



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX

Advisor Class: APDMX

As of 31 March 2021

## Commentary

The Russell Midcap® Index was up 8.1% in Q1 in an eventful start to 2021. Investors cautiously navigated a fraught political climate in the US as well as the risk of rising interest rates and inflation given an increasingly optimistic economic growth and COVID-19 vaccination backdrop. Meanwhile, an online cohort of Reddit users drove a short squeeze in a group of stocks, contributing to increased market volatility. Analysts are slightly more optimistic about 2021 earnings growth—43.1% vs. 42.4% at the end of 2020. Mid-cap value outperformed mid-cap growth.

Our portfolio trailed the Russell Midcap® Growth and Russell Midcap® Indices in Q1.

Among our bottom contributors were iRhythm and Peloton. iRhythm received negative reimbursement news for its Zio patch, which is used to monitor suspected heartbeat arrhythmias. Novitas, a Medicare Administrative Contractor (MAC), announced it was cutting its payment rate for Zio by over 80%. While most iRhythm patients have private insurance, these payors tend to directionally follow MAC reimbursement rate changes. The new published rates may be a placeholder pending additional negotiations, but we meaningfully reduced our position given the uncertain profit cycle outlook.

Demand for Peloton's stationary bikes and online classes has been robust as more people have turned to the convenience of at-home fitness. However, this demand, combined with global supply chain bottlenecks, is resulting in shipment delays. We expect this to pressure Peloton's near-term profits but anticipate a rebound later this year as it expands manufacturing capacity and rolls out its new treadmill.

Among our top contributors were Wayfair and Generac. Wayfair has benefited from pandemic-induced increases in demand for both home furnishings and e-commerce. While sales growth will likely decelerate as the pandemic fades, we believe the company has significant long-term growth potential.

Generac is experiencing robust demand for its residential backup generators and solar battery backup systems in the US driven by such factors as a record Atlantic hurricane season, California rolling blackouts and, more recently, the Texas power crisis. We believe the company is in the early stages of a period of elevated growth as climate change leads to increased frequency and severity of natural disasters—hurricanes, floods and wildfires—and the profit cycle ahead remains compelling.

We will discuss these and other holdings in more depth in our forthcoming quarterly commentary.

Our process is focused on identifying franchises exposed to accelerating profit cycles with reasonable valuations. It is our belief that owning companies with these characteristics should lead to outperformance over full market cycles. We will continue to adhere to this approach, regardless of the macro backdrop and how it evolves in the period ahead.

## Portfolio Details

|                                     | ARTMX       | APDMX      |
|-------------------------------------|-------------|------------|
| Net Asset Value (NAV)               | \$46.81     | \$47.51    |
| Inception                           | 27 Jun 1997 | 1 Apr 2015 |
| Expense Ratios                      |             |            |
| Annual Report 30 Sep 2020           | 1.18%       | 1.05%      |
| Prospectus 30 Sep 2020 <sup>1</sup> | 1.18%       | 1.05%      |

<sup>1</sup>See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

|  |              |
|--|--------------|
| Global Payments Inc (Information Technology) | 5.1          |
| Zynga Inc (Communication Services)           | 3.3          |
| Atlassian Corp PLC (Information Technology)  | 3.3          |
| HubSpot Inc (Information Technology)         | 3.2          |
| Veeva Systems Inc (Health Care)              | 3.2          |
| Match Group Inc (Communication Services)     | 2.5          |
| Catalent Inc (Health Care)                   | 2.4          |
| Dexcom Inc (Health Care)                     | 2.3          |
| Chegg Inc (Consumer Discretionary)           | 2.2          |
| Exact Sciences Corp (Health Care)            | 2.2          |
| <b>TOTAL</b>                                 | <b>29.7%</b> |

Source: Artisan Partners/GICS.

## Sector Diversification (% of total portfolio equities)

|                        | Fund          | RMCG <sup>1</sup> |
|------------------------|---------------|-------------------|
| Communication Services | 9.6           | 6.3               |
| Consumer Discretionary | 12.7          | 11.2              |
| Consumer Staples       | 1.4           | 3.6               |
| Energy                 | 0.0           | 0.5               |
| Financials             | 8.1           | 3.4               |
| Health Care            | 23.2          | 21.7              |
| Industrials            | 10.4          | 12.1              |
| Information Technology | 33.2          | 37.4              |
| Materials              | 1.2           | 2.1               |
| Real Estate            | 0.0           | 1.7               |
| Utilities              | 0.0           | 0.1               |
| <b>TOTAL</b>           | <b>100.0%</b> | <b>100.0%</b>     |

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.7% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

## Investment Results (%)

| As of 31 March 2021          | Average Annual Total Returns |       |       |       |       |       |       |           |
|------------------------------|------------------------------|-------|-------|-------|-------|-------|-------|-----------|
|                              | MTD                          | QTD   | YTD   | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Inception |
| Investor Class: ARTMX        | -4.22                        | -2.36 | -2.36 | 75.25 | 25.50 | 21.05 | 14.78 | 14.70     |
| Advisor Class: APDMX         | -4.19                        | -2.32 | -2.32 | 75.49 | 25.70 | 21.23 | 14.89 | 14.74     |
| Russell Midcap® Growth Index | -1.91                        | -0.57 | -0.57 | 68.61 | 19.41 | 18.39 | 14.11 | 9.97      |
| Russell Midcap® Index        | 2.71                         | 8.14  | 8.14  | 73.64 | 14.73 | 14.67 | 12.47 | 10.43     |

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 total portfolio equities)

| \$ in billions | Fund          | RMCG <sup>1</sup> |
|----------------|---------------|-------------------|
| 36.8+          | 21.8          | 20.4              |
| 27.3–36.8      | 15.3          | 19.2              |
| 19.3–27.3      | 29.5          | 20.5              |
| 13.0–19.3      | 15.9          | 20.1              |
| 0.0–13.0       | 17.4          | 19.8              |
| <b>TOTAL</b>   | <b>100.0%</b> | <b>100.0%</b>     |

Source: Artisan Partners/Russell. <sup>1</sup>Russell Midcap® Growth Index.

## Team Leadership (Pictured left to right)



| Portfolio Managers          | Years of Investment Experience |
|-----------------------------|--------------------------------|
| Matthew H. Kamm, CFA (Lead) | 21                             |
| James D. Hamel, CFA         | 24                             |
| Craig A. Cepukenas, CFA     | 32                             |
| Jason L. White, 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. 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 Mar 2021: Generac Holdings Inc 1.9%; iRhythm Technologies Inc 0.4%; Peloton Interactive Inc 1.2%; Wayfair Inc 1.8%. 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.

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: Garden<sup>SM</sup>, Crop<sup>SM</sup> and Harvest<sup>SM</sup>. Garden<sup>SM</sup> 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. Crop<sup>SM</sup> investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest<sup>SM</sup> investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest<sup>SM</sup> investments are generally being reduced or sold from the portfolios.

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