Artisan Mid Cap Value Fund

QUARTERLY
Commentary

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

As of 31 December 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 31 December 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTQX	**4.72**	**12.36**	**12.36**	**7.44**	**11.32**	**8.86**	**10.78**
Advisor Class: APDQX	**4.76**	**12.46**	**12.46**	**7.55**	**11.39**	**8.90**	**10.80**
Institutional Class: APHQX	**4.78**	**12.62**	**12.62**	**7.67**	**11.56**	**9.01**	**10.87**
Russell Midcap® Value Index	5.50	13.34	13.34	9.00	14.68	9.10	10.46
Russell Midcap® Index	6.07	18.52	18.52	9.58	14.96	9.11	9.98

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
Annual Report 30 Sep 2017	1.17	1.06	0.97
Prospectus 30 Sep 2016[1]	1.16	1.06	0.96

[1]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

2017 proved to be a stellar year for stocks, which largely moved in one direction—up. Q4 was no anomaly, as stocks advanced across the market-cap spectrum. Strong corporate profits and a strengthening US economy helped buoy shares. Adding to positive investor sentiment was tax overhaul, passed in December, which is anticipated to provide sizable tax savings to US corporations and encourage companies to return foreign profits held overseas.

Looking at the year, US large-cap stocks outperformed both mid- and small-cap stocks, while growth stocks meaningfully outperformed value. The majority of sectors posted double-digit gains, led by technology. Telecom and energy were the only down sectors in the year, with energy down despite oil prices hitting their highest levels since mid-2015 in December.

Performance Discussion

Our portfolio advanced but fell shy of the Russell Midcap® Value Index in Q4. World Fuel Services, an asset-light fuel logistics company, was our largest detractor. Increased competitive pressures, ample credit availability and weakness in marine fuel markets have pressured results. Positively, its aviation business is performing well, aided by an uptick in fuel prices and the integration of recent acquisitions. We continue to like the company's free cash flow generation and its global platform with market leadership positions.

Shares of car-listing service Cars.com backtracked in response to a weaker-than-expected quarterly earnings report. With competition rising faster and more intensely than we first thought, resulting in a crowded marketplace, we decided to exit our position in favor of more attractive opportunities.

Insurance provider Arch Capital Group weighed on results. Investors had bid up the name in October largely on expectations that industry-wide losses related to tropical storms would lead to rising insurance rates. However, investors have recently been questioning whether the losses were great enough to force a turn in pricing, weighing on shares. We're long-term investors and remain attracted to Arch Capital's track record of successfully navigating industry cycles and growing its book value through its disciplined approach to underwriting.

Shares of insurance broker Aon detracted as the company reported weaker-than-expected organic growth. Similar to Arch Capital, sentiment was affected by perceptions of a turn in insurance cycle pricing. Despite the weakness in the quarter, the name remains a positive performer in 2017. We've held shares since 2010, and it's been a value-added holding for us.

On the up side, Q3 purchase Kroger was a top performer. The food retailer remains focused on maintaining and building upon its competitive advantages in an effort to combat intensifying competitive headwinds. We anticipate the structural headwinds will remain, but we believe Kroger can continue to thrive given its willingness to meet customer needs. We are attracted to Kroger's large store footprint, operational efficiency and best-in-class management team. Further, the company earns good returns on capital, has a sound balance sheet, generates strong free cash flow and has a history of creating shareholder value through share buybacks and dividends.

Also among our top contributors was Air Lease (AL)—shares of this global aircraft leasing company advanced in part due to ongoing solid execution and healthy global air travel demand. Air Lease is also perceived to be a large beneficiary of tax reform. Specifically, AL's book value per share could increase ~$3 and GAAP EPS should increase 20%. The stock advanced in line with the increase in book value and the trading multiple; however, we highlight that nothing changes on a cash flow basis for AL as it is not a cash tax payer and its lenders grant credit on cash flow. While much of the focus in the near term is on tax reform, the continued strength in Asian economies has led to increased investor confidence in the region's long-term air travel growth trajectory. We believe Air Lease is a best-in-class operator, and we like its management team, which founded the industry and has been through several cycles. AL operates a conservative financial profile and focuses on creating long-term shareholder value.

Construction and engineering company Fluor worked in our favor. The company reported a clean quarter following a couple of quarters of project write-downs and disappointing backlog bookings. Fluor continues to produce free cash flow even at cycle lows, distributing most of it to shareholders through dividends and share repurchases. Further, its balance sheet is strong with a net cash position.

Shares of diversified media company News Corp advanced in the latter half of the quarter, somewhat in sync with news that its sister company, Twenty-First Century Fox, was negotiating selling its movie studio assets to Disney. Some market pundits believe that once the asset sale closes, the Murdoch family may look to reunite News Corp with NewFox. By our estimate, News Corp sells at a substantial discount to the sum of its parts, so a regrouping of assets may make sense from a strategic and financial perspective.

Portfolio Activity

We established a position in Amerco (the parent company of U-Haul). We think it's a quality business with an attractive long-term outlook due to the compounding of book value from its large scale advantages. The company owns and operates the largest fleet of rental trucks for the DIY mover, and has an unmatched network of locations that provides a competitive moat for the city-to-city movers' market. It also owns and operates a storage business that recently underwent a major buildout, and we believe EPS should advance as occupancy grows. In our view, the company has a strong financial profile and the ability to earn a mid-teens ROE, and valuations look to be a relative bargain, trading at a discount to similarly positioned businesses.

TripAdvisor (TRIP) was another new purchase in Q4. The company owns and operates a portfolio of online travel websites, including leading travel review website TripAdvisor.com. Users post reviews of hotels, restaurants, attractions, etc., to the website for others to read and gain insight. Since Google ranks consumer/original content highly in organic search results, travel-information seekers are led to TRIP's website, resulting in a low-cost customer acquisition funnel. We believe the brand and depth of reviews are valuable and difficult to replicate. Due to the high user engagement on TRIP's websites, TRIP's users are influential in the large ($1.4 trillion) and growing (online travel booking growing north of 10% per year) travel industry. Currently, TRIP's ability to monetize its user base is being questioned by investors. Our research leads us to believe TRIP will be able to improve user monetization in the years to come. Further, TRIP is a strategically valuable asset to other companies in the industry. Finally, TRIP has a strong balance sheet (net cash) and a business generating healthy free cash flow, which provides the company time and resources to improve user monetization in the years to come.

In addition to Cars.com (mentioned previously), we exited our position in Hubbell in favor of opportunities we believe have more upside potential. We moved on from our position in gold miners Goldcorp and Kinross Gold as business fundamentals didn't advance as we'd hoped.

We also exited our position in regulated electric gas utility SCANA. 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 be abandoned. However, politicians are threatening to fight the constitutionality of 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 that have already been spent and deemed prudent (and are thus protected under the BLRA Law). We decided to exit our position on the heightened political uncertainties.

Perspective

As 2017 proved to be another strong year for stocks, we'd remind investors that businesses don't move in a straight line—and neither should stocks. That's why, as investors have chased momentum, yield and particular hot sectors of the economy over the past eight-plus years, we've instead stayed true to our investment approach—employing our 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.

We often discuss how there are two ways to generate alpha: from what you own in the portfolio and from what you don't own. We look a lot different from the index, and that's by design. We build our portfolio on a stock-by-stock basis, caring less about what the index owns and more about how attractive the investment opportunity is. Hence, our sector exposure is the result of our individual selections rather than an intentional top-down, sector allocation strategy. At the same time, we stay keenly aware of where our economic exposures are and of other correlation factors.

Though we build our portfolios one stock at a time, it has been (and remains) our contention that the largest source of alpha in the current market may very well come about from the avoidance of more expensive sectors. An example of this would be our aversion to REITs and utilities over the past few years (about a 2% combined weight in our portfolio vs. 24% in the Russell Midcap® Value Index as of December 31, 2017). In spite of valuations that appear full to us, these interest-rate proxies outperformed in 2014 through 2015 as investors' thirst for yield in a low interest-rate environment pushed them higher. However, over the past 18 months or so, these areas meaningfully underperformed, and our lower exposure proved a source of relative alpha.

Valuations, business strength and financial condition ultimately matter much more than any sentiment swings. We believe that what you don't own at this moment in the market is just as important as what you do own. We see a large number of individual names that are selling at much higher valuations than normal. We like how the portfolio is positioned, and at this point in the economic cycle, we believe avoiding some of these high-valuation areas can 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 Dec 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 Dec 2017: Air Lease Corp 4.5%; The Kroger Co 2.4%; Fluor Corp 2.3%; Arch Capital Group Ltd 2.2%; News Corp 2.1%; Aon PLC 2.0%; AMERCO 1.8%; TripAdvisor Inc 1.4%; World Fuel Services Corp 1.3%. 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.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Generally Accepted Accounting Principles (GAAP)** are the common set of accounting principles, standards and procedures that companies use to compile their financial statements. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Alpha** is a quantitative measure of the volatility of the portfolio relative to a designated index. A positive alpha of 1.0 means the fund has outperformed its designated index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

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

1/16/2018 A17728L_vR