



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 28 February 2022

Commentary

With omicron case counts receding, markets were squarely focused in February on geopolitical uncertainty related to Russia's invasion of Ukraine and monetary policy headwinds amid high inflation. Investors naturally rotated to energy and materials stocks on higher commodity prices, as well as areas of the market that have historically proven defensive, like consumer staples and health care. Also noteworthy was the continued outperformance of value versus growth as rising interest rates have pressured more richly valued stocks.

Generating a modest gain for February, our portfolio held up slightly better than the Russell Midcap® Value Index's -0.47% decline. Historically, we've found that our focus on companies meeting our margin of safety criteria—strong business economics, sound financial condition and attractive valuation—positions us well to protect capital in challenging environments like the one we're in today. Our biggest gainers during the month were Check Point Software Technologies and Sysco. Check Point, a Q1 2021 purchase, provides computer network firewalls to enterprise customers. The market is beginning to acknowledge improvements in Check Point's cloud offerings, which are growing rapidly amid an upgrade cycle. The war in Ukraine has also spotlighted the need for cyber protection. In addition to high customer retention and enviable margins, we like that the company's founder, Gil Shwed, is the largest shareholder and runs the business like an owner. Further, Check Point generates significant cash flow and has over \$28 per share of net cash and investments to deploy strategically. Over the past three years, the company has made several acquisitions that improved its competitive position in the areas of cloud infrastructure and cyber security.

Sysco is the largest food distributor in the US. By virtue of its size, the company enjoys advantages of scale, such as being able to negotiate favorable pricing from suppliers and pass along a portion of those savings to customers. Earnings power tends to be highly stable owing to the high stickiness of its customer relationships as restaurants and other foodservice companies do not like to switch providers. An exception to this was during the early days of the pandemic when restaurants were forced to close. The shares' ensuing collapse in March 2020 provided us an opportunity to initiate a position with the stock selling for around 15X our estimate of normalized earnings, a distinct discount to its historical range of over 20X. The stock has since recovered its prior losses as earnings have normalized alongside healing in the hospitality, travel and restaurant sectors.

IAC/InterActiveCorp (IAC), a media and Internet company, was among our biggest detractors. 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 Resorts. Investors have become impatient with ANGI as demand trends have slowed due to omicron and the pace of margin improvement is likely to be pushed out due to increased spend to attract service providers. These are near-term challenges that, in our view, should improve as the pandemic wanes. Longer term, IAC's businesses are growing double digits organically and look well positioned to benefit as the world moves online. The company also has significant excess cash and a history of putting capital to good use through M&A and successfully growing acquired assets.

Investment Results (%)

As of 28 February 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	0.19	-3.01	-3.01	12.56	11.66	8.40	9.28	10.23
Advisor Class: APDQX	0.24	-2.98	-2.98	12.77	11.83	8.56	9.39	10.28
Russell Midcap® Value Index	-0.47	-4.72	-4.72	13.75	12.74	9.18	11.93	10.16
Russell Midcap® Index	-0.72	-8.03	-8.03	7.07	14.25	12.02	12.82	10.26

As of 31 December 2021

As of 31 December 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	6.63	6.62	26.35	26.35	18.06	9.83	10.48	10.48
Advisor Class: APDQX	6.65	6.66	26.57	26.57	18.24	9.99	10.58	10.52
Russell Midcap® Value Index	6.28	8.54	28.34	28.34	19.62	11.22	13.44	10.50
Russell Midcap® Index	4.08	6.44	22.58	22.58	23.29	15.10	14.91	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)	\$20.91	\$20.84
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2021	1.20%	1.05%
Prospectus 30 Sep 2021 ¹	1.21%	1.05%

¹See prospectus for further details.

Top 10 Holdings (% of total portfolio)

Expedia Group Inc (Consumer Discretionary)	4.0
Analog Devices Inc (Information Technology)	3.6
AMERCO (Industrials)	3.2
Arch Capital Group Ltd (Financials)	2.9
AutoNation Inc (Consumer Discretionary)	2.9
Lamar Advertising Co (Real Estate)	2.8
Tyson Foods Inc (Consumer Staples)	2.6
Globe Life Inc (Financials)	2.6
Synchrony Financial (Financials)	2.6
Marriott International Inc (Consumer Discretionary)	2.6
TOTAL	29.9%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RMCV ¹
Communication Services	12.6	3.6
Consumer Discretionary	17.6	10.0
Consumer Staples	6.6	4.6
Energy	2.7	6.6
Financials	17.9	17.1
Health Care	7.0	7.8
Industrials	13.0	14.2
Information Technology	7.6	9.6
Materials	4.1	7.8
Real Estate	8.4	11.3
Utilities	2.5	7.2
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 3.5% of the total portfolio. ¹Russell Midcap® Value Index.

Average Annual Total Returns

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Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCV ¹
34.3+	20.5	16.6
25.0–34.3	11.4	19.6
17.3–25.0	15.8	21.1
10.4–17.3	23.5	21.1
0–10.4	28.8	21.7
TOTAL	100.0%	100.0%

Source: Artisan Partners/Russell. ¹Russell Midcap® Value Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Thomas A. Reynolds IV	23
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 28 Feb 2022: Check Point Software Technologies Ltd 2.2%; IAC/InterActiveCorp 1.5%; Sysco Corp 1.7%. 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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle.

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