Artisan Mid Cap Value Fund

QUARTERLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX | Institutional Class: APHQX

As of 30 September 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

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

Thomas A. Reynolds IV
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTQX	**3.10**	**7.29**	**15.08**	**6.33**	**11.15**	**7.75**	**10.64**
Advisor Class: APDQX	**3.10**	**7.35**	**15.23**	**6.43**	**11.21**	**7.78**	**10.66**
Institutional Class: APHQX	**3.14**	**7.49**	**15.37**	**6.56**	**11.40**	**7.89**	**10.73**
Russell Midcap® Value Index	2.14	7.43	13.37	9.19	14.33	7.85	10.27
Russell Midcap® Index	3.47	11.74	15.32	9.54	14.26	8.08	9.75

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. Institutional Class performance is that of the Investor Class from 28 March 2001 through the inception of the Institutional Class on 1 February 2012, and actual Institutional Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Institutional Class for the period prior to the Class's inception, and Institutional Class performance results would differ if such expenses were reflected.

Expense Ratios	ARTQX	APDQX	APHQX
Semi-Annual Report 31 Mar 2017[1]	1.19	1.06	0.97
Prospectus 30 Sep 2016[2]	1.16	1.06	0.96

[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

The bull market continued on in Q3, with US stocks advancing across the market-cap spectrum. Not even devastating hurricanes, high-profile cyber-attacks and a potential nuclear war with North Korea could temper sentiment. The US economy proved resilient, and corporate profits appear strong. The US Federal Reserve left the door open for another interest rate hike in December—a sign of confidence in the economic backdrop. Investor sentiment was further boosted by improvements in the labor market and renewed confidence in possible tax cuts.

Growth stocks outperformed value stocks and remain meaningfully ahead YTD. Global cyclical sectors (materials, industrials and energy) outperformed, while defensives (health care, consumer staples) lagged. Energy stocks found their footing in the quarter on the back of a strong rebound in oil prices in September. Oil prices climbed above the $50/barrel mark. However, even with the uptick in Q3, energy remains a laggard YTD.

Performance Discussion

Our portfolio advanced in Q3, outpacing the Russell Midcap® Value Index. A number of our top performers stemmed from the industrials sector, including Rockwell Collins, Air Lease and Ryder System. Rockwell Collins is a provider of communications and aviation electronics for military and commercial customers. Shares advanced on news of an acquisition by diversified industrial conglomerate United Technologies. In our view, the deal makes strategic sense—there's minimal product overlap between the companies, and the scale of the combined business allows for a more advantageous negotiating position with Boeing and Airbus. We've held the stock since 2008 and used strength to trim our position.

Shares of global aircraft leasing company Air Lease continued their ascent in Q3—the name has been a standout for us over the past year, as solid execution and healthy global air travel demand have buoyed shares. Air Lease places aircraft on long-term leases well before they are scheduled for delivery, locking in long-term cash flows. We believe the company is a best-in-class operator, and we like its management team, which operates with a long-term focus and conservative financial profile.

Ryder System is one of the largest, full-service truck lease and commercial rental companies. The company is executing well, with its truck rental business picking up along with rental demand. We believe Ryder will benefit further as companies increasingly outsource their transportation needs. We have maintained a position in Ryder (in varying weights) since 2005, and we continue to like its scale, cost of capital advantages and strong service business. In our view, it's an above-average business selling at an undemanding valuation.

North American auto retailer AutoNation aided results. Despite costs rising as the company spends to build out its brand, AutoNation's strong cash profile has allowed it to decrease leverage. AutoNation has a history of smart capital allocation, and with shares under pressure, the company added $250 million to its buyback authorization—reinforcing its focus on creating per-share economic value. Additionally, although flooding in Texas will likely hamper near-term results, it could be a tailwind in the future as water-damaged cars are repaired and replaced. (Texas represents about 20% of company revenue.) We believe that based on a reasonable assumption of annual SAAR in the US, the valuation is compelling, and that management is focused on increasing per-share economic value.

Shares of InterActiveCorp (IAC) also worked in our favor. Although technically classified as a technology name, we consider IAC more of a consumer holding, operating sites such as HomeAdvisor, Match and Tinder. Shares advanced on investor optimism over the monetization of Tinder as the company rolled out Tinder Gold, a paid version of Tinder that provides users a number of additional features and controls. In our view, shares of IAC still appear to trade at a discount on a sum-of-the parts basis, and it has a healthy cash position with what we view as a best-in-class management team.

Looking to areas that worked against us, our utilities exposure was a headwind, as shares of regulated utility SCANA Corp detracted. At the end of July, SCANA and partner Santee Cooper announced they would halt construction on their nuclear project after nine years of progress. When SCANA initially agreed to embark on the project, it was guaranteed under the BLRA (Base Load Review Act) that the company would get paid for prudent expenses should the project fall through. However, politicians are threatening to fight the BLRA in an attempt to appeal to their constituents' concerns over lost jobs and increased electric bills, potentially altering SCANA's ability to recoup costs. The outcome is uncertain at this point, and we are closely monitoring the situation.

Health care holding AmerisourceBergen, a drug distribution company, weighed on results. Faster-than-anticipated deceleration in generic drug pricing and moderating inflation in branded drug pricing has weighed on investor sentiment and company profits, pressuring shares. There's also increasing concern about Amazon entering the marketplace. We believe the selloff is overdone—drug distributors are critical to the health care system, as they have the scale and scope to get crucial pharmaceuticals to end users in a time-sensitive and cost-effective manner. Further, these are relatively low capital-intensity businesses that generate significant amounts of free cash flow, resulting in high returns on capital. We believe AmerisourceBergen is an above-average business that has managed to compound value well over time. It returns a good deal of cash flows to shareholders via dividends and share repurchases, and it has a management team financially aligned from a ROIC basis.

Shares of global advertising and marketing services holding company Omnicom Group detracted, as fears of structural headwinds and secular change in the industry have weighed on investor sentiment. While we acknowledge the fears, the company has made modest headway with share repurchases, it's an asset-light business with a history of good returns, and it has a healthy dividend yield.

Despite an early quarter rally, tax preparer H&R Block ended Q3 in negative territory (we had used strength in June and August to trim our position before the stock sold off). Shares took a breather following a quiet quarter—the trends heading into the 2018 tax season are uncertain, and H&R Block has provided little guidance. The company's balance sheet remains in good shape, and it generates ample cash, with much of it allocated to dividends and share repurchases.

Portfolio Activity

We reestablished our position in food retailer Kroger as the stock sold off on ratcheting competitive intensity and on fears food price disinflation may pressure top-line growth. Over the past few years, Kroger's sales growth has benefited from its push into natural and organic products, a data-driven loyalty program and an expanded private-label selection. However, more recently, industry price competition has intensified as competitors have begun replicating Kroger's success in these areas and on Amazon's recent acquisition of Whole Foods. While we appreciate the headwinds and do not discount Amazon's entry, we are attracted to Kroger's large store footprint, operational efficiency and best-in-class management team. The company has a high ROE and sound balance sheet, it generates strong free cash flow, and it has a history of creating shareholder value through share buybacks and dividends.

Axalta Coating Systems was another new position. The company is a global manufacturer, marketer and distributor of high-performance coating systems. While the company's end markets (which are largely automotive-related) are cyclical, Axalta's global reach and diversified global end-market exposure provide some shelter from the cycle. The stock has been pressured by a number of things, including a recent shortfall on the back of distributor renegotiations, a product mix shift, earthquakes in Mexico and hurricanes affecting raw materials, demand interruptions, etc. These pressures provided us an opportunity to initiate our position—in our view, the company has good returns on capital, impressive and relatively stable margin profiles, the ability to generate free cash flow and strong pricing power in the refinish business.

In terms of sales, we exited our position in thermal-imaging systems maker FLIR Systems as shares hit our target price range.

Business Update

We are pleased to announce that Thomas A. Reynolds IV has joined the firm as a portfolio manager on the U.S. Value Team. In this role, he will co-manage the team's two Funds—Artisan Value and Mid Cap Value Funds. Tom has 18 years' industry experience and 4 years' portfolio management experience overseeing a small-cap value strategy and, more recently, an all-cap value strategy.

Concurrently, George Sertl has announced his plans to retire from Artisan Partners. He has stepped back from portfolio management effective October 3, 2017, but will remain on the team to the extent necessary to aid in transitioning his research coverage to other team members. Since George joined the firm in 2000, he has played a key role alongside Jim Kieffer in building the U.S. Value team's franchise. We thank George for his contributions and wish him well in the next phase of his life.

Jim Kieffer and Dan Kane will continue in their roles as co-managers, along with Tom, of Artisan Value and Mid Cap Value Funds.

Perspective

With the recent business update, we feel it's important to reiterate our philosophy and process, which has remained consistent since our founding. We employ a bottom-up investment process to construct a diversified portfolio of value-oriented investments that we believe are undervalued, in solid financial condition and have attractive business economics. Our effort is geared toward stacking the deck in our favor, i.e., we want the business on our side, the balance sheet on our side and valuation on our side. Experience has taught us that investing in companies with these characteristics tilts the risk/reward in our favor over the long term.

We seek companies with healthy balance sheets, strong liquidity and financial flexibility. Focusing on financial condition helps us in many ways. A company with a strong financial position can reinvest in its business, make acquisitions at opportune times, buy back stock and/or pay down debt. Additionally, our experience has taught us that when we are wrong on an investment and it has a sound financial condition, we will still lose money, but we have found that we typically lose significantly less than if we were invested in a company that was highly levered.

For the business economics characteristic, we take a private businessman's perspective and focus on the free cash flow and return on capital capabilities of the business. These two elements are necessary ingredients for the long-term prosperity of a business. Focusing on these elements helps us avoid value traps and instead targets situations where the potential exists for growth in business value.

All three of these characteristics are critical to our investment process. Our goal is to find investments that are strong on all three counts. We think of these characteristics as analytical guardrails that help us avoid taking on excessive business and/or financial risk.

Our process aims to take advantage of market inefficiencies. We seek cash-producing businesses in strong financial condition that are selling at undemanding valuations. More to the point, we want to stack the odds in our favor by buying cash flows as cheaply and safely as possible.

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 30 Sep 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 30 Sep 2017: Air Lease Corp 4.1%; AutoNation Inc 2.9%; IAC/InterActiveCorp 2.3%; Ryder System Inc 2.3%; Omnicom Group Inc 1.9%; The Kroger Co 1.8%; AmerisourceBergen Corp 1.8%; Axalta Coating Systems Ltd 1.5%; SCANA Corp 1.2%; H&R Block Inc 1.2%; Rockwell Collins Inc 1.2%. 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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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Return on Invested Capital (ROIC)** is a measure of how well a company generates cash flow relative to capital invested in the business. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity.

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