



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 January 2022

## Commentary

In January, fears of higher interest rates and reduced liquidity due to tighter monetary policies resulted in the biggest drawdown on US stocks since March 2020. In this environment, discount rates used to value future earnings have been ratcheted higher, which naturally has had a greater impact on longer duration assets. This was evident in the style indices' extreme divergence in monthly returns. The Russell Midcap® Growth Index fell 12.90% compared to the Russell Midcap® Value Index's 4.27% decline. Declines were led by the technology, health care and consumer discretionary sectors. The energy sector's high-teens gain was a positive outlier as the sector benefited from higher oil prices.

Our portfolio outpaced the Russell Midcap® Value Index as our orientation toward quality and value provided ballast in an environment where richly priced and non-earning stocks were penalized. Though our underweight to the energy sector was a negative, our sole energy holding NOV outperformed and was our top individual contributor in January.

Our purchase of NOV in Q3 2021 was our first foray into the energy sector in more than a year. It is a global provider of components used in oil and gas drilling and production operations. Through several significant acquisitions in the 1990s and 2000s, NOV transformed itself into a leader in many attractive high-margin lines of business. NOV has a moat around the rig technologies business and has a history of generating free cash flow (FCF) and reasonable returns on tangible capital. NOV has been dismissed along with its peers as the industry is still absorbing aftereffects of the last rig-building cycle that left the industry oversupplied. But the cycle appears to be turning in NOV's favor as capex and costs are rising. With its price at an undemanding valuation, we believe this to be a winning investment, and margins should be much higher going forward as the business recovers and cost savings opportunities are realized.

It's characteristic of market selloffs for there to be indiscriminate selling that doesn't reflect company fundamentals, as evident in our list of biggest decliners. It included many of our 2021 top contributors such as U-Haul parent company AMERCO, global logistics company Expeditors International and outdoor advertiser Lamar Advertising. Expeditors is a global freight forwarder with best-in-industry technology; it is an asset-light business which has grown revenue in the high single-digits for decades. Expeditors is a lightly followed stock by the Street because it does not issue debt and only grows organically. While under-the-radar, the stock is viewed as a COVID winner, and therefore investors with shorter investing time frames reduced exposure when the market began to view the omicron variant as the end of COVID. Our view is supply chains will remain under duress for some time due to the uneven global nature of government health policy. After COVID, corporations will still have to think hard about logistics, creating a potential overstocking of inventory compared to pre-COVID levels. Expeditors' cash flow also follows earnings, meaning a slowdown in earnings growth will significantly boost FCF, which can be returned to investors.

## Investment Results (%)

As of 31 January 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	-3.20	-3.20	-3.20	21.93	12.64	8.65	9.63	10.26
Advisor Class: APDQX	-3.21	-3.21	-3.21	22.13	12.80	8.80	9.73	10.31
Russell Midcap® Value Index	-4.27	-4.27	-4.27	23.14	14.10	9.88	12.40	10.23
Russell Midcap® Index	-7.37	-7.37	-7.37	13.85	16.15	12.81	13.36	10.34

  

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)	\$20.87	\$20.79
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Annual Report 30 Sep 2021	1.20%	1.05%
Prospectus 30 Sep 2021 <sup>1</sup>	1.21%	1.05%

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

## Top 10 Holdings (% of total portfolio)

Expedia Group Inc (Consumer Discretionary)	3.8
Analog Devices Inc (Information Technology)	3.7
AMERCO (Industrials)	3.5
Lamar Advertising Co (Real Estate)	2.9
Arch Capital Group Ltd (Financials)	2.9
AutoNation Inc (Consumer Discretionary)	2.8
Globe Life Inc (Financials)	2.7
nVent Electric PLC (Industrials)	2.7
Synchrony Financial (Financials)	2.6
Tyson Foods Inc (Consumer Staples)	2.6
<b>TOTAL</b>	<b>30.2%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RMCV <sup>1</sup>
Communication Services	12.6	3.6
Consumer Discretionary	17.2	10.0
Consumer Staples	6.2	4.5
Energy	2.6	6.1
Financials	18.5	16.9
Health Care	6.7	7.7
Industrials	13.7	15.0
Information Technology	7.5	9.8
Materials	4.1	7.5
Real Estate	8.5	11.5
Utilities	2.5	7.5
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.0% of the total portfolio. <sup>1</sup>Russell Midcap® Value Index.

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCV <sup>1</sup>
34.3+	22.0	17.0
25.0–34.3	9.5	21.7
17.3–25.0	15.0	19.4
10.4–17.3	26.7	20.0
0–10.4	26.8	21.9
<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	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. Russell Midcap® Growth Index measures the performance of US mid-cap companies with higher price/book ratios and forecasted growth values. 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 Jan 2022: Expeditors International of Washington Inc 1.9%; NOV Inc 2.5%. 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. **Capital Expenditures (capex)** is either purchase fixed assets or to upgrade existing fixed assets having a useful life longer than the taxable year. **Return on tangible capital** measures the rate of return on tangible common equity or shareholders' equity less preferred stock, goodwill and other intangible assets.

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