



Artisan Mid Cap Fund

MONTHLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 31 December 2021

Commentary

The Russell Midcap® Index delivered a solid 6.4% Q4 gain and a 22.6% return for 2021. Q3 corporate earnings came in ahead of expectations (61% YOY growth vs. 47% expected) and have generally proved resilient to ongoing supply chain disruptions. Fed Chair Powell capitulated on his “transitory” inflation classification and expects to end asset purchases by March (vs. mid-2022 previously). Interest rates are expected to rise sooner than previously expected—57% probability for liftoff in March. Late in the quarter, the more transmissible omicron COVID-19 variant sent cases to record highs, though the market doesn’t appear to anticipate it will cause the same economic consequences experienced earlier in the pandemic.

Our portfolio underperformed the Russell Midcap® Growth Index in Q4. Among our bottom contributors were Chegg and Global Payments. Chegg is a digital education platform. A pattern of steady long-term growth in US subscribers surprisingly came to an end in Q3. We believe the headwinds could persist for at least the next few quarters, and we are currently evaluating whether other long-term growth drivers—international subscriber growth, new services—remain intact. Meanwhile, it represents a very small GardenSM position in our portfolio.

Global Payments has delivered solid results so far this year and expects 2022 to deliver another year of solid growth. However, rising payments technology competition is weighing on shares. We are remaining patient for several reasons: the company has shifted toward durable growth areas such as software and omnichannel commerce, it is making substantial cloud investments to future-proof its underlying technology stack, its long-term growth targets remain achievable and shares are trading at a deep discount to our private market value estimate.

Among our top Q4 contributors were Datadog and Ingersoll Rand. Datadog is a leading provider of monitoring and analytics for cloud-based applications. The company’s profit cycle is firmly in motion, delivering 75% top-line growth in Q3 via new customer additions and upselling existing customers. We believe the company’s low-touch, land-and-expand customer acquisition model, combined with a steadily expanding product portfolio, positions it well for strong profit and cash flow growth in the coming years.

Ingersoll Rand is a global market leader with a broad range of mission-critical flow creation technologies (pumps, compressors, etc.) for industrial and medical applications. The company’s recent Q3 results were solid and support our belief it is making the right investments in R&D and acquisitions to elevate its sustainable revenue growth rate. With an increasingly visible organic and acquisition-driven growth capability, characteristics the market appears to be undervaluing, we added to our position.

Portfolio Details

	ARTMX	APDMX
Net Asset Value (NAV)	\$44.52	\$45.36
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2021	1.18%	1.04%
Prospectus 30 Sep 2020 ¹	1.18%	1.05%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

HubSpot Inc (Information Technology)	4.4
Atlassian Corp PLC (Information Technology)	3.5
Veeva Systems Inc (Health Care)	3.0
Ascendis Pharma A/S (Health Care)	2.7
Ingersoll Rand Inc (Industrials)	2.7
Catalent Inc (Health Care)	2.6
SVB Financial Group (Financials)	2.5
Global Payments Inc (Information Technology)	2.5
Datadog Inc (Information Technology)	2.4
MSCI Inc (Financials)	2.3
TOTAL	28.7%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RMCG ¹
Communication Services	8.6	3.7
Consumer Discretionary	10.3	15.7
Consumer Staples	0.0	1.8
Energy	0.0	1.6
Financials	12.7	5.0
Health Care	20.2	17.0
Industrials	11.3	15.1
Information Technology	35.6	35.7
Materials	1.3	1.9
Real Estate	0.0	2.4
Utilities	0.0	0.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.1% of the total portfolio. ¹Russell Midcap® Growth Index.

Investment Results (%)

As of 31 December 2021	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	-0.78	-0.72	10.34	10.34	34.25	22.85	17.26	14.79
Advisor Class: APDMX	-0.77	-0.68	10.49	10.49	34.48	23.03	17.38	14.84
Russell Midcap® Growth Index	0.35	2.85	12.73	12.73	27.46	19.83	16.63	10.21
Russell Midcap® Index	4.08	6.44	22.58	22.58	23.29	15.10	14.91	10.66

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 portfolio securities)

\$ in billions	Fund	RMCG ¹
46.6+	17.3	20.8
35.8–46.6	18.8	18.8
22.8–35.8	23.5	19.7
13.1–22.8	23.7	21.0
0.0–13.1	16.7	19.8
TOTAL	100.0%	100.0%

Source: Artisan Partners/Russell. ¹Russell Midcap[®] Growth Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Matthew H. Kamm, CFA (Lead)	22
James D. Hamel, CFA	25
Craig A. Cepukenas, CFA	33
Jason L. White, CFA	22
Jay C. Warner, 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.

Current and future portfolio holdings are subject to risk. 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[®] Growth Index measures the performance of US mid-cap companies with higher 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 Dec 2021: Chegg Inc 0.3%. The discussion of portfolio holdings does not constitute a recommendation of any individual security. 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: GardenSM, CropSM and HarvestSM. GardenSM 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. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

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