Artisan Mid Cap Value Fund

QUARTERLY
Commentary

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

As of 31 March 2023

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.

Portfolio Management

Thomas A. Reynolds IV
Portfolio Manager

Daniel L. Kane, CFA
Portfolio Manager

Craig Inman, CFA
Portfolio Manager

Investment Results (%)

As of 31 March 2023	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	**4.89**	**4.89**	**-6.98**	**23.01**	**5.81**	**6.65**	**9.39**
Advisor Class: APDQX	**4.92**	**4.92**	**-6.85**	**23.21**	**5.97**	**6.77**	**9.44**
Institutional Class: APHQX	**4.91**	**4.91**	**-6.83**	**23.27**	**6.04**	**6.88**	**9.51**
Russell Midcap® Value Index	1.32	1.32	-9.22	20.69	6.54	8.80	9.31
Russell Midcap® Index	4.06	4.06	-8.78	19.20	8.05	10.05	9.40

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. Class inception: Investor (28 March 2001); Advisor (1 April 2015); Institutional (1 February 2012). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTQX	APDQX	APHQX
Annual Report 30 Sep 2022	1.20	1.04	0.98
Prospectus 30 Sep 2022[1]	1.20	1.05	0.99

[1]See prospectus for further details.

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

US equities overcame a banking crisis and rising recession fears to finish higher in Q1. Risk assets benefited from further signs of cooling inflation, lower long-term Treasury yields and expectations of easier monetary policy in the second half of 2023. The Russell Midcap® Value Index gained 1.32% in Q1. The year kicked off with strong returns in January followed by two down months in February and March. However, this pedestrian three-month result obscured the substantial performance dispersion within US equities by market capitalization, style and sector. Substantial gains by a handful of mega-cap stocks (i.e., the FAANGs) that have big index weights in the large-cap core and growth indices drove strong outperformance for large caps and growth stocks. Almost 80% of the large-cap Russell 1000® Index's 7.46% Q1 return was generated by only 10 names, many of which were technology stocks that had trailed in 2022. In contrast, the top 10 contributors in the Russell Midcap® Value Index generated less than 1% of the index's Q1 return.

Among mid-cap value stocks, technology stocks led the way with a 12% return. Communication services, consumer discretionary and industrials stocks also outperformed with solid gains of about 6%-7%. The financials sector, driven by weakness in banks, was the worst performer, declining 8%. Energy stocks were also weak, falling 7% on lower oil prices. Defensive stocks—health care, consumer staples, utilities and real estate—also lagged.

The biggest story in Q1 was undoubtedly the events of mid-March in the regional banking sector. There's a saying among investors, "the Fed will hike interest rates until something breaks." Certainly, we're beginning to see the effects of one of the fastest ever Fed rate-hiking cycles. The failure of Silicon Valley Bank (SVB)—the largest bank failure since the 2008 financial crisis—was in many respects an outlier due to its amount of unrealized losses on the balance sheet, share of uninsured deposits and extremely geographically concentrated client base. However, tighter policy is clearly putting stress on the wider financial system. UBS' arranged takeover of fellow Swiss bank Credit Suisse just a few days after SVB's collapse was further evidence of that. This may not be a credit crisis like that of 2008 or even a liquidity crisis, but with 3-month T-bills at 5%, savers have options beyond their bank account. The dynamic of low-cost deposits flowing out of the system and into higher yielding money markets and bond markets, increased price competition for remaining deposits and the significantly inverted yield curve are major headwinds for bank earnings prospects.

The immediate reverberations of banking sector turmoil were felt in government bond markets. The 2-Year Treasury yield fell more than 100bps over a 3-day stretch—its largest 3-day decline since the October 1987 stock market crash—on a flight to safety and a recalibration of the path of future interest rates. As March closed, relative calm had largely returned to markets following decisive government actions that included a new emergency lending facility and an implicit guarantee for deposits at troubled institutions.

Concerns about financial system stability will likely put pressure on the Fed to slow or pause rate hikes as banks are clearly struggling with the inverted yield curve. These conditions tend to cause a slowdown in lending, which should help tamp down inflation. Overall, while economic conditions have slowed since 2021, consumers are well financed, the job market is strong, and lending has not been too aggressive, which are generally strong supporting factors for normal economic activity. Regardless, we are not economic forecasters. We can see the inverted yield curve just like everyone else can, but our focus is on bottom-up company research rather than trying to predict the next recession. The work we do each day is preparation that should better position us to take advantage of opportunities to invest in good businesses at attractive prices. We believe these investment decisions, more than the short-term ebbs and flows in markets and the economy, are what should drive long-term investment success.

Performance Discussion

Our portfolio got off to a strong start in 2023, outperforming the Russell Midcap® Value Index. In contrast to 2022, when positive stock selection was offset by negative sector allocation impacts due to relative sector weightings in communication services, energy and utilities, in Q1, sector allocation impacts turned in our favor even as stock selection remained positive. Our above-benchmark weightings in the communication services, consumer discretionary and technology sectors proved beneficial. Positive stock selection was driven by our financials, technology and consumer discretionary holdings.

Our top contributors in Q1 were First Citizens BancShares, Warner Bros Discovery (WBD) and Vontier. All three were new purchases in 2022. Headquartered in Raleigh, North Carolina, and one of the largest family-controlled banks in the US, First Citizens (FCNCA) was a big winner on its announced acquisition of the failed Silicon Valley Bank. FCNCA is purchasing $72.1 billion in loans at a deeply discounted price of $16.5 billion. The transaction adds scale and geographic diversity and is financially attractive with downside protections from a loss-sharing agreement with the FDIC. FCNCA is now one of the top 15 largest US banks. The bank is run by and almost fully controlled by CEO Frank Holding and his family members. They have significant ownership, aligning their interest with minority shareholders like us. They've done an admirable job of growing the bank by keeping a strong capital and liquidity profile that allows for opportunistic M&A during times of market stress, like we just experienced in March. In the Global Financial Crisis, FCNCA used its position of strength to acquire when others could not, and during the COVID-induced stress of 2020, it flexed its muscles again with the acquisition of CIT at a great price.

Shares of WBD and other communication services stocks rallied strongly to start the year after trailing in 2022. There was little fundamental news to support the big moves early in the quarter, suggesting they were driven by a shift in sentiment or a new calendar and tax year. Quarterly results came in as expected, with advertising

revenues weak as expected. However, management showed good progress on cost synergy realization, debt reduction and free cash flow generation. WBD is a global media and entertainment company that is the result of the 2022 merger of Discovery and WarnerMedia. We believe the total portfolio of content and entertainment assets should provide a compelling direct-to-consumer offering to attract viewers and the scale to invest in original content. The company will be unveiling its refreshed streaming service in April. There is a lot of opportunity, but there's also uncertainty related to the merger's integration and realized cost synergies. These questions, in addition to a challenging macro environment for advertising and foreign exchange headwinds, have been overhangs on the stock price. Further, media and entertainment stocks have come under pressure due to skepticism about the industry's long-term economics. Our view is streaming is a scale and intellectual property business that will result in a few large winners, and we believe HBO Max will be among this group.

Vontier was a 2020 spinoff from Fortive. The Mobility Technologies segment (~76% of total sales) provides fuel dispensing and related software and services to retail and commercial gas stations operating under the Gilbarco Veeder-Root and Orpak Systems brands. At the time of our initial purchase in Q2 2022, the stock was weak for a few reasons. First, an upgrade cycle to EMV, a new payment technology, pulled forward sales into 2021, resulting in a sharper-than-expected hit to 2022-2023 sales. Sentiment was also weak due to supply chain disruptions, concerns about fuel consumption amid higher gas prices in the early months of the Ukraine war and longer term fears regarding EV market share growth. With these issues easing as of late and shares trading near trough valuations, the stock has reacted favorably to steady results. In addition to its cheap valuation, we are attracted to its free cash flow generation, high returns on capital, relatively asset-light business model and strong positioning in an industry that benefits from regulatory-driven demand.

Centene, the largest Medicaid managed care organization in the US, was our biggest detractor in Q1. Centene's shares held up relatively well during the market downturn in 2022 as investors sought safety, and we trimmed our position into that relative strength over the course of the prior year. In Q1, the stock was partially a victim of the rotation back to perceived beneficiaries of lower interest rates. Managed Medicaid is an important and growing industry serving low-income and disadvantaged populations, and Centene remains well positioned within it. Activist investors have helped shake up the management to steer a new strategic course involving asset disposals, cost cuts and a reorientation of priorities. We believe these efforts are positive for the company's continued self-improvement story focused on margin improvement to augment organic revenue growth.

Other laggards were Corebridge and Liberty SiriusXM Group. Corebridge, a provider of life insurance and retirement solutions, was previously a unit of AIG and a September 2022 IPO. It was a new purchase in the portfolio this quarter. When the events in the banking sector occurred in March, shares of Corebridge sold off along with the broader sector even though Corebridge is not a bank. Besides a more attractive asking price due to these events, our thesis is now that Corebridge is not a part of a large inefficient and capital-constrained parent, the company should have plenty of room to improve its competitive position. Establishing new processes that both improve capabilities and wring out efficiencies as a standalone entity should help improve ROE in coming years. It has a 4%+ dividend yield and a double-digit free cash flow yield, even after a year in which negative fixed income and equity markets reduced fee revenue. In addition to the dividend, free cash flow will be used to ensure holding company liquidity, repurchase stock and support modest growth expectations.

Our investment in Liberty SiriusXM consists of two tracking stocks: LSXMA and LSXMK, which each have a full claim on the economic value of Liberty Media's stakes in Sirius XM Holdings (SIRI) and Live Nation Entertainment (LYV). The tracking stocks offer attractive discounts due to the high quality of the assets owned, the undemanding look-through valuation of SIRI stock and management's history of creating value for shareholders. SiriusXM is contending with a tough macro environment. Soft auto sales are contributing to growth headwinds for net subscriber additions, and the advertising environment is challenging. Additionally, the company is increasing capital spending to revamp its streaming service and its underlying technology. This is necessary for long-term business success, but investors don't like the near-term impacts on cash flow and earnings. While we wait for better growth, shares trade cheaply, and it's a business we like. SiriusXM produces unique content, maintains a loyal subscriber base of over 30 million customers, has an 83% penetration rate in new vehicles and has strong cash-generation capabilities.

Portfolio Activity

In addition to our purchase of Corebridge during the quarter, we also added health care company Baxter International (BAX) and two banks: Fifth Third Bank and Comerica. BAX is a global medtech company providing essential products in renal care, medication delivery, advanced surgery, clinical nutrition, pharma and acute therapies. It has a diversified geographic reach and is a consistent producer of free cash flow. The stock trades at its cheapest valuation in years due to pessimism regarding raw material costs, supply chain issues, semiconductor availability and foreign exchange headwinds. We believe the company has turnaround potential as none of these are permanent conditions. BAX also meets our criteria for sound financial condition due to its high interest coverage and well-termed out debt on the balance sheet.

Loyal readers will be familiar with our catchphrase "fear and uncertainty." Investing is simple is theory, right? Buy low and sell high. Of course, when markets sell off and low prices manifest, fear can make it difficult to buy. Our process is built to capitalize on these market dislocations, when fear and uncertainty dominate, as was the case in the banking sector in Q1. Just like in 2020 when we added travel- and leisure- related businesses after they sold off on COVID

lockdowns or last year when we increased our investments in media and entertainment when they were out of favor, we are taking advantage of the current weakness in bank stocks. These are banks we have known for years. They are well-managed and have solid capital positions and liquidity. At the end of Q1, we had an ~11% weighting in banks consisting of FCNCA, Fifth Third Bank, Comerica, M&T Bank and Washington Federal. We believe the range of probabilities and long-term outcomes are tilted in our favor at current prices but are proceeding with caution for several reasons. First, while we believe deposit-runs have likely burned themselves out, there is a non-zero risk these runs spread wider than our base case. Second, we expect more regulation in coming years which will increase the cost of doing business, potentially in exchange for higher FDIC limits. Third, at the very least we expect banks to cease buybacks for the rest of the year to build up liquidity and capital ratios. There is an increasingly more likely outcome that banks issue equity capital and preferred stock once markets stabilize. Fourth, with the banking system in shock, it will likely retrench, which will constrict capital to the US economy. Coupled with the "long and variable lags" of Fed policy, this will slow US economic growth beyond what private credit markets can make up.

We funded these new purchases in part from sales of AmerisourceBergen, a drug distributor; Corteva, an agricultural chemical and seed company; Celanese, a producer of chemicals and advanced materials; and The Carlyle Group, an alternative asset manager. In the case of Carlyle, we moved to the sidelines due to a management change and fundraising headwinds in the industry. The other sales were due to finding better opportunities elsewhere.

Perspective

We have routinely discussed the prolonged era of low interest rates and how it set the stage for the craziness we saw in markets over the past few years. We are starting to see what the unwind of those conditions means for financial markets and the economy. In 2021, Bank of America said interest rates had reached 5,000-year lows! This was not one pocket of mania; it was across the board. With money pumped into the system, risk-taking was ascendant. Where did the excesses land? The poster children were crypto, MEME stocks, SPACs, profit-less growth, etc. Yet, our process touched none of these areas of MEMEntum. Why didn't we? Because we are fiduciaries that subscribe to a tried-and-true fundamentals-based investment philosophy and process and seek to maintain investment discipline. There is a quote by J.P. Morgan, "Nothing so undermines your financial judgement as the sight of your neighbor getting rich." Manias are contagious. If you see others getting rich, even if you do not understand why prices are going up, human behavior and jealousy are such that people will jump in regardless.

Of course, if there can be extreme euphoria on the upside, it must also be true there can be extreme despondence on the downside. Both must exist because of the nature of markets and human emotions which create prices in the short term. This is the basis of value investing. We designed our approach to take advantage of market dislocations—stacking the deck in our favor, leaning into probabilities and focusing on distinguishing between values and prices. We stack the deck by seeking to find better businesses in sound financial condition and buying them at prices below their intrinsic values. When values and prices diverge, there is an opportunity to double dip. Over your holding period, you not only receive the growth in business value but also the closing of the undervaluation gap as earnings and investor sentiment normalize. We look forward to continuing to seek better businesses selling at attractive values with the goal to generate above-average investment outcomes for our investors.

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.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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 2023. 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 2023: First Citizens BancShares Inc 4.0%, Warner Bros Discovery Inc 2.3%, Vontier Corp 2.9%, Centene Corp 1.9%, Corebridge Financial Inc 1.2%, Liberty SiriusXM Group 1.3%, Baxter International Inc 2.3%, Fifth Third Bancorp 1.7%, Comerica Inc 1.2%, M&T Bank Corp 1.9%, Washington Federal Inc 2.0%. 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.

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Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Yield curve** measures the difference in yields across maturities of US Treasury bonds. **Free Cash Flow Yield** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price. **Return on Capital (ROC)** is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Interest coverage ratio** is a financial ratio measuring a company's ability to make interest payments on its debt calculated as earnings before interest and taxes divided by total interest expense. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

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