



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 30 September 2021

## Commentary

Equity markets came under pressure in September driven by concerns about persistent supply chain disruptions that are feeding into inflation and input costs. These worries were evidenced by a backup in interest rates with the yield on the 10-year Treasury note jumping over 20bps in the final week of the month. The Russell Midcap<sup>®</sup> Value Index returned -3.68% in September and -1.01% in Q3. Quarterly returns by sector were mixed, with financials and real estate finishing higher. The lagging sectors were communication services, technology and consumer discretionary. Our portfolio held up better than the benchmark in Q3, aided by select consumer discretionary, consumer staples and technology holdings.

Shares of Expedia bounced back in September as the delta variant peaked in the US. The online travel agent is weathering the pandemic using a flexible cost structure that has allowed it to scale back performance advertising as demand has declined. The business model is attractive because it provides transparency on pricing and a large platform of options for consumers looking to travel the globe. Despite the currently depressed state of global travel, the business's moat remains wide as Expedia is one of only two globally-scaled online travel agencies. This scale advantage remains key to our investment case as leisure travel returns to normal in the years to come.

Another stock that recovered during the month was Gentex, a manufacturer of automatic-dimming mirrors and related driver-assistance systems for the global auto industry. Margins have continued to improve year-over-year as management focuses on cost mitigation and product mix (particularly in emerging markets). Vehicle production levels have faltered, negatively impacting shares, due to the shortage of semiconductors and other parts. While auto suppliers face cyclical headwinds in general, Gentex maintains a significant cash position and dedicated capital return program, making it a clear anomaly among automotive parts supplier peers.

Kroger, one of the largest US food retailers, was our biggest detractor in September. Higher cost inflation in some categories has investors worried about gross margins even as quarterly operating results came in ahead of expectations on both the top and bottom lines. The business has benefited from some of the pandemic-related consumer behaviors as we all relied more on local groceries and less on restaurants. Given COVID-19 was a huge boost to the business, growth should naturally slow from here in the near term, and for some investors this is reason enough to sell. We take a longer term view of the opportunity. Throughout the past 18 months, Kroger was able to generate cash and deliberately chose to not raise prices in ways that might damage longer term customer loyalty. Management continued investing in digital, new products, higher wages and more sustainable pensions. However, the market is concerned about how much of this positive momentum carries into a more normalized, post-pandemic demand environment. Kroger is working to shore up revenue by increasing its digital advertising footprint as more customers shift to online grocery shopping. We believe Kroger remains in a strong competitive position with an undemanding valuation.

## Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$23.12	\$23.07
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
AMERCO (Industrials)	3.8
Expedia Group Inc (Consumer Discretionary)	3.5
AutoNation Inc (Consumer Discretionary)	3.2
Synchrony Financial (Financials)	3.1
Lamar Advertising Co (Real Estate)	3.0
Moelis & Co (Financials)	2.8
News Corp (Communication Services)	2.6
nVent Electric PLC (Industrials)	2.6
Arch Capital Group Ltd (Financials)	2.4
<b>TOTAL</b>	<b>31.1%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RMCV <sup>1</sup>
Communication Services	13.1	4.0
Consumer Discretionary	19.7	10.7
Consumer Staples	5.9	4.2
Energy	2.0	5.2
Financials	17.3	16.8
Health Care	6.3	8.4
Industrials	13.7	15.6
Information Technology	7.5	9.8
Materials	3.8	7.2
Real Estate	8.4	11.1
Utilities	2.2	7.0
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 1.3% of the total portfolio. <sup>1</sup>Russell Midcap<sup>®</sup> Value Index.

## Investment Results (%)

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 <sup>®</sup> Value Index	-3.68	-1.01	18.24	42.40	10.28	10.59	13.93	10.20
Russell Midcap <sup>®</sup> 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.

## Average Annual Total Returns

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCV <sup>1</sup>
27.5+	27.7	31.1
18.7–27.5	13.3	21.1
12.9–18.7	14.9	16.1
7.5–12.9	24.4	18.8
0–7.5	19.7	13.0
<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 30 Sep 2021: Gentex Corp 2.3%; The Kroger Co 1.9%. 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.

**Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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