



Artisan Mid Cap Value Fund

QUARTERLY
Commentary

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

As of 30 September 2024

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 30 September 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTQX	8.58	8.51	20.67	5.86	9.38	7.14	9.69
Advisor Class: APDQX	8.63	8.63	20.80	6.00	9.54	7.27	9.75
Institutional Class: APHQX	8.61	8.75	20.90	6.11	9.62	7.37	9.82
Russell Midcap® Value Index	10.08	15.08	29.01	7.39	10.33	8.93	9.84
Russell Midcap® Index	9.21	14.63	29.33	5.75	11.30	10.19	9.97

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
Semi-Annual Report 31 Mar 2024 ¹	1.24	1.13	1.02
Prospectus 31 May 2024 ^{2,3}	1.14	0.99	0.93

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.

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 brief spells of volatility to reach new all-time highs in Q3 as underlying earnings growth remained positive, US inflation continued to decelerate and incoming economic data supported soft-landing hopes. With inflation approaching its 2% target, the Federal Reserve began easing monetary policy, cutting its target rate by 50bps. In contrast to the first half of the year, which was dominated by large-cap technology stocks and the artificial intelligence trade, equity returns broadened out in Q3 amid a big rotation to interest-rate sensitive stocks. The Russell Midcap® Value Index gained 10.08%, led by utilities and real estate stocks. Energy was the only sector that was down in Q3 as WTI oil fell from the \$80s into the \$60s. Mid caps had their best quarter relative to large caps since Q4 2020, and mid-cap value stocks outperformed mid-cap growth stocks by over 300bps.

Performance Discussion

Our portfolio generated a strong absolute return but trailed the Russell Midcap® Value Index. Our consumer discretionary and consumer staples holdings were the largest sources of relative weakness. In the consumer discretionary sector, our lack of exposure to homebuilders was a headwind. With mortgage rates falling, investors jumped into housing stocks on hopes that improved buyer affordability will drive increased sales activity.

In addition to our lack of homebuilders, our returns in the consumer discretionary sector were held back by our investment in Gentex, a manufacturer of automatic-dimming mirrors and related driver-assistance systems for the global auto industry. Gentex's quarterly results came in lighter than expected, with sales down 1.8% year over year, slightly better than vehicle production of -3.0% across the company's markets. Management noted that several larger customers unexpectedly reduced orders in June; however, order activity returned to trend in July. The hiccup in sales seems driven by general weakness in production volumes as OEMs (original equipment manufacturers) manage inventory levels. While cyclical end markets can cause choppy operating results, the company has compounded capital well since our initial purchase in 2015. Gentex's technology know-how and proven ability to develop new higher value products provide it with pricing power and a higher margin structure than peers, leading to high-teens returns on capital. Unlike most automotive parts suppliers, Gentex generates strong free cash, maintains a significant net cash position and has a dedicated return of capital program.

In the consumer staples sector, underperformance was driven by discount retailer Dollar General. Dollar General shares 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.

Our next biggest detractor was NOV, a provider of oilfield equipment, technology and expertise. NOV was down along with the broader energy sector on the sharp drop in oil prices. NOV is our sole energy holding. In the mid-cap segment, it's more challenging to find higher quality businesses in a sector that also has above-average risk due to the volatility in underlying commodity prices. NOV has a moat around the rig technologies business, and unlike many energy-focused companies, it has a history of generating free cash flow and acceptable returns on tangible capital over the business cycle. Free cash flow, which bounced back in the latest quarter to \$350 million, is helping to fund the company's new capital return program. Executing on its capital return framework, which is designed to return 50% of free cash flow to shareholders, the company authorized \$1 billion in share repurchases expected to be executed over 3 years and raised its quarterly dividend by 50%. Additionally, NOV reduced its net debt to \$920 million from \$1.3 billion. NOV's valuation remains undemanding, in our view, and we believe margins still have room to rise as the cycle continues and cost savings opportunities are realized.

On the positive side, our financials and health care holdings contributed strongly to our absolute and relative performance. In the financials sector, we had a number of strong performers, including insurer Globe Life and boutique investment bank Moelis & Company. Globe Life shares continued to recover after plunging to their lowest levels in a decade following a short seller's report alleging widespread insurance fraud. A completed review by Globe Life's audit committee that was assisted by outside law and forensic accounting firms was unable to find evidence to support the financial misconduct allegations. Although the market's near-term focus has been on the fraud investigation, recent results in both the life and health segments have been solid, with strong sales and improving benefits ratios. Our investment thesis on Globe Life has been underpinned by its slow growth, conservative balance sheet and robust free cash flow returned to shareholders via buybacks and dividends.

Moelis reported revenue growth of 45% y/y that was driven by strength in the capital markets advisory business. The company also provided an upbeat outlook for M&A, noting the best levels of pipeline activity in the firm's history, even including 2021, which was a banner year. Adding to its optimistic outlook, interest rate cuts by the Fed could be a tailwind for a recovery in M&A markets. Unlike most peers, Moelis operates both restructuring and deal advisory

businesses, which provides some degree of countercyclicality to the business model. Moelis carries zero debt and has a variable cost model, allowing it to remain cash flow positive even in stressful times. The firm returns all its excess cash flow to shareholders in the form of regular and special dividends. Since its IPO in 2014, Moelis has returned \$2.5 billion in cash to shareholders.

In the health care sector, our top contributor was Waters. Waters is a specialty measurement company that offers analytical workflow solutions for quality assurance/quality control (QA/QC) to pharma, industrial, academic and government customers. Though the company lowered its fiscal year outlook, the cut was modest, and management's commentary on order momentum was positive. Importantly, the China end market, which has been weak, is trending in a positive direction. We've held Waters in the portfolio since July 2023. At that time, we were able to initiate a position at close to a trough multiple on EV/EBIT and at a discount to peers as the stock had de-rated due to concerns about pharma capital spending. Waters is an attractive business. It has industry-leading margins that have been very stable over time, it converts most of its earnings to cash, and its free cash flow margin is around 20%. Waters has a high recurring revenue stream (about 50% of revenues), which includes consumables, services and software, and this also contributes to a stronger financial condition. The balance is instruments, which are driven by replacement, moderate market growth and innovation. Instruments sales are quite sticky because methods for testing are part of regulatory filings, which are difficult and cumbersome to change.

Portfolio Activity

We are always on the lookout for companies that are under pressure in some form or fashion as this can create the conditions for an attractive entry price. Though equity markets have made substantial gains over the past year, we have still found select opportunities to put capital to work. Q3 purchases included Warner Music Group, MGM Resorts International and Polaris.

Warner Music Group (WMG) is one of the three largest record labels in the world. The music industry had a challenging run post-Napster and pre-Spotify, with a broken monetization model punishing artists and labels alike. We believe we are in early stages of industry revenue growth as key distributors shift from subscriber growth to subscriber monetization. Despite high-quality streaming being adopted by the mainstream, music remains under-monetized compared to the pre-Internet era. We also believe this shift should benefit artists and labels such as WMG. Seventy percent of WMG's streaming revenue comes from three services: Spotify, YouTube and Apple. Streaming penetration isn't as high as one would expect in the US and globally, providing a nice runway for growth. However, the market's outlook for industry growth is more downbeat as shares were down ~14% YTD at the date of our initial purchase in early July and were trading at a trough multiple relative to its public company history. WMG is also much cheaper than its closest competitor Universal Music Group. In

regard to WMG's financial condition, it is solid and stable, with debt that is well termed out and low cost.

MGM is a leading owner and operator of casinos in Las Vegas, at regional US locations, in China via its ~56% ownership of MGM China (Macau) and in the metaverse via iGaming and sports gambling app BetMGM. BetMGM is a 50% owned joint venture between Entain and MGM for online sports betting (OSB) and iGaming. Gaming is a good business. MGM generates a high-teens return on equity and consistent free cash flow. Free cash flow is used for stock buybacks and reinvestment into the business. We took advantage of the stock's pullback in August when MGM reported earnings. Despite healthy results in Las Vegas and Macau, BetMGM continued to report losses, and there was cautious commentary about bookings ahead of the November Formula 1 race. Additionally, China macro concerns have been an overhang. The stock sells for about 13X FY1 earnings.

Polaris designs, engineers and manufactures powersports vehicles, operating in three segments: off-road, on-road and marine. The company has had a couple bad quarters, consistent with other industry peers, as demand for recreation is down. Additionally, consumer financing costs and dealer floorplan costs are up due to higher interest rates. The combination is pressuring margins. It's a discretionary business to be sure, so we have eyes wide open. However, we believe that inventory issues are creating an opportunity to buy a market leader at an absolute cheap price. The stock is the lowest since the first half of 2020 when the pandemic began. The company is well run historically, and current management has demonstrated operating discipline by divesting bad businesses acquired under old management, focusing on the company's roots in power sports and continuing its history of returning capital to shareholders via dividends and buybacks. Returns for the business are strong with returns on tangible capital most years in the mid-to-high teens. It is well financed with a balance sheet that is well termed out.

With regard to sales, we exited NetApp, an enterprise data storage and solutions company. Shares had moved into the higher end of our range of fair value on strong earnings results and enthusiasm about the long-term growth potential from artificial intelligence for the company's storage solutions.

Perspective

What are typically referred to as bull and bear markets, we prefer to call risk-seeking and risk-fearing markets. Today, we are in more of a risk-seeking environment. It's not quite 2021 when meme stocks were all the rage, but complacency seems to have crept back in. Due to our conservatism around balance sheet strength, business quality and asking prices, this can be a tougher environment for our process, both in terms of finding absolute values as well as investors chasing momentum. Our approach can be viewed as anti-momentum as we are buying what others are selling and we are selling what others are buying. However, our process does not change based on where we

are in the market cycle. That is, we do not adjust our margin of safety criteria based on what the market is doing.

Our focus has been on finding good businesses that are out of favor for one reason or another. This is no different from what we've done in recent years. In 2020, during the pandemic, we were buying travel and leisure names that had cratered as people were stuck at home. In 2022, we bought communication services and media stocks that had been pressured by rising interest rates. In 2023, we bought banks when the sector sold off on the collapse of Silicon Valley bank. Over the past year, we added utilities and real estate positions, which were historically cheap relative to the broader equity market due to the "higher for longer" interest rate environment. Most recently, we've added to our consumer holdings, which have trailed as investors have favored secular growth and defensives. We believe cyclical fears are currently weighing on the valuations of these companies. Near-term concerns can create volatility, which provides opportunities to invest. In short, our investment process requires a long-term time horizon. It would be unrealistic to think that all of our stocks will make consistent gains month after month, quarter after quarter. We believe that having the patience to endure the potential short-term ups and downs a stock or a company may go through will pay off in the long run.

ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

Visit www.artisancanvas.com

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 30 Sep 2024. 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 2024: Gentex Corp 1.5%, Dollar General Corp 1.0%, NOV Inc 2.0%, Globe Life Inc 2.5%, Moelis & Co 1.2%, Waters Corp 2.5%, Warner Music Group Corp 1.7%, MGM Resorts International 1.6%, Polaris Inc 1.1%. 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 and 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. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Price-to-Earnings (P/E)** is a valuation ratio of a company's current share price compared to its per-share earnings. **Enterprise Value to Earnings Before Interest and Taxes (EV/EBIT)** is a valuation multiple defined as an enterprise value (EV) divided by earnings before interest and tax (EBIT). **Return on tangible capital** measures the rate of return on tangible common equity or shareholders' equity less preferred stock, goodwill and other intangible assets. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value.

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.

© 2024 Artisan Partners. All rights reserved.

