



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 30 June 2021

## Commentary

Stocks continued their rise in Q2 with the majority of sectors participating in the market's upward trajectory. The Russell Midcap® Value Index returned 5.66% in Q2 notably supported by the financials, real estate and industrials sectors. Our portfolio lagged the benchmark as our holdings within the consumer discretionary and materials sectors, as well as our lack of exposure to energy, emerged as the largest headwinds. Core to our process is our focus on investing in high-return businesses in financial condition that are selling at attractive valuations. Also known as our better, safer, cheaper philosophy, here are three noteworthy holdings that typify this framework.

Analog Devices is the second-largest analog semiconductor chip maker in the world. In 2020, the company announced its planned acquisition of Maxim Integrated Products, a fellow chipmaker, which should boost Analog's scale and add high-value intellectual property as well as human capital over the long term. Steadily increasing demand from automakers and communications clients have supported earnings, trends we expect to continue. Although supply remains tight, management was prescient to add incremental foundry capacity earlier in the year and is deftly managing inventory with their hybrid go-to-market approach. The company has been executing well across all business segments, and we highlight the considerable, shareholder-friendly, free cash flow generation. Analog has been a portfolio holding since late 2007, having been an excellent compounder of value due to its leadership position in its industry, strong balance sheet and cash generating properties.

In addition to selling in the outdoor advertising space, Lamar Advertising owns much of the real estate underneath. While print media has been eviscerated, outdoor has steadily grown. This is in part because the audience has expanded in line with population growth over time, the ability to judge advertising outcomes has increased and digital billboards are more profitable than traditional billboards. Additionally, Lamar has shown a disciplined appetite for rolling up smaller local and regional shops thereby gaining market share relative to competitors. While the stock is not particularly out of favor, the valuation when we purchased it in 2020 was attractive. With a record of generating free cash flow and growing dividends, we consider this company a good fit within our process and portfolio.

Boutique investment bank Moelis & Co is benefiting from the acceleration of disruption in technology. Additionally, the glut of cash in the market has buoyed M&A activity. Management takes a diversified approach to bolstering the company's M&A segment with a solid mix of strategic deals and financial sponsorship. Moelis' capital markets and restructuring segments have also experienced growth and should offer durable sources of revenue over the long term. We also find the company's healthy balance sheet, robust liquidity and no debt appealing.

## Investment Results (%)

| As of 30 June 2021          | Average Annual Total Returns |      |       |       |       |       |       |           |
|-----------------------------|------------------------------|------|-------|-------|-------|-------|-------|-----------|
|                             | MTD                          | QTD  | YTD   | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Inception |
| Investor Class: ARTQX       | -2.23                        | 3.56 | 19.22 | 54.16 | 9.86  | 10.99 | 9.44  | 10.43     |
| Advisor Class: APDQX        | -2.19                        | 3.62 | 19.34 | 54.40 | 10.02 | 11.14 | 9.53  | 10.48     |
| Russell Midcap® Value Index | -1.16                        | 5.66 | 19.45 | 53.06 | 11.86 | 11.79 | 11.75 | 10.39     |
| Russell Midcap® Index       | 1.47                         | 7.50 | 16.25 | 49.80 | 16.45 | 15.62 | 13.24 | 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.

## Portfolio Details

|   | ARTQX       | APDQX      |
|---|-------------|------------|
| Net Asset Value (NAV)                       | \$23.26     | \$23.20    |
| Inception                                   | 28 Mar 2001 | 1 Apr 2015 |
| Expense Ratios                              |             |            |
| Semi-Annual Report 31 Mar 2021 <sup>1</sup> | 1.20%       | 1.05%      |
| Prospectus 30 Sep 2020 <sup>2</sup>         | 1.22%       | 1.06%      |

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

## Top 10 Holdings (% of total portfolio)

|   |              |
|---|--------------|
| Analog Devices Inc (Information Technology) | 3.9          |
| Expedia Group Inc (Consumer Discretionary)  | 3.4          |
| AMERCO (Industrials)                        | 3.4          |
| Synchrony Financial (Financials)            | 3.0          |
| News Corp (Communication Services)          | 2.8          |
| Lamar Advertising Co (Real Estate)          | 2.7          |
| DENTSPLY SIRONA Inc (Health Care)           | 2.6          |
| Moelis & Co (Financials)                    | 2.5          |
| Globe Life Inc (Financials)                 | 2.5          |
| BorgWarner Inc (Consumer Discretionary)     | 2.5          |
| <b>TOTAL</b>                                | <b>29.4%</b> |

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

|                        | Fund          | RMCV <sup>1</sup> |
|------------------------|---------------|-------------------|
| Communication Services | 14.7          | 4.2               |
| Consumer Discretionary | 18.5          | 10.9              |
| Consumer Staples       | 5.6           | 4.2               |
| Energy                 | 0.0           | 5.1               |
| Financials             | 17.3          | 16.1              |
| Health Care            | 6.7           | 8.8               |
| Industrials            | 13.7          | 16.0              |
| Information Technology | 8.0           | 9.7               |
| Materials              | 3.9           | 7.3               |
| Real Estate            | 9.3           | 10.5              |
| Utilities              | 2.3           | 7.0               |
| <b>TOTAL</b>           | <b>100.0%</b> | <b>100.0%</b>     |

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.1% of the total portfolio. <sup>1</sup>Russell Midcap® Value Index.

## Market Cap Distribution (% of portfolio securities)

| \$ in billions | Fund          | RMCV <sup>1</sup> |
|----------------|---------------|-------------------|
| 27.5+          | 25.0          | 31.3              |
| 18.7–27.5      | 12.6          | 20.3              |
| 12.9–18.7      | 21.6          | 16.8              |
| 7.5–12.9       | 22.0          | 19.4              |
| 0–7.5          | 18.8          | 12.1              |
| <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 |
|-----------------------|--------------------------------|
| Thomas A. Reynolds IV | 22                             |
| 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. 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.

**Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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