap® Value Index returned 6.40% in Q3, buoyed in large part by contributions from the industrials, consumer discretionary and materials sectors. Our portfolio trailed the benchmark, most notably hampered by holdings in the industrials, health care and information technology sectors. The real estate sector was a top relative contributor. The portfolio's lack of exposure to the struggling energy sector benefited relative returns, as did our stock picking in the financials sector.

As the portfolio's top contributor in Q3, car dealer AutoNation has been firing on all cylinders with its variable cost model. The predictable, high-margin parts and service business remains highly profitable, covering all dealership overhead. Volumes of new and used car sales have also rebounded from a trough, decreasing investor fears of a worst-case scenario. C-suite clarity and the company's renewed emphasis on cost controls have been supportive of margin-focused efforts as well.

Chemicals and advanced materials producer Celanese is among our top Q3 contributors. In mid-July, Celanese announced it was preparing to sell its stake in Polyplastics—further boosting free cash flow and allowing it to explore potential investment opportunities with the proceeds. The global materials sector faced persistent headwinds in 2019 and into 2020 on the back of US-China trade tensions and weak global automobile and industrial production. Despite continued cyclical challenges in the global auto sector, Celanese remains focused on operational improvements and shoring up its balance sheet, which could leave it well-positioned for improving demand in 2021.

Top detractor Kirby, a company specializing in marine transportation, faces ongoing challenges related to its oil and gas distribution business—though 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 return on capital (ROC).

Recreational vehicle manufacturer Thor has been a strong performer for the portfolio after a significant rebound from its March 2020 lows. After such a big runup, we are not surprised the stock has taken a breather and is among our top detractors in Q3. Our core views are unchanged: Thor operates a resilient business model built to handle cyclicity. This is an industry-leading business with strong ROC, consistent free cash flow and sensible capital allocation.

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)	\$16.26	\$16.23
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2020 ¹	1.22%	1.07%
Prospectus 30 Sep 2019 ²	1.21%	1.07%

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

Top 10 Holdings (% of total portfolio)

AutoNation Inc (Consumer Discretionary)	3.9
Analog Devices Inc (Information Technology)	3.8
Thor Industries Inc (Consumer Discretionary)	3.7
AMERCO (Industrials)	3.1
Expedia Group Inc (Consumer Discretionary)	3.1
Gentex Corp (Consumer Discretionary)	3.0
Globe Life Inc (Financials)	3.0
The Progressive Corp (Financials)	2.9
BorgWarner Inc (Consumer Discretionary)	2.8
Expeditors International of Washington Inc (Industrials)	2.6
TOTAL	31.8%

Source: Artisan Partners/GICS.

Sector Diversification (% of total portfolio equities)

	Fund	RMCV ¹
Communication Services	12.1	4.1
Consumer Discretionary	22.5	12.0
Consumer Staples	5.9	4.4
Energy	0.0	3.4
Financials	22.2	14.8
Health Care	6.7	7.9
Industrials	12.4	17.3
Information Technology	7.2	9.6
Materials	4.6	7.1
Real Estate	6.3	10.4
Utilities	0.0	9.0
TOTAL	100.0%	100.0%

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

Investment Results (%)

As of 30 September 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	-2.52	5.72	-13.79	-8.93	-1.22	4.83	7.36	8.73
Advisor Class: APDQX	-2.46	5.80	-13.67	-8.76	-1.06	4.98	7.44	8.77
Russell Midcap® Value Index	-2.27	6.40	-12.84	-7.30	0.82	6.38	9.71	8.76
Russell Midcap® Index	-1.95	7.46	-2.35	4.55	7.13	10.13	11.76	9.34

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+	23.1	23.4
16.7–24.2	7.3	17.2
11.2–16.7	19.4	20.2
6.9–11.2	23.7	17.8
0–6.9	26.4	21.4
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	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 30 Sep 2020: Celanese Corp 2.4%; Kirby Corp 0.5%. 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. **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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