



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 December 2021

Commentary

US equities rallied in December after late-November's selloff on the emergence of COVID variant omicron. While omicron has proven highly transmissible, it hasn't been as virulent as previous strains. The Russell Midcap® Value Index returned 6.28% in December, resulting in gains of 8.54% and 28.34% in Q4 and 2021. All sectors advanced, with defensives—consumer staples, real estate and utilities—leading the way. Energy, financials and communication services stocks trailed. The value index meaningfully edged its growth counterpart in December, adding to its YTD performance advantage.

Our portfolio outperformed the Russell Midcap® Value Index in December, as our investment approach emphasizing cash-flow producing businesses selling at attractive valuations was rewarded. Centene is a recent example of how investing in low expectations situations can work out in our favor. Centene is the largest managed care organization by membership across Managed Medicaid and the health insurance exchange marketplace. Managed Medicaid is an important and growing industry serving low-income and disadvantaged populations, and Centene is well positioned within it. However, shares had done little since 2018 as margins remained unacceptably low. We first purchased shares of Centene in July 2020 after the stock weakened on concerns around short-term state Medicaid funding and potential health policy changes following the US election. More recently, Centene's potential self-improvement story attracted the interest of activist investor Politan Capital, which took a meaningful stake in the company and has been pushing for changes to the company's board and strategic focus. In December, shortly after news of Politan's involvement, the company announced leadership succession plans and other corporate governance changes, including adding managed care industry veterans as new directors to its board. The stock reacted positively to these developments.

BorgWarner, a tier-one auto parts supplier, is another prime example of low expectations. In January 2020, when tier-one auto parts supplier BorgWarner made an all-stock offer to buy its competitor (and our holding) Delphi Technologies, the economy had not yet been roiled by the pandemic. The market lifted Delphi's price on the prospects and knocked BorgWarner's for taking on the challenge. As Delphi shareholders, we were now carrying new risks, namely that the deal would break down. We determined the premium in the deal wasn't paying us to bear that risk, so we took advantage of the opportunity to, in a sense, finalize the merger for ourselves. We sold our Delphi position on the strength and bought BorgWarner on the weakness. Fast forward to today—nearly two years into a pandemic that has contributed to disrupted supply chains constraining auto production volumes and rising input costs. These challenges add to existing risks around the industry transition from ICE (internal combustion engine) vehicles to EVs (electric vehicles). In spite of these concerns, we continue to like the long-term prospects for tier-one auto suppliers, especially well-managed ones with differentiated products and strong balance sheets, like BorgWarner. Current pandemic-related headwinds will eventually normalize, and the company continues to show progress in developing EV-supporting product lines driven by robust R&D and M&A. We remain investors.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$21.56	\$21.48
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2021	1.20%	1.05%
Prospectus 30 Sep 2020 ¹	1.22%	1.06%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

AMERCO (Industrials)	4.1
Analog Devices Inc (Information Technology)	3.9
Expedia Group Inc (Consumer Discretionary)	3.7
Lamar Advertising Co (Real Estate)	3.1
AutoNation Inc (Consumer Discretionary)	2.9
nVent Electric PLC (Industrials)	2.9
Synchrony Financial (Financials)	2.8
Arch Capital Group Ltd (Financials)	2.7
Marriott International Inc (Consumer Discretionary)	2.5
Tyson Foods Inc (Consumer Staples)	2.5
TOTAL	31.0%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RMCV ¹
Communication Services	12.6	3.5
Consumer Discretionary	17.8	10.5
Consumer Staples	6.1	4.3
Energy	2.1	5.0
Financials	16.5	16.4
Health Care	6.8	8.0
Industrials	14.8	15.5
Information Technology	7.6	10.3
Materials	4.1	7.5
Real Estate	9.1	11.7
Utilities	2.5	7.3
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.3% of the total portfolio. ¹Russell Midcap® Value 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: ARTQX	6.63	6.62	26.35	26.35	18.06	9.83	10.48	10.48
Advisor Class: APDQX	6.65	6.66	26.57	26.57	18.24	9.99	10.58	10.52
Russell Midcap® Value Index	6.28	8.54	28.34	28.34	19.62	11.22	13.44	10.50
Russell Midcap® Index	4.08	6.44	22.58	22.58	23.29	15.10	14.91	10.79

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 portfolio securities)

\$ in billions	Fund	RMCV ¹
34.3+	21.9	20.7
25.0–34.3	12.2	20.5
17.3–25.0	10.0	18.6
10.4–17.3	28.8	20.3
0–10.4	27.1	19.9
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
Thomas A. Reynolds IV	23
Daniel L. Kane, CFA	23
Craig Inman, CFA	22

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 Dec 2021: BorgWarner Inc 2.2%; Centene Corp 2.4%. 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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