



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 October 2021

## Commentary

If you blinked, you likely missed September's brief pullback in equity markets as US indices came roaring back in October, turning in one of their strongest monthly gains of the year and setting all-time highs. Sentiment benefited from strong earnings reports and a backdrop of robust consumer demand, which has made it easier for many companies to pass on price increases as they navigate ongoing supply chain pressures. The Russell Midcap® Value Index returned 5.32%. Sector returns favored stocks with greater economic sensitivity, such as energy, materials and financials. Conversely, communication services, health care and consumer staples stocks lagged.

Our portfolio trailed the benchmark in October, driven by a heavier exposure to a weak communication services sector and underperformance in the consumer discretionary sector. In the consumer discretionary sector, H&R Block (HRB), the world's largest tax preparer, was a key detractor. Long-time holding HRB pulled back late in the month, prior to the company's early-November release of quarterly results, which were largely in line with expectations. Aside from periodic tax code changes, HRB is generally a steady, low to mid-single-digit growth business. That growth is achieved by maintaining market share, regular pricing increases and ancillary growth in its digital DIY preparation business. While most people file the standard deduction, a complicated tax code, combined with stiff penalties for not filing correctly, creates enduring demand for the company's services. Even as the tax code evolves, we believe the company should remain one of the industry's best brands based on its strong market-share position. It's also highly cash-generative, and management prioritizes return of capital to shareholders through dividends and buybacks as HRB has returned ~84% of free cash flow over the past five years. Lastly, expectations remain low for HRB.

Among our biggest gainers was IAC/InterActiveCorp (IAC), a media and Internet company. IAC is a diversified collection of eclectic businesses that includes a large controlling stake in public company ANGI, ownership of online media business Dotdash and a 10% stake in public company MGM. In total, IAC's operations are asset-light and built for an increasingly online world. The company also has significant excess cash that it is putting to good use. In October, it was announced that IAC's Dotdash was acquiring Meredith's National Media Group, a company known for digital and print magazine brands, such as PEOPLE, Better Homes & Gardens and Allrecipes. The \$2.7bn transaction will be funded by cash and up to \$1.6bn in debt. We are positive on the deal as Meredith's brands should round out Dotdash's exposure to the home, health, food and entertainment categories, and more importantly management has a history of creating value through M&A and successfully growing acquired assets. While the acquisition reduces the company's cash position, we don't believe the purchase impinges on IAC's ability to make future acquisitions.

## Investment Results (%)

As of 31 October 2021	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	3.46	3.46	22.60	50.23	12.86	11.08	10.23	10.40
Advisor Class: APDQX	3.47	3.47	22.79	50.43	13.04	11.23	10.33	10.45
Russell Midcap® Value Index	5.32	5.32	24.54	48.60	15.03	12.30	13.18	10.43
Russell Midcap® Index	5.95	5.95	22.02	45.40	19.85	16.47	14.78	10.86

  

As of 30 September 2021								
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	-1.15	-0.60	18.50	44.94	8.77	9.96	11.14	10.27
Advisor Class: APDQX	-1.16	-0.56	18.67	45.12	8.95	10.13	11.24	10.31
Russell Midcap® Value Index	-3.68	-1.01	18.24	42.40	10.28	10.59	13.93	10.20
Russell Midcap® Index	-4.12	-0.93	15.17	38.11	14.22	14.39	15.52	10.60

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)	\$23.92	\$23.87
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)

AMERCO (Industrials)	4.2
Analog Devices Inc (Information Technology)	3.9
Expedia Group Inc (Consumer Discretionary)	3.4
Moelis & Co (Financials)	3.2
AutoNation Inc (Consumer Discretionary)	3.0
Lamar Advertising Co (Real Estate)	2.9
Synchrony Financial (Financials)	2.9
nVent Electric PLC (Industrials)	2.7
Arch Capital Group Ltd (Financials)	2.6
Marriott International Inc (Consumer Discretionary)	2.5
<b>TOTAL</b>	<b>31.3%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RMCV <sup>1</sup>
Communication Services	12.7	3.7
Consumer Discretionary	19.1	10.6
Consumer Staples	5.7	4.1
Energy	2.1	5.3
Financials	17.6	17.1
Health Care	6.4	8.2
Industrials	14.1	15.7
Information Technology	7.7	9.8
Materials	3.9	7.3
Real Estate	8.6	11.2
Utilities	2.2	6.9
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.5% 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+	24.5	32.8
18.7–27.5	16.1	21.9
12.9–18.7	23.2	14.9
7.5–12.9	16.4	18.6
0–7.5	19.8	11.7
<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. These holdings comprise the following percentages of the Fund's total net assets as of 31 Oct 2021: H&R Block Inc 1.6%; IAC/InterActiveCorp 2.0%. 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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