



Artisan Mid Cap Value Fund

MONTHLY
Commentary

Investor Class: ARTQX | Advisor Class: APDQX

As of 31 August 2024

Commentary

Top month-to-date contributors: Arch Capital Group Ltd; Globe Life Inc; Genpact Ltd; Expedia Group Inc; The Progressive Corp

Bottom month-to-date contributors: Dollar General Corp; NOV Inc; Vontier Corp; Cable One Inc; nVent Electric PLC

In this space, we discuss one top contributor (Genpact) and one bottom contributor (Dollar General) from the recent month.

Quarterly results for Genpact, a business process outsourcing (BPO) company, exceeded expectations due to faster project ramps from deals won in 2023 and higher-than-anticipated sales in the areas of supply chain and risk. BPO companies are third-party providers of outsourced business services. Common areas that companies outsource are HR, finance/accounting and customer care. Genpact was a recent new purchase. At the stock's all-time highs in early 2022, Genpact was selling in the low \$50s at around 22X FY1 earnings. In June, when it was added to the portfolio, Genpact was selling in the low \$30s at a 10X multiple. Though the business had performed well—continuing to generate free cash flow and grow earnings—the market had become concerned about Genpact's future. Outsourcing is a tough industry. It's labor intensive, which can mean less pricing power, high rates of attrition and risks of labor arbitrage shifts. Plus there is the need for continual technology investment. Artificial intelligence is also a risk. However, technological-driven automation isn't new to this industry. Technology is continually replacing low-value work. Genpact is not a commoditized body shop. The company has domain expertise, its contracts are long term in nature, it provides services that are essential, and the tailwind of specialization via outsourcing appears to have a long runway. The business generates a lot of free cash flow, much of which is being returned to shareholders via dividends and share buybacks.

Shares of discount retailer Dollar General sold off after the company reported a weak set of results that included tepid same-store sales results, a decline in gross margins and a drop in earnings per share, causing the company to slash its full-year sales and earnings outlook. A combination of execution issues, competitive pressures and an increasingly constrained lower income consumer are hurting sales growth. Additionally, margins are under pressure due to labor costs, shrink and markdowns. Some of the issues are self-inflicted. After years of focusing on store growth to drive the top line, store standards have suffered. Addressing store standards is needed to turn around flagging traffic, comps and customer satisfaction. Additionally, its strategy to grow the share of sales that come from nonconsumables hasn't achieved its objectives as these products have tended to sit on store shelves, leading to more promotions and inventory write-downs. Turning the business around will take time, but the stock price is now back to 2016 levels, and multiple valuation metrics are the cheapest in the stock's history.

Portfolio Details

	ARTQX	APDQX
Net Asset Value (NAV)	\$16.72	\$16.62
Inception	28 Mar 2001	1 Apr 2015
Expense Ratios		
Semi-Annual Report 31 Mar 2024 ¹	1.24%	1.13%
Prospectus 31 May 2024 ^{2,3}	1.14%	0.99%

¹Unaudited, annualized for the six-month period. ²The Fund's operating expenses have been restated to reflect a reduction in management fees, effective as of 31 May 2024. ³See prospectus for further details.

Top 10 Holdings (% of total portfolio)

First Citizens BancShares Inc (Financials)	4.4
Analog Devices Inc (Information Technology)	3.6
U-Haul Holding Co (Industrials)	3.2
Lamar Advertising Co (Real Estate)	3.0
Expedia Group Inc (Consumer Discretionary)	2.9
Arch Capital Group Ltd (Financials)	2.7
Vontier Corp (Information Technology)	2.7
Globe Life Inc (Financials)	2.5
Waters Corp (Health Care)	2.4
Centene Corp (Health Care)	2.4
TOTAL	29.6%

Source: Artisan Partners/GICS.

Sector Diversification (% of portfolio securities)

	Fund	RMCV ¹
Communication Services	10.8	3.2
Consumer Discretionary	15.8	9.4
Consumer Staples	7.2	5.9
Energy	2.2	5.5
Financials	20.3	17.0
Health Care	11.2	9.4
Industrials	12.3	16.8
Information Technology	8.5	8.7
Materials	0.0	7.2
Real Estate	7.2	10.2
Utilities	4.4	6.9
TOTAL	100.0%	100.0%

Source: Artisan Partners/GICS/Russell. Cash and cash equivalents represented 2.0% of the total portfolio. ¹Russell Midcap® Value Index.

Investment Results (%)

As of 31 August 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	0.91	7.80	7.73	15.82	5.20	10.20	6.53	9.70
Advisor Class: APDQX	0.91	7.85	7.85	15.98	5.34	10.36	6.67	9.76
Russell Midcap® Value Index	1.89	8.04	12.95	20.19	5.40	10.80	8.31	9.78
Russell Midcap® Index	2.03	6.83	12.14	20.16	3.52	11.24	9.58	9.90

As of 30 June 2024

Investor Class: ARTQX	-1.34	-5.37	-0.06	7.88	2.79	7.47	5.78	9.42
Advisor Class: APDQX	-1.34	-5.34	0.00	7.92	2.92	7.62	5.91	9.47
Russell Midcap® Value Index	-1.60	-3.40	4.54	11.98	3.65	8.49	7.60	9.49
Russell Midcap® Index	-0.66	-3.35	4.96	12.88	2.37	9.46	9.04	9.66

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

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.

Market Cap Distribution (% of portfolio securities)

\$ in billions	Fund	RMCV ¹
36.7+	21.2	24.9
23.5–36.7	8.3	22.2
15.7–23.5	22.0	18.0
9.7–15.7	15.3	16.8
0–9.7	33.2	18.1
TOTAL	100.0%	100.0%

Source: Artisan Partners/Russell. ¹Russell Midcap® Value Index.

Team Leadership (Pictured left to right)



Portfolio Managers	Years of Investment Experience
Thomas A. Reynolds IV	25
Daniel L. Kane, CFA	26
Craig Inman, CFA	25

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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Fund's total net assets as of 31 Aug 2024: Cable One Inc 1.3%; Dollar General Corp 1.3%; Genpact Ltd 2.3%; NOV Inc 2.2%; nVent Electric PLC 1.5%; The Progressive Corp 1.4%. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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Sector exposure percentages reflect sector designations as currently classified by GICS.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings.

Source: Artisan Partners/FactSet. Contribution to Return includes the securities with the highest positive and negative contribution to the portfolio's return and is calculated by multiplying a security's portfolio weight by its in-portfolio return for the period. Purchases/sales are accounted for by using end of the day prices, which may or may not reflect the actual purchase/sale price realized by the portfolio. Contribution to return is not exact, but should be considered an approximation.

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