



# Artisan Mid Cap Value Fund

MONTHLY  
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 March 2022

## Commentary

Top Month-to-date Contributors: The Kroger Co; NOV Inc; Corteva Inc; Lamar Advertising Co; OGE Energy Corp

Bottom Month-to-date Contributors: Synchrony Financial; AutoNation Inc; DENTSPLY SIRONA Inc; Liberty SiriusXM Group; IAC/InterActiveCorp

In this space, we discuss one top contributor (Kroger) and one bottom contributor (Synchrony Financial) from the recent month.

Shares of Kroger, one of the largest US food retailers, had been held back by concerns about higher cost inflation's potential impact on gross margins, but the company's latest operating results handily beat expectations on the top and bottom lines, with gross margins expanding year over year. The business had previously benefited from some of the pandemic-related consumer behaviors related to eating more meals at home and less at restaurants, so its solid sales growth shows us it's executing well as we transition out of a pandemic environment in the US. Given COVID-19 was a huge boost to the business, growth is naturally slowing, and for some investors this is reason enough to sell. We take a longer term view of the opportunity. Throughout the past two years, 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. We believe Kroger remains in a strong competitive position with an undemanding valuation.

Synchrony (SYF) is the largest provider of private-label credit cards in the US. SYF works to drive above-average retail sales by designing marketing and loyalty programs for its customers (e.g., PayPal, Wal-Mart, Lowe's). As a consumer finance company, the stock has come under pressure as investors have dimmed their outlook for the US consumer. Even as the US consumer's balance sheet has likely never been stronger and tight labor markets are supporting strong wage gains, the prospect of continued high inflation, the impacts from the Russia-Ukraine war and fear of a slowing economy as the Federal Reserve tightens are key concerns. While we remain aware of these macro forces, our investment case is grounded in our margin of safety criteria—attractive business economics, solid financial condition and attractive valuation. Synchrony has done a nice job of evolving its business with online and mobile clients to interface with the shifting consumer landscape. We also believe SYF's importance to retailers should continue to grow as heightened competition forces retailers to know more about their customers and be able to track customers' purchases across channels. Importantly, SYF does not fully take the losses through its P&L, and the market may not fully appreciate the loss-sharing agreements with retailers that help limit SYF's losses in adverse credit environments. Synchrony has a rock-solid balance sheet, strong credit underwriting discipline and remains cheap on mid-cycle earnings power.

## Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$21.10	\$21.03
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)	4.0
Analog Devices Inc (Information Technology)	3.7
AMERCO (Industrials)	3.3
Lamar Advertising Co (Real Estate)	3.0
Arch Capital Group Ltd (Financials)	2.8
Marriott International Inc (Consumer Discretionary)	2.7
NOV Inc (Energy)	2.7
nVent Electric PLC (Industrials)	2.6
Globe Life Inc (Financials)	2.6
Corteva Inc (Materials)	2.6
<b>TOTAL</b>	<b>30.1%</b>

Source: Artisan Partners/GICS.

## Sector Diversification (% of portfolio securities)

	Fund	RMCV <sup>1</sup>
Communication Services	12.6	3.5
Consumer Discretionary	17.6	9.3
Consumer Staples	6.8	4.7
Energy	2.8	7.2
Financials	17.6	16.4
Health Care	6.8	7.8
Industrials	12.3	14.1
Information Technology	7.8	9.4
Materials	4.4	8.1
Real Estate	8.7	11.5
Utilities	2.7	7.7
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 4.1% of the total portfolio. <sup>1</sup>Russell Midcap® Value Index.

## Investment Results (%)

As of 31 March 2022	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	0.91	-2.13	-2.13	7.41	12.88	8.76	9.25	10.23
Advisor Class: APDQX	0.91	-2.09	-2.09	7.60	13.07	8.92	9.36	10.28
Russell Midcap® Value Index	3.04	-1.82	-1.82	11.45	13.69	9.99	12.01	10.28
Russell Midcap® Index	2.56	-5.68	-5.68	6.92	14.89	12.62	12.85	10.35

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.

## Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCV <sup>1</sup>
34.3+	21.6	19.5
25.0–34.3	10.4	18.1
17.3–25.0	17.8	21.9
10.4–17.3	19.6	19.3
0–10.4	30.6	21.2
<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. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. 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 Mar 2022: AutoNation Inc 2.5%; DENTSPLY SIRONA Inc 2.0%; IAC/InterActiveCorp 1.9%; Liberty SiriusXM Group 1.9%; OGE Energy Corp 2.6%; Synchrony Financial 2.1%; The Kroger Co 2.4%. 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.

**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.

Source: Artisan Partners/FactSet. Contribution to Return includes the securities with the highest positive and negative contribution to the portfolio's return and is calculated by multiplying a security's portfolio weight by its in-portfolio return for the period. Purchases/sales are accounted for by using end of the day prices, which may or may not reflect the actual purchase/sale price realized by the portfolio. Contribution to return is not exact, but should be considered an approximation.

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