Artisan Mid Cap Fund

QUARTERLY
Commentary

Investor Class: ARTMX | Advisor Class: APDMX

As of 30 June 2017

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 30 June 2017	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
			Average Annual Total Returns				
Investor Class: ARTMX	**6.78**	**15.23**	**16.93**	**6.42**	**12.65**	**8.71**	**13.27**
Advisor Class: APDMX	**6.80**	**15.29**	**17.08**	**6.54**	**12.73**	**8.75**	**13.29**
Russell Midcap® Growth Index	4.21	11.40	17.05	7.83	14.19	7.87	8.26
Russell Midcap® Index	2.70	7.99	16.48	7.69	14.72	7.67	9.72

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
Semi-Annual Report 31 Mar 2017[1]	1.20	1.04
Prospectus 30 Sep 2016[2]	1.19	1.05

[1]Unaudited, annualized for the six month period. [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

Markets notched a solidly positive Q2, with emerging markets leading the way and developed markets just behind against a backdrop of solid corporate earnings growth. European markets led the US in Q2 as several noteworthy elections—including France's presidential and parliamentary elections and the UK's snap parliamentary election—seemed to calm investor nerves about the likelihood for near-term dramatic political change.

As anticipated, the Fed raised its key rate 25bps in June, citing a relatively upbeat outlook on US economic growth and employment. Elsewhere, the Bank of England and ECB struggled to clarify their plans for exiting more stimulative monetary policies, contributing to the market's sideways action toward the end of the quarter.

China was among the top-performing emerging markets as economic data improved and MSCI indicated it will include China A-shares in its index as of next year. Korea was also a strong EM performer, tied largely to the country's heavy technology-sector exposure. Brazil's market reversed its recent strength and was in negative territory as political scandals present continued headwinds.

Continuing their year-to-date trend, growth stocks outperformed value in Q2, and there has been little differentiation among size. Health care and technology stocks continued Q1's solid performance in Q2, along with industrials and financials. Technology has been the best-performing sector in the US and globally year to date, while energy has been the worst-performing sector on the year as oil prices remain subdued against a backdrop of ample global supply that seems unlikely to abate in the near term.

Performance Discussion

Similar to Q1, our portfolio outperformed both the Russell Midcap® and Russell Midcap® Growth Indices, with growth stocks again in favor. Meanwhile, more cyclical categories fared worse as investors' post-election hopes for tax reform, increased infrastructure spending and regulatory rollbacks faded.

On a sector basis, relative strength was broad-based, with energy being our only clear detractor. Conversely, our combined consumer discretionary and consumer staples positioning was our biggest source of relative strength in Q2. Our holdings, which were collectively positive while benchmark peers were down, were aided in part by below-benchmark exposure to e-commerce-challenged traditional brick-and-mortar retailers. Notably, Crop℠ holding Ulta Beauty is thriving relative to its peers—same-store sales rose 14% in the most recent quarter—in part due to the challenges facing traditional department stores, which are seeing weakening beauty product sales. In contrast, Ulta Beauty is taking share through its investments in e-commerce, improved loyalty program and wider selection of products and unique brands—differentiating it from department stores and capitalizing on shifting consumer preferences for specialty beauty products.

Among our top contributors in Q2 were Regeneron, Global Payments and Veeva Systems. Regeneron was a meaningful detractor from relative performance in 2016 as the Praluent® launch fell shy of expectations and Eylea® sales growth matured. We maintained our position based on our conviction in its pipeline—including Dupixent®, a biologic treatment for moderate-to-severe atopic dermatitis—and we have thus far been rewarded in 2017 for our patience. Dupixent® was awarded FDA approval in late March, and early metrics imply a promising start for adoption. We believe this medicine has tapped into an important biologic mechanism that drives multiple other allergic conditions, including asthma, which should be an important profit growth driver for years to come. Meanwhile, Regeneron continues making progress on earlier stage R&D projects, including its checkpoint inhibitor for cancer immunotherapy.

Global Payments' focus on software-enabled payments is differentiating it from other merchant acquirers, contributing to accelerating organic growth and solid margin expansion. Its recent acquisition of Heartland Payments is beginning to yield meaningful fruit as it expands its reach into international markets, adding to the company's growth runway. We believe management has effectively allocated capital, and as growing cash flows continue offsetting the Heartland acquisition debt, we anticipate new capital allocation catalysts in the coming quarters.

Veeva Systems is steadily growing its customer relationship management and its Vault products—both cloud-based systems aimed at life-sciences industry customers. Encouragingly, there are nascent signs of uptake for its software among customers in other industries—including recent wins of two Fortune 500, top-30 chemical companies. These early initiatives as well as the company's new clinical trial data-management product for the life-sciences industry appear promising to us and could add meaningfully to the company's growth runway.

Among our relatively few individual negative contributors in Q2 were HD Supply, Advance Auto Parts and energy holdings Concho Resources and Diamondback Energy. HD Supply is a leading distributor of maintenance and repair supplies to residential apartment managers. We were initially attracted to the franchise's potential to take market share in a fragmented industry, driving attractive levels of margin expansion and cash-flow growth. However, over the past year, poor operational execution has resulted in mistimed inventories and lost sales. Though we were encouraged by nascent signs these headwinds were lifting earlier this year, we now anticipate the company will need to reinvest more heavily in IT systems and customer service as it faces rising pressure from e-commerce competition, which raises the bar on pricing transparency and customer convenience. We exited our position in favor of more compelling opportunities elsewhere.

We initiated our campaign in Advance Auto Parts (AAP) on the thesis that there was ample room for the company's new management team

to turn around operational challenges and close the substantial margin gap between AAP and peers O'Reilly and Auto Zone. While we have seen some supportive evidence for our thesis, progress has been slower than we anticipated, and AAP again disappointed investors in early 2017 as investments in customer-facing improvements and ongoing inventory optimization efforts are crimping margins. We are watching for signs these investments will pay off and the profit cycle we envisioned will take hold in the coming quarters.

Against a backdrop of moderate commodities prices, we believe that high-quality franchises with top acreage in the US's Permian Basin, such as our holdings Concho Resources and Diamondback Energy, are positioned for a healthy profit cycle. However, year to date, both stocks have been challenged as crude prices have retreated amid an ongoing supply glut. We are remaining patient for now, as we believe both holdings are capable of increasing production even amid the current commodities environment.

Portfolio Activity

We added to Expedia, Gartner and Edwards Lifesciences in Q2. Expedia is making progress consolidating its recent acquisitions of Travelocity, Orbitz and HomeAway, and bookings across its platforms are growing solidly. Further, we believe Trivago, in which Expedia holds a majority stake, is poised to take share in online travel search given its high-quality user interface and effective investments in TV advertising. We added to our position based on our conviction Expedia is well positioned to capitalize on the ongoing secular shift of travel bookings to online vendors.

Gartner is a provider of IT business services to the technology industry. Since first purchasing it in Q2 2013, management has successfully increased sales and client retention, which have contributed to attractive levels of free cash flow. Earlier this year, Gartner announced it was acquiring CEB, a provider of human resources and talent management-related insights. Given the management team's successful track record of turning around a similar business model in Gartner, we anticipate it should be able to do the same for CEB, adding another leg to the growth runway.

Edwards Lifesciences (EW) is the leader in transcatheter aortic valve replacements (TAVR), which is one of the fastest-growing, large medical device markets globally, and we believe it has years of growth ahead of it. A valuation correction in the back half of 2016, driven by decelerating sales growth and negative sentiment toward growth stocks, allowed us to add it to the Garden℠ in early 2017 at what we viewed as an attractive valuation. In addition to its TAVR market opportunity, EW is assembling an interesting early stage pipeline of novel products to treat mitral valve disease, which represents an even larger potential opportunity than the TAVR market. Reaccelerating sales in Q1 lent support to our thesis, and we've since added to our position.

We also initiated several new campaigns in Q2, including BWX Technologies, First Republic Bank and Progressive. BWX Technologies, which we became acquainted with through our small-cap portfolio, is the dominant provider of nuclear reactors to the US Navy and a leading supplier of components and services to the commercial nuclear power industry. Based on the Navy's current procurement plans and the strength of BWX's commercial business, we believe the company is capable of growing profits at an impressive clip in the coming years. Our research also suggests there is a desire within Washington, D.C., and among the military to expand these procurement plans to include additional submarines and/or aircraft carriers, which could represent meaningful additional upside to BWX. Meanwhile, we anticipate the company will continue using its predictable cash flows to enhance its franchise through bolt-on acquisitions.

With a strong reputation for customer service, a branch footprint in growing cities, solid technology infrastructure and a long history of low credit losses, First Republic Bank (FRB) is one of the few mid-cap banking franchises which we consider truly differentiated. Further, FRB has been consistently gaining share of high net worth households in its chosen markets—which in turn has driven solid loan growth—with significant market share still available. The company has also been investing to build out its private wealth management franchise, which enhances growth as well as return on equity. As with our other financials franchises, FRB would benefit from a rising interest-rate environment, though our thesis is not predicated solely on that expectation.

Our experience owning LKQ, an alternative collision parts distributor, and Guidewire Software, a provider of enterprise software for property and casualty insurers, has taught us that lower costs and better data and analytics are among the keys to success in a competitive auto insurance industry. Progressive has demonstrated leadership on both fronts, which has allowed it to profitably gain share over time. Further, it continues investing in new technologies, such as in-car monitoring and machine learning, to better segment its customers based on risk profiles. In addition, we believe Progressive's 2015 acquisition of American Strategic Insurance is transformational long term as it allows Progressive to enter the homeowners' insurance market. With the majority of US auto insurance policies currently sold in an auto-and-homeowners bundle, this acquisition gives Progressive access to this large market, broadening its growth runway.

We trimmed our exposure to video game franchises Electronic Arts and Activision Blizzard as well as Waste Connections in Q2. Electronic Arts and Activision Blizzard contributed to our relative strength in Q2 and have year to date as well, and we believe their fundamentals are intact, but pared our exposure based on our valuation discipline.

Waste Connections' management team has executed well, improving the operations of recently acquired Progressive Waste Solutions, and we believe it remains the best franchise in the waste-management industry. However, we trimmed our position as it approached our estimate of private market value.

We exited Panera Bread, NVIDIA and Dollar Tree in Q2. We purchased fast-casual restaurant operator Panera Bread in Q4 2016 tied to our belief it could successfully drive accelerating growth as it concluded an investment cycle that had focused on new store models, mobile ordering and delivery. In April 2017, JAB Holdings acquired Panera at an attractive premium, and we consequently exited our position.

On the back of its incredible performance, NVIDIA has been our strongest overall gainer in Q2 and 2016. We have been impressed by how NVIDIA sits at the center of multiple compelling secular trends in computing, including artificial intelligence, gaming and automated driving. However, we concluded our successful investment campaign as NVIDIA's valuation has risen and as its market capitalization has dramatically outgrown our typical mid-cap threshold.

We first purchased Dollar Tree in Q1 2015 following its acquisition of Family Dollar. We believed the acquisition offered opportunities for Dollar Tree to drive margin expansion as it turned around Family Dollar. However, an already challenging retail environment has only become more so, and the grocery industry has in particular become more competitive. Though Dollar Tree's core business remains healthy, its integration of Family Dollar is taking longer than we anticipated, challenging our thesis. With little visibility into when a turnaround may take hold, we exited in favor of more compelling opportunities elsewhere.

Portfolio Statistics

As of June 30, the portfolio had a median market cap of $12.6 billion and a 3-5 year forecasted weighted average earnings growth rate of 18%. Our holdings were selling at a weighted harmonic average P/E (excluding negative earnings) of 25X FY1 earnings and 21X FY2 earnings. As of quarter end, we held 64 positions. Our top 20 holdings accounted for roughly 53% of portfolio assets as of quarter end. Our top 30 holdings represented about 68% of portfolio assets.

Perspective

Through the year's first half, markets have favored innovative growth stocks, which has been a tailwind for our absolute and relative performance. However, true to our mantra that "stocks follow profits over time," we have stayed focused on profit trends within the portfolio—which in the short term can diverge from market sentiment. In this regard, we have been pleased to witness a wave of thesis-affirming earnings reports from many of our Crop℠ holdings. In fact, the April–May earnings season on balance struck us as the most positive we have seen in years.

Certainly a reasonably healthy macro environment has helped profit trends within the portfolio. But as we reflect on our large Crop℠ holdings, we see numerous examples of forward-looking companies who have responsibly reinvested in their franchises—regardless of short-term macroeconomic volatility—and are today seeing those investments bear fruit. For example, Veeva Systems' strong results year to date are a direct result of its commitment in recent years to devoting a portion of its base business cash flows to developing new products (the Vault document management service) and more recently new end markets (taking Vault outside of life sciences). Within payments processing, Global Payments' somewhat controversial (at the time) acquisition of Heartland Payments is today driving faster revenue and profit growth. Guidewire Systems' decision to take a step back in operating margins over the last year in order to invest in cloud-enabling its software has now positioned it for faster revenue growth in the periods ahead. And Regeneron's effective reinvestment of profits from its flagship drug Eylea® are now paying off via the aforementioned successful launch of Dupixent®.

In the short term, reinvestment cycles can suppress profits and stock performance as investors reset their earnings expectations lower. In fact, such franchises—whose earnings and stock price are depressed due to investments to support what we find to be a promising, but unproven profit cycle—are exactly what we tend to look for in new Garden℠ investments. For our larger holdings, reinvestment cycles can represent healthy signs of discipline as management teams trade short-term profit maximization for more durable growth opportunities. Or alternatively, they can put us on alert for signs of maturing growth and rising competitive pressures. We believe our team's collective experience in evaluating countless profit cycles over time gives us an advantage in making these important judgment calls.

Looking forward, we expect the macroeconomic environment to help shape investors' appetite for growth versus more cyclically oriented companies. We don't currently see much evidence that macro fundamentals are lining up to deliver the cyclical bull case. However, should cyclicals decisively resume market leadership, we have reasonable balance in the portfolio in the form of our selective financials and energy exposure, as we've written about in recent quarters. While our exposure to businesses in cyclical industries has not been additive to relative performance year to date, we believe our holdings still represent promising profit cycles, even in an environment that favors more secular-oriented growth companies.

We recognize that valuations are not what they were at the beginning of the year, and we have been disciplined in our approach to harvesting stocks on valuation where appropriate (examples of which were cited earlier in this letter). While a market pullback would allow us to introduce some new franchises at better entry points, we've nonetheless remained active in the Garden℠, seeding it with companies we believe are exiting reinvestment cycles and are poised to deliver faster profit growth ahead.

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 30 Jun 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 comprise the following percentages of Artisan Mid Cap Fund's total net assets (including all classes of shares) as of 30 Jun 2017: Global Payments Inc 4.2%, LKQ Corp 4.1%, Regeneron Pharmaceuticals Inc 3.6%, Veeva Systems Inc 2.2%, Waste Connections Inc 2.2%, Concho Resources Inc 2.1%, Ulta Beauty Inc 1.9%, Guidewire Software Inc 1.9%, Gartner Inc 1.6%, Expedia Inc 1.5%, First Republic Bank 1.5%, Diamondback Energy Inc 1.2%, Electronic Arts Inc 1.0%, Activision Blizzard Inc 1.0%, Edwards Lifesciences Corp 1.0%, The Progressive Corp 1.0%, BWX Technologies Inc 0.9%, Advance Auto Parts Inc 0.9%. 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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Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Artisan Partners excludes outliers when calculating portfolio characteristics. If information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio statistics. **Median** is the data's midpoint value. **Weighted Harmonic Average** is a calculation of weighted average commonly used for rates or ratios. **Weighted Average** is the average of values weighted to the data set's composition. **Market Cap** is the aggregate value of all of a company's outstanding equity securities. **Earnings Growth Rate** is the annual rate at which a company's earnings are expected to grow. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Private Market Value** is an estimate of the value of a company if divisions were each independent and established their own market stock prices. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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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