Artisan Mid Cap Fund

QUARTERLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX

As of 31 December 2016

Investment Process

We seek to invest in companies that possess franchise characteristics, are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. Our investment process focuses on two distinct elements—security selection and capital allocation. We overlay our investment process with broad knowledge of the global economy.

Security Selection

We seek to identify companies that have franchise characteristics (e.g. low cost production capability, possession of a proprietary asset, dominant market share or a defensible brand name), are benefiting from an accelerating profit cycle and are trading at a discount to our estimate of private market value. We look for companies that are well positioned for long-term growth, which is driven by demand for their products and services, at an early enough stage in their profit cycle to benefit from the increased cash flows produced by the emerging profit cycle.

Capital Allocation

Based on our fundamental analysis of a company's profit cycle, we divide the portfolio into three parts. Garden℠ investments are small positions in the early part of their profit cycle that may warrant more sizeable allocations as their profit cycle accelerates. Crop℠ investments are positions that are being increased to a full weight because they are moving through the strongest part of their profit cycles. Harvest℠ investments are positions that are being reduced as they near our estimates of full valuation or their profit cycles begin to decelerate.

Broad Knowledge

We overlay the security selection and capital allocation elements of our investment process with a desire to invest opportunistically across the entire global economy. We seek broad knowledge of the global economy in order to find growth wherever it occurs.

Team Overview

We believe deep industry expertise, broad investment knowledge, a highly collaborative decision-making process and individual accountability are a powerful combination. Since the inception of the team, we have been committed to building a team of growth investors that retains these attributes and is solely dedicated to our process and approach.

Portfolio Management

Matthew H. Kamm, CFA
Portfolio Manager (Lead)

James D. Hamel, CFA
Portfolio Manager

Craigh A. Cepukenas, CFA
Portfolio Manager

Jason L. White, CFA
Portfolio Manager

Investment Results (%)

As of 31 December 2016	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
			Average Annual Total Returns				
Investor Class: ARTMX	**-4.15**	**-0.89**	**-0.89**	**2.29**	**11.94**	**8.70**	**12.81**
Advisor Class: APDMX	**-4.09**	**-0.76**	**-0.76**	**2.38**	**11.99**	**8.73**	**12.83**
Russell Midcap® Growth Index	0.46	7.33	7.33	6.23	13.51	7.83	7.88
Russell Midcap® Index	3.21	13.80	13.80	7.92	14.72	7.86	9.55

Source: Artisan Partners/Russell. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 27 June 1997. Advisor Class performance is that of the Investor Class from 27 June 1997 through the inception of the Advisor Class on 1 April 2015, and actual Advisor Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Advisor Class for the period prior to the Class's inception, and Advisor Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTMX	APDMX
Annual Report 30 Sep 2016	1.18	1.05
Prospectus 30 Sep 2015	1.19	1.05[1]

[1]Includes estimated expenses for the current fiscal year.

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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

Investing Environment

The bull market notched another year, with most major global indices closing Q4 and the year in positive territory. Markets bounced sharply following a US election outcome that seemingly caught investors by surprise—with the S&P 500 rising more in the five weeks post-election than it has following any election in US history. Emerging markets fell as investors anticipate faster developed-world economic growth and higher interest rates ahead—both developments many would expect to result in emerging markets outflows. As broadly expected, interest rates rose overall during the fourth quarter, helped along by the Fed's 25bps rate hike in December.

On the back of its strong, post-election bounce, US equities led foreign developed equities in 2016, followed closely by emerging markets—though there was wide divergence among individual emerging markets countries. Russia and Brazil were among the top performing emerging markets, while China was relatively flat for the year.

The US dollar strengthened throughout the year, paring dollar-denominated returns for foreign developed markets. As with emerging markets, there was wide dispersion among individual countries' performance. The UK, despite concerns about its economy and markets post-Brexit, finished in positive territory in pound terms but was just negative in dollar terms as a materially weaker pound sterling took its toll.

Though most global economies grew modestly in Q4 and for the year, there are nascent signs economic growth may be broadening out—as evidenced by more cyclical stocks' meaningful outperformance, particularly in the back half of the year. Health care and technology both had relatively muted full-year returns—especially relative to recent years—while energy, materials and industrials were among the best-performing sectors. Also contributing to cyclicals' resurgence, oil prices bounced sharply over the course of the year after bottoming in February. US financials had a strong 2016, thanks primarily to Q4's tremendous post-election bounce and the anticipation of higher interest rates, widening spreads and a mellowing regulatory environment. Small stocks outperformed their larger counterparts in the fourth quarter as well as for the year.

Performance Discussion

Our portfolio trailed both the Russell Midcap® and Russell Midcap® Growth Indices in Q4 and for the year amid a major rotation from secular growth stocks to more cyclical which began earlier in the year but picked up significant steam in the wake of the US election. We benefited in Q4 from our lack of exposure to defensive and interest-rate sensitive sectors such as telecommunications and real estate. However, our top 10 holdings in particular—in a major reversal from Q3—meaningfully underperformed as investors preferred stocks with much more cyclical exposure than our holdings typically have.

At the sector level, our below-benchmark exposure to consumer discretionary stocks—particularly hotels and restaurants—was a relative headwind. Within information technology, our above-benchmark exposure to information services companies—most of which develop software to manage and capitalize on the tremendous volume of data available—worked against us, as these companies typically have relatively stable growth drivers that can fall out of favor amid an environment of anticipated GDP growth acceleration. Most significantly, our technology software holdings—including Workday and Guidewire Software, as well as video game companies Activision Blizzard and Electronic Arts—weighed on our relative results as investors shifted their attention to more cyclical semiconductor and hardware companies.

Among our bottom individual contributors in Q4 were DexCom, Workday and S&P Global. DexCom shares have been pressured as sales growth has moderated, driven in our opinion by two primary factors. First, the FDA's approval of Medtronic's competing continuous glucose monitoring (CGM) system has modestly increased the competitive environment and delayed some patients' treatment decisions. Second, following a product recall earlier in 2016, DexCom has provided free hardware replacements. While these headwinds may continue into early 2017, we believe DexCom continues to offer the most accurate CGM on the market, and given the large available market, there is ample room for multiple successful franchises. Further, several potential growth catalysts lie ahead, including a new, smaller and even more accurate sensor, which is anticipated in 2018, and first-time Medicare reimbursement for older Type-1 diabetes patients. There is also the likelihood of first-time government reimbursement for CGM systems in Germany and other European countries, which would further add to DexCom's attractive growth runway.

Workday has disappointed amid slower-than-anticipated uptake for its human resources and financial software offerings as customers have delayed purchase decisions. As a result, Workday sales growth has been slower than expected. We believe Workday can be a much larger software company over time as it grows both its customer base and range of product offerings. However, given competitive pressures from large incumbents such as Oracle and SAP, we expect it to ramp growth at a slower rate, and we consequently pared our exposure in Q4.

S&P Global's (SPGI) management team has done a solid job reducing expenses and refocusing the company on its core competencies—namely, the S&P indices and S&P bond ratings, Platts commodities prices and SNL financial data. However, with the US election outcome increasing the likelihood of corporate tax reform, investors are weighing the probability that debt financing loses its favorable tax treatment. There are also questions about whether global debt issuance would slow in a rising interest-rate environment. That said, with several of SPGI's businesses poised to benefit from faster global economic growth, we are monitoring the company's fundamentals while we await clarity on how the economic growth trajectory may impact SPGI's profit growth.

Among Q4's top contributors were SVB Financial, NVIDIA and HD Supply. We initiated our campaign in SVB Financial in Q1 2016 amid concerns about an overheating Silicon Valley "unicorn" economy, which we believed to be overblown. We were drawn to SVB's differentiated banking franchise due to its focus on and relationships in Silicon Valley. We increased our exposure in Q3 based on evidence the venture capital and initial public offering markets were stabilizing, which contributed to SVB's solid fundamentals. While the success of our investing campaign has never been predicated on rising interest rates or regulatory changes, SVB would certainly benefit from both. As

a result, SVB shares have risen amid investors' heightened expectations for rising rates and a less onerous regulatory environment following the US election.

NVIDIA's fundamentals remain exceptionally solid as it benefits from rapidly growing demand for its graphic processing units-based architecture in multiple industries including gaming and cloud computing. We have high conviction in NVIDIA's position as artificial intelligence and machine learning gain momentum; however, we modestly trimmed our exposure in Q4 in accordance with our valuation discipline.

HD Supply is the leading provider of maintenance supplies to multi-family housing operations. We first purchased it in Q4 2015 for its scale advantages in a highly fragmented industry and significant brand familiarity in its target markets. Its solid salesforce execution combined with expanding product lines and value-added services were contributing to attractive rates of revenue and profit growth. However, early in 2016, HD Supply experienced some execution issues in its supply chain as it implemented third-party logistics that failed to accurately account for restocking lead times, weighing on fundamentals. Management's intense focus on addressing these challenges has recently gained traction. Further, HD Supply's ancillary businesses in construction supply and municipal water supply—neither of which is core to our investment thesis—may benefit from an increased focus in Washington, D.C. on infrastructure investment, which could broaden its growth runway.

Portfolio Activity

The rotation from more secular to cyclical growth companies in Q4, though weighing on relative results in the near term, made the valuations of some of our high-quality franchises more interesting to us relative to their growth prospects. We capitalized by adding to those we found particularly attractive—among them Advance Auto Parts and Intercontinental Exchange.

We first purchased Advance Auto Parts (AAP), a retailer of aftermarket auto parts, accessories, batteries and maintenance parts, in Q1 2016 in anticipation of its ability to turn around an underperforming franchise with solid market share in a consolidating industry. Several quarters in, we are seeing evidence that the new management team's efforts are gaining traction, as same-store sales seem poised to turn positive in 2017. Longer term, we believe AAP has a significant opportunity to expand margins and cash-flow generation relative to its peers.

Intercontinental Exchange, an operator of financial and commodities exchanges, has made good progress building its data services business both organically and via acquisitions against a backdrop of slower growth in its exchange-trading franchise. With commodities prices and interest rates possibly poised to awaken from their "lower for longer" slumber, we believe trading volumes could accelerate in future periods.

We also initiated several new investing campaigns in Q4, including Blue Buffalo Pet Products (BUFF), Northern Trust and Expedia. Blue Buffalo is a leading provider of all-natural pet foods. As pet owners become increasingly discerning about the ingredients in and nutritional content of their pet food, BUFF has an attractive opportunity to increase its market share. Under a solid management team, BUFF is looking to expand its product offerings into such margin-accretive lines as therapeutic and wet pet food. It is also working to expand from its current US and Canadian markets into Japan, Mexico and beyond. We believe BUFF is well positioned to increase margins and drive an attractive profit cycle in a rapidly growing industry.

Northern Trust is a leading provider of investment management and banking services to wealthy families, as well as outsourced services to institutional investors. It has generated solid organic growth and has successfully controlled costs in recent years despite meaningful headwinds—including an extremely low interest-rate environment and rising regulatory compliance costs. The higher likelihood of a rate-hike cycle combined with the possibility of a moderating regulatory environment and corporate tax reform introduce an attractive opportunity for Northern Trust to accelerate its earnings in the period ahead.

We believe Expedia, a leader in the online travel industry, can capitalize on the growing shift of travel bookings to online vendors. In an industry that tends to reward scale, Expedia has positioned itself well with recent acquisitions of Travelocity, Orbitz and HomeAway. Though revenue and margin growth slowed in 2016 as Expedia consolidated these acquisitions, we believe it is poised to accelerate earnings as these investments bear fruit in coming periods. We took advantage of this recent weakness to add it to the Garden℠ at what we view as an attractive valuation.

We trimmed our exposure to Seattle Genetics in Q4. Over the course of our campaign, Seattle Genetics (SGEN) has made good pipeline progress and now has promising drugs for acute myeloid leukemia and bladder cancer either in or about to enter late-stage trials. However, the primary focus for SGEN in 2017 will likely be the results of its clinical trial studying its flagship drug, Adcetris, in front-line Hodgkins lymphoma. We believe a positive outcome is likely—and would meaningfully expand Adcetris uptake—though it is certainly not guaranteed. The recent appreciation in the stock's price gave us an attractive opportunity to pare our exposure while we await the trial's results, thus mitigating binary event risk.

We concluded our investing campaigns in Michael's, lululemon and Cerner in Q4. Our investment thesis for Michael's was that the new management team's merchandising strategies—including more flexible pricing and promotions—would drive modest revenue acceleration on top of a largely stable cost structure. While cost controls have driven very attractive margins, sales have nevertheless slowed against a challenging retail backdrop. Absent a readily identifiable catalyst, we chose to exit.

Lululemon, a retailer of yoga-inspired apparel, has continued to grow, albeit inconsistently. Further, the competitive environment for technologically advanced workout apparel continues intensifying. With a relatively high valuation given these factors, we concluded our campaign in favor of more attractive opportunities elsewhere.

Cerner, a market-leading supplier of information technology systems to hospitals and health care providers, was a major beneficiary of the health care information technology (HCIT) stimulus program, which Congress passed following the global financial crisis, driving

significantly higher demand for IT systems among health care providers. As that growth has moderated, we began harvesting our position. Though we believe Cerner is a leader in an industry that should continue growing, we exited while we await signs of a reaccelerating profit cycle, concluding our long and successful investing campaign.

Portfolio Statistics

As of December 31, the portfolio had a median market cap of $12.7 billion and a 3-5 year forecasted weighted average earnings growth rate of 16%. Our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 22X FY1 earnings and 19X FY2 earnings. As of quarter end, we held 59 positions. Our top 20 holdings accounted for roughly 52% of portfolio assets as of quarter end. Our top 30 holdings represented about 67% of portfolio assets.

Perspective

As 2016 ends, the market is currently voting that the most interesting new profit cycles are going to come from areas of the economy that have been relatively moribund since the financial crisis—including financials (especially banks), energy and commodities, and the more cyclical industrials. This is partly supported by the natural course of economic cycles. Wages are now increasing in the US, putting "lower-for-longer" interest rates at risk and reintroducing the possibility that financials' net interest margins (a key component of profits) may finally begin to recover. And within energy and commodity sectors, lower prices have seemingly driven sufficient supply cuts to rebalance these markets. But beyond these natural economic evolutions, markets are also responding to a presidential election result that caught investors off guard and which introduces the possibility of fiscal stimulatory measures, such as tax cuts, lower regulation and infrastructure programs.

In this market environment of economic optimism, investors appear relatively less enthusiastic about secular profit cycles already in motion, such as innovation-driven growth in areas such as technology, information services, e-commerce and medical devices. Health care profits in particular remain suspect to many, given the new administration's stated desire to repeal the health insurance coverage expansion brought about by the Affordable Care Act.

We've identified multiple franchises we think could benefit from improved cyclical factors, such as SVB Financial, Northern Trust, HD Supply, Concho Resources and Cimarex, and have increased our position sizes as recent confirmatory evidence has bolstered our investment cases. But we've always been clear that our process tends to lead us away from both the most stable areas of the economy, such as utilities and consumer staples, where it's often harder to find innovation and profit cycles, and the most cyclically volatile areas, such as commodities and interest-rate sensitive industries, because these businesses tend to be less differentiated and heavily dependent on commodity price inputs for profit growth. While we look everywhere for profit cycles with franchise business models, the intersection of high-quality franchises and dynamic profit cycles tends to lead us to deploy larger amounts of capital into areas such as health care, technology, consumer discretionary and industrial innovation.

We believe our balanced exposure to secular versus cyclical profit cycles is appropriate right now, given several factors. First, there is meaningful macroeconomic uncertainty—including the possibility of increasing trade protectionism, global pressures caused by a strengthening US dollar and an uncertain legislative outlook. Second, relative valuations for high-quality secular growth stocks are increasingly attractive. We continue to like the growth prospects for our Crop℠ holdings that have been laggards amid the recent rotation often referred to as the "Trump trade." As a case in point, we believe our health care holdings have derived only modest benefits (and in some cases perhaps modest harm) from the Affordable Care Act, and all have solid growth catalysts ahead independent of future political developments. Meanwhile, other Crop℠ holdings, such as Global Payments, Waste Connections, Ulta Beauty and Veeva Systems, continue to report solid revenue growth and expanding margins—driven by trends and strategies we think could persist far longer than current cyclical dynamics.

Over the long tenure of our team, we have managed through multiple market cycles, and our adherence to our disciplined approach to profit-cycle identification has served us well. Regardless of the environment ahead, we expect this to remain the case, and we will consequently maintain our diligence and discipline, capitalizing where we can in order to add value for our clients.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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.

International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. 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. Growth securities may underperform other asset types during a given period.

Russell Midcap® Growth Index measures the performance of US mid-cap companies with higher 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.

This summary represents the views of the portfolio managers as of 31 Dec 2016. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned comprise the following percentages of Artisan Mid Cap Fund's total net assets (including all classes of shares) as of 31 Dec 2016: Global Payments Inc 3.6%, S&P Global Inc 3.6%, Waste Connections Inc 2.7%, Concho Resources Inc 2.4%, SVB Financial Group 2.0%, Electronic Arts Inc 2.0%, Ulta Salon Cosmetics & Fragrance Inc 1.9%, Intercontinental Exchange Inc 1.7%, DexCom Inc 1.7%, NVIDIA Corp 1.7%, HD Supply Holdings Inc 1.6%, Veeva Systems Inc 1.6%, Cimarex Energy Co 1.6%, Advance Auto Parts Inc 1.5%, Guidewire Software Inc 1.5%, Northern Trust Corp 1.3%, Activision Blizzard Inc 1.3%, Workday Inc 1.0%, Seattle Genetics Inc 0.8%, Expedia Inc 0.7%, Blue Buffalo Pet Products Inc 0.5%. Securities named in the Commentary; but not listed here are not held in the Fund(s) as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

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Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: Garden℠, Crop℠ and Harvest℠. Garden℠ investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. Crop℠ investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. Harvest℠ investments are holdings that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. Harvest℠ investments are generally being reduced or sold from the portfolios.

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A R T I S A N P A R T N E R S

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