Artisan Mid Cap Value Fund

QUARTERLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 March 2017

Investment Process

We seek to invest in companies that are undervalued, in solid financial condition and have attractive business economics. We believe that companies with these characteristics are less likely to experience eroding values over the long term.

Attractive Valuation

We value a business using what we believe are reasonable expectations for the long-term earnings power and capitalization rates of that business. This results in a range of values for the company that we believe would be reasonable. We generally will purchase a security if the stock price falls below or toward the lower end of that range.

Sound Financial Condition

We prefer companies with an acceptable level of debt and positive cash flow. At a minimum, we seek to avoid companies that have so much debt that management may be unable to make decisions that would be in the best interest of the companies' shareholders.

Attractive Business Economics

We favor cash-producing businesses that we believe are capable of earning acceptable returns on capital over the company's business cycle.

Team Overview

Our team has worked together for a long time and each member has a high level of trust and confidence in each other's capabilities. Everyone on the team functions as a generalist with respect to investment research and the entire team works together on considering potential investments. The portfolio managers are supported by two research analysts who share a common mindset and focus on the key elements of our investment process.

Portfolio Management

James C. Kieffer, CFA
Portfolio Manager

George O. Sertl, CFA
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Investment Results (%)

As of 31 March 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTQX	**2.77**	**2.77**	**18.54**	**4.20**	**9.75**	**7.56**	**10.70**
Advisor Class: APDQX	**2.78**	**2.78**	**18.65**	**4.28**	**9.80**	**7.59**	**10.71**
Russell Midcap® Value Index	3.76	3.76	19.82	8.94	14.07	7.47	10.37
Russell Midcap® Index	5.15	5.15	17.03	8.48	13.09	7.94	9.65

Source: Artisan Partners/Russell. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 28 March 2001. Advisor Class performance is that of the Investor Class from 28 March 2001 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 (% Gross/Net)	ARTQX	APDQX
Annual Report 30 Sep 2016	1.16/—	1.06/1.05[1]
Prospectus 30 Sep 2016[2]	1.16/—	1.06/—

[1]Net expenses reflect the voluntary waiver of a portion of the adviser's management fee. [2]See prospectus for more information.

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.

Investing Environment

Overall, markets posted strong gains to begin the year, despite selling off a bit to end Q1. Through January and February, optimism from Q4 carried on, pushing stocks higher and pricing in expectations of tax cuts, regulatory reform and expansionary infrastructure spending at the hands of the new US administration. Then, the failure to repeal the Affordable Care Act called into question President Trump's ability to push through tax reform and increase infrastructure spending, worrying investors. Still, the bull market celebrated its eighth year, as broad market indices were largely positive. Large caps outperformed both mid and small caps, and growth bested value.

Sectors were broadly positive in Q1, with the notable exception of energy, which was by far the worst-performing sector. Optimism surrounding OPEC's production cuts buoyed oil prices toward the end of 2016, and while production cuts have occurred, oil inventories haven't been dropping as investors expected, pressuring oil prices and stocks in the sector.

The real estate and utilities sectors (which make up about 25% of the Russell Midcap® Value Index), saw a performance divergence in the quarter—utilities outperformed, while real estate lagged. These sectors have largely been used as interest-rate proxies over the past few years, and both sectors rallied in the quarter's latter half as investors gained greater clarity on the path of future interest rate movements. However, REITs did not capture all of the upside, as investors seemed to (at least) question the underlying fundamentals of the group, fearing the cycle may have peaked.

Performance Discussion

Our portfolio advanced in the quarter, but fell shy of the Russell Midcap® Value Index. Our oil-exposed holdings weren't immune to the sector's selloff. In fact, 4 of our bottom 10 names in Q1 stemmed from the energy sector—Hess, Apache, Devon and Tesoro–all detracted along with oil prices.

We remain of the belief that oil inventories are going to rebalance, and our long-term theses in these names remain intact. In our view, the forces are in motion to pressure the commodity price higher over time, returning it to the marginal cost of production—perhaps higher. We would expect inventory withdrawals to eventually accelerate, as supply growth slows to a level below maintenance, contributing to firmer oil prices against a backdrop of low spare capacity levels. In the interim, we believe these are high quality names, and valuations look to us to be particularly undemanding.

Shares of car retailer AutoNation detracted as cyclical headwinds weighed on results. Rising new car inventories and manufacturer incentives have pressured new car sales results, while a surplus of used cars is driving down trade-in values. We believe the cycle has likely peaked and are valuing the company with an eye toward normalized results (as we always do). We know the business is cyclical and believe a well-financed dealer like AutoNation can potentially prosper after trough periods. We have a long-term investment time horizon, and believe shares are pricing in enough of a discount to make valuations compelling. Its parts and services segment provides some shelter from the cyclicality (people need to get their car serviced regardless of the economic environment), and we have faith in its management team, which thinks and acts like owners, with a goal of maximizing shareholder value.

Top performers in the quarter came from a variety of sectors and industries—a testament to our bottom-up stock-selection approach. Shares of global aircraft leasing company Air Lease were additive. The company is executing well, as strong demand for its order book, solid lease revenue and lower expenses have helped propel shares. Acquisitions in the industry at premiums to book value have further boosted the stock. In our view, the company is one of the best operators in the leasing space with one of the best management teams. As the industry enters a replacement cycle, we believe Air Lease's newer fleet inventory, experience in the industry and conservative management style will be beneficial.

Our consumer discretionary names were strong on an absolute and relative basis, including strength in shares of Liberty Ventures. The John Malone-led company owns stakes in privately and publicly traded companies, including Charter Communications. The stock is, in part, an inexpensive way to capture value from Charter, whose shares rallied in the quarter on merger speculation and strong execution. After the quarter, Liberty Ventures announced the acquisition of Alaskan cable and wireless firm General Communications, forming GCI Liberty. As part of the deal, a mix of assets and liabilities are being reattributed to Liberty Interactive QVC (which we own), transitioning Liberty Ventures and Liberty Interactive QVC from tracking stocks to asset-backed securities. We believe the complicated tracking-stock structure of the companies was a headwind on multiples. In our view, both companies are exceptionally well managed, and shares look attractively valued.

Shares of InterActiveCorp (IAC) also advanced, aiding results. Although the stock is classified as an information technology name, we consider it more of a consumer holding—the company operates sites such as HomeAdvisor, Match and Tinder. HomeAdvisor (which is a marketplace connecting homeowners to service professionals) has been gaining more respect from investors, as it rapidly expands its network, revenue and margins. We think IAC is an interesting business, and shares look undervalued on a sum-of-the-parts basis. Its management team, in our view, is best in class, and the company has a healthy cash position.

Portfolio Activity

We initiated three new positions and exited one in the quarter. The market environment remains challenging for our investment process. Valuations broadly appear stretched, and in cyclical areas of the market where valuations look relatively more compelling, we're cognizant of our economic risk exposure. New purchases in the quarter were not concentrated in any one sector; rather, they were a

result of one-off opportunities given our bottom-up investment approach.

New positions included Equity Commonwealth, an internally managed self-advised REIT, with commercial office properties throughout the US. We like the company's management team, which has a history of creating shareholder value. In our view, Equity Commonwealth is in a unique situation—it has a large stockpile of cash on its balance sheet, enabling it to opportunistically deploy capital. We established our position as shares traded at a discount to net asset value.

We established a position in regulated electric gas utility SCANA. While valuations of utilities stocks have broadly appeared stretched, shares of SCANA were pressured on investor concerns surrounding Westinghouse, the financial backer of a large nuclear power plant SCANA is building. We believe shares are pricing in a wide range of negative outcomes and used the opportunity to reestablish our position in what we believe is a quality company trading at undemanding valuations.

New energy holding World Fuel Services (INT) is an asset-light fuel logistics company, unlike the bulk of our energy exposure, which is concentrated in E&Ps. INT benefits from commodity-price volatility, as volatility increases demand for its high-margin, risk-management products. The past several years have highlighted the cyclicality of the business, as lower fuel prices have decreased its forward-hedging opportunities, and vessel oversupply coupled with lower fuel demand weighed on marine fuel markets. However, low absolute fuel prices will eventually create larger headwinds for INT's competitors, which don't have the balance sheet strength that INT does to cover their positions when oil prices go up. The cyclicality presented us an opportunity to establish a position, as we believe shares are trading at undemanding valuations based on our long-term, normalized approach. We like INT's free cash flow generation, its robust, global platform with market leadership positions, and its financially conservative management team.

On the sale side, we exited our position in fertilizer company Mosaic. We had been shifting our exposure away from Mosaic on growing concerns surrounding its financial condition, and fully exited as the company added substantial leverage and cut its dividend in order to fund its acquisition of Vale Fertilizers (which it bought at a fair price, not a cheap price, which is disappointing at the bottom of the cycle). Fertilizer markets remain depressed, and with more leverage, the risk profile has increased. We still have fertilizer exposure through Agrium, which differs from Mosaic in that it's more of a nitrogen player, with a substantial retail operation.

Perspective

There's an old saying that it's easier to fall for anything than to stand for something. Our job, as we see it, is to stick to our time-tested investment philosophy. Our goal is to focus on what we can control—aiming to put the business, balance sheet and valuations on our side.

As investors have chased yield and momentum over the past few years trying to keep pace with the market, we've done what we always do—heading toward areas of fear and uncertainty, building a portfolio that looks significantly different from the index.

We often tell investors that there are two ways to create alpha: it's from what you own in the portfolio and from what you don't own. The index is often treated as a directive in the industry—the index weight is treated as a starting point, and the decision becomes whether you want to be overweight or underweight relative to what's in the index. We don't think that's a good way to make investment decisions. For example, as we mentioned earlier, interest-rate proxies make up about 25% of the Russell Midcap® Value Index. If you are using the index as a directive, you are automatically leading your portfolio into heavy exposure to interest-rate movements. We don't see that as an investment orientation, particularly for value investors.

Our view is that what the index owns is its own problem. The index is a passive conglomerate, a collection of economic exposures with no consideration of business quality, financial strength or valuation of the underlying companies. We believe in stacking the deck in our favor—taking account of those factors the index, by definition, ignores—and building a portfolio of companies that combines the strength of our margin of safety criteria with a longer-term time horizon. Our belief is that if a high level of pessimism is already baked into the stock, then the risk/reward will be tilted in our favor. Our portfolio positioning is a result of our bottom-up investment approach—we want to lean into areas of exposure where we see particular value, but also ensure we don't take our economic exposure too far to turn the portfolio into a macro bet.

We've reached into unloved areas of the market in order to find opportunities, and many of our stocks have lived through a bear market over the last few years while the broader market hit new highs. It is our belief that valuations, business strength and financial condition ultimately matter, much more than any sentiment swings. At this point in the economic cycle, we believe avoiding some of these high-valuation areas is going to be a source of alpha for the portfolio on a go-forward basis.

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.

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.

This summary represents the views of the portfolio managers as of 31 Mar 2017. 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 above comprise the following percentages of the Mid Cap Value Fund's total net assets as of 31 Mar 2017: Air Lease Corp 3.8%; Devon Energy Corp 3.5%; Apache Corp 2.4%; Hess Corp 2.3%; Liberty Interactive Corp QVC Group 2.1%; IAC/InterActiveCorp 2.1%. Liberty Ventures 2.0%; AutoNation Inc 1.8%; Tesoro Corp 1.7%; World Fuel Services Corp 1.4%; SCANA Corp 1.4%; Equity Commonwealth 1.3%; Agrium Inc 1.4%. Securities named in the Commentary, but not listed here are not held in the Fund 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.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

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Book Value is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **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.

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