



# Artisan Mid Cap Fund

MONTHLY  
Commentary

Investor Class: ARTMX | Advisor Class: APDMX As of 30 November 2021

## Commentary

Domestic mid-cap equities have given back some of their solid October gains. Recent Q3 corporate earnings for mid-cap companies came in ahead of expectations (61% YOY growth vs. 47% expected) and have generally proved resilient to ongoing supply chain disruptions. Fed Chair Powell recently capitulated on his “transitory” inflation classification and suggested tapering could wrap up sooner than expected. In just a few short months, the market is now indicating a higher probability for an interest rate liftoff in mid-2022 (~40% currently). A COVID-19 resurgence in Europe has prompted various restrictions, and the transmissibility, severity and effectiveness of current vaccines against a new virus strain out of South Africa have reignited uncertainty on when the pandemic will subside.

Our portfolio is underperforming the Russell Midcap® Growth Index so far in Q4. Among our bottom contributors are Global Payments and Zynga. Global Payments has delivered solid results so far this year and expects another year of solid growth in 2022. 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.

A portion of Zynga’s gaming user base has migrated back to pre-COVID activities, and acquisition of new users via targeted advertising has become more difficult amid Apple’s new privacy restrictions. We believe the company can overcome these headwinds. Interest in mobile gaming remains robust, and its arsenal of “Bold Beats”—new content, features and gameplay modes—can attract new audiences. Furthermore, the company can further engage current players and bring back lapsed players, develop and roll out new games, invest in further advertising technology/data capabilities and expand its global reach.

Among our top QTD contributors are HubSpot and Zscaler. HubSpot recently hosted an analyst day where it made several positive announcements, most notably a B2B payments platform launch. We believe the growth runway ahead is compelling given its strong foothold in an addressable market which is sizable, lowly penetrated and growing as small and medium businesses are in the early stages of modernizing their marketing and sales functions. Furthermore, the company’s fully bundled CRM has a long runway of cross-sell and up-sell opportunities.

Zscaler provides cloud-based Internet security solutions. The company is delivering impressive growth as cybersecurity remains a top concern for businesses and governments and managing the security needs of legacy on-premise applications, a growing number of cloud-based applications (Office 365, Salesforce, etc.) and a hybrid workforce make operating IT infrastructures increasingly complex.

Portfolio Details	ARTMX	APDMX
Net Asset Value (NAV)	\$44.87	\$45.71
Inception	27 Jun 1997	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2021	1.18%	1.04%
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)

HubSpot Inc (Information Technology)	5.4
Atlassian Corp PLC (Information Technology)	3.4
Veeva Systems Inc (Health Care)	3.3
Ascendis Pharma A/S (Health Care)	2.6
Catalent Inc (Health Care)	2.6
SVB Financial Group (Financials)	2.6
Ingersoll Rand Inc (Industrials)	2.5
Datadog Inc (Information Technology)	2.5
MSCI Inc (Financials)	2.4
Zscaler Inc (Information Technology)	2.2
<b>TOTAL</b>	<b>29.4%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RMCG <sup>1</sup>
Communication Services	8.0	3.7
Consumer Discretionary	10.4	16.0
Consumer Staples	0.0	1.7
Energy	0.0	1.6
Financials	12.7	4.9
Health Care	20.5	16.7
Industrials	10.9	15.0
Information Technology	36.3	36.2
Materials	1.3	1.8
Real Estate	0.0	2.4
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 2.9% of the total portfolio. <sup>1</sup>Russell Midcap® Growth Index.

## Investment Results (%)

As of 30 November 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTMX	-5.86	0.06	11.21	17.80	30.00	22.49	16.82	14.88
Advisor Class: APDMX	-5.83	0.08	11.34	17.96	30.22	22.67	16.93	14.93
Russell Midcap® Growth Index	-4.23	2.49	12.33	17.72	23.33	19.83	16.41	10.24
Russell Midcap® Index	-3.48	2.26	17.77	23.29	17.49	14.44	14.43	10.52

As of 30 September 2021

Investor Class: ARTMX	-3.97	3.06	11.14	29.84	25.74	21.99	18.01	14.99
Advisor Class: APDMX	-3.96	3.11	11.25	30.02	25.94	22.17	18.12	15.03
Russell Midcap® Growth Index	-4.84	-0.76	9.60	30.45	19.14	19.27	17.54	10.20
Russell Midcap® Index	-4.12	-0.93	15.17	38.11	14.22	14.39	15.52	10.49

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.

Average Annual Total Returns

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCG <sup>1</sup>
36.8+	37.4	35.0
27.3–36.8	11.1	15.7
19.3–27.3	27.9	18.9
13.0–19.3	7.9	12.2
0.0–13.0	15.7	18.2
<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)	22
James D. Hamel, CFA	25
Craig A. Cepukenas, CFA	33
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 30 Nov 2021: Global Payments Inc 2.2%; Zynga Inc 1.7%. 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: 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.

Private Market Value is an estimate of the value of a company if divisions were each independent and established their own market stock prices.

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