Artisan U.S. Mid-Cap Value Strategy

QUARTERLY
Commentary

As of 31 March 2025

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.

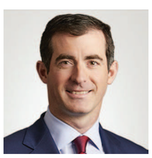
Attractive Business Economics

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 (% USD)

			Average Annual Total Returns				
As of 31 March 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Composite — Gross	**-0.90**	**-0.90**	**-1.09**	**3.86**	**18.05**	**7.47**	**11.67**
Composite — Net	**-1.12**	**-1.12**	**-1.96**	**2.90**	**16.97**	**6.48**	**10.63**
Russell Midcap® Value Index	-2.11	-2.11	2.27	3.78	16.69	7.61	9.33
Russell Midcap® Index	-3.40	-3.40	2.59	4.61	16.27	8.82	9.39

Calendar Year Returns (% USD)

	2020	2021	2022	2023	2024
Composite — Net	**5.90**	**26.59**	**-12.95**	**18.24**	**4.81**

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. [2]Composite inception: 1 April 1999.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described near the back of this document, which should be read in conjunction with this material.

Investing Environment

The growth stock trade that had propelled US stocks higher from late 2022 came undone in Q1. First was news of DeepSeek, the Chinese artificial intelligence (AI) model, which sparked a selloff in US tech stocks beginning on January 27. Then came broader weakness in US equities driven by a surge in policy uncertainty created by the new US administration's policies (tariffs, DOGE, immigration) that created concerns about earnings and economic growth. Stocks rallied after the November election on hopes of a business-friendly administration focused on reducing regulation and lowering taxes. However, the president's focus on using tariffs to reorder global trade, decrease the US trade deficit, promote US manufacturing and generate revenues has raised alarm bells among economists and investors. Tariffs are ultimately just taxes on consumers and businesses. They raise prices and reduce profit margins. We remember enough from our macroeconomics 101 classes to know that tariffs create deadweight loss—making the pie smaller. Regrettably, the odds of a US recession have increased considerably as business and consumer confidence are being negatively impacted by the uncertainty created by these policies and actions. Without clarity, companies are delaying long-term investments and hiring, which will weigh on near-term growth.

Turning back to Q1 equity market performance, there was a sharp rotation from growth to value stocks during the quarter. The Russell Midcap® Value Index returned -2.11%, holding up roughly 500bps better than the Russell Midcap® Growth Index's -7.12% decline. The rotation began with the late-January DeepSeek news. Prior to this announcement, the mid-cap growth index was up 7% QTD compared to 4% for the mid-cap value index. After DeepSeek, the growth index fell over 13% compared to the value index's decline of almost 6%.

The worst performing sectors in the Russell Midcap® Value Index were information technology, consumer discretionary and industrials as investors shunned cyclical exposure. The best performing sectors were utilities, energy and consumer staples.

Performance Discussion

Our portfolio held up better than the Russell Midcap® Value Index in Q1. Relative performance benefited from the unwind of the growth-led and momentum-driven markets that prevailed in 2024. Our portfolio had positive stock selection, with notable strength in the industrials, information technology and consumer staples sectors. On an absolute basis, portfolio returns were led by our consumer staples and utilities holdings, as investors sought shelter in these defensive sectors. Our top individual contributors were a varied group that included Genpact, Baxter International and Dollar General.

Genpact, a business process outsourcing company, reported 8.7% year-over-year revenue growth in Q4, which was better than expectations and marked an acceleration from the prior quarter. The company experienced solid growth across verticals and geographies, as well as momentum in its Data-Tech-AI segment (12% Y/Y revenue growth) on strong demand for AI-based solutions. Continuing its prudent and shareholder-friendly capital allocation, Genpact also announced an 11% increase in its quarterly dividend and upped its stock buyback authorization by $500 million. Genpact is one of our more recent new positions—added to the portfolio in 2024. At the stock's all-time highs in early 2022, Genpact was selling in the low $50s at around 22X FY1 earnings. When we initiated our position, 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 the risk posed by AI to a labor-intensive outsourcing business. However, technological-driven automation isn't new to this industry. Technology has been continually replacing low-value work. Also, 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.

Baxter is a health care company that provides essential products in renal care, medication delivery, advanced surgery, clinical nutrition, pharma and acute therapies. Shares have languished in the post-COVID years as growth has disappointed due to a combination of factors, including supply-chain issues and a delayed normalization of procedure volumes. In February, Baxter shares rebounded on a solid quarterly earnings result and consistent fiscal year guidance. Revenue growth was better than expected, partly due to a quicker turnaround from Hurricane Helene, which had disrupted a manufacturing facility in western North Carolina. Baxter recently completed a multiyear restructuring effort, selling several non-core operations, seeking to transform itself into a more profitable growth company. After a few bumpy years and moving parts related to its restructuring that has likely added confusion among investors, the stock's valuation has become increasingly attractive based on our sum-of-parts analysis. Though growth has disappointed, all the company's earnings are turned into free cash flow because it's a low capital-intensive business. Baxter is using that free cash flow to pay down debt and return capital to shareholders.

Discount retailer Dollar General (DG) has contended with several business pressures post the pandemic, including execution issues, rising competition and an increasingly constrained lower income consumer after a period of high inflation. Additionally, labor costs, shrink and markdowns have hurt margins. However, the stock is experiencing renewed interest amid a broader market rotation to cheaper stocks driven by tariff fears and policy uncertainty, as well as the potential for some of DG's headwinds to subside. The company is making progress on fixing operational issues, from store standards to supply-chain execution and labor efficiency. Additionally, with inflation stabilizing, there are early signs that customers have adjusted to higher price levels as basket sizes and units are beginning to rise again. Another dynamic is DG's business model is countercyclical. During tougher economic times, DG typically gets trade-down business from middle-income cohorts, and with the possibility that escalating tariffs could trigger a recession, investors see DG as a potential beneficiary.

Our biggest detractors included Bio-Rad Laboratories, nVent Electric and Polaris. Bio-Rad Laboratories (BIO) manufactures and distributes life science research and clinical diagnostics products. Quarterly results were disappointing due to ongoing sluggishness in biopharma R&D, a change to reimbursement policies in China contributing to weaker revenues in its clinical diagnostics business and a lack of clarity on future margin improvement. After a few years of business headwinds related to receding COVID-related revenues, persistent supply chain issues and slowing life science tool end markets, investors are eager to see improvement. A key component of our investment case is BIO's large investment (~$5.5 billion and 34% of shares outstanding) in German peer Sartorius, a biopharmaceutical research solutions provider. BIO also has net cash and securities outside of its Sartorius stake. For context, BIO is an ~$7.2 billion market cap company. BIO is underfollowed on Wall Street, and screens on enterprise value do not capture BIO's stake in Sartorius. As a result, we believe quantitative and casual market watchers don't appreciate BIO's cheap valuation.

Shares of nVent Electric, a provider of electrical connections and protection solutions, were caught up in the selloff of AI beneficiaries. We added to our position on weakness as there hasn't been any significant change in the company's fundamental underpinnings. Strong growth in the business over the past few years has been supported by multiple secular tailwinds, including electrification, clean energy, energy efficiency, AI, digitalization and onshoring, to name a few. The company has also executed well, allocating capital wisely by deploying free cash flow into product development, accretive M&A and return of capital via dividends and share repurchases. The data solutions business (~14% of sales) has been and is expected to be a key source of growth over the next few years driven by the acceleration in AI infrastructure investment and the company's leading position in liquid cooling solutions. Liquid cooling is growing 3X the rate of legacy cooling and is still only a small portion of how data centers are cooled today.

Polaris designs, engineers and manufactures powersports vehicles, operating in three segments: off-road, on-road and marine. Demand for recreational vehicles has remained weak, and now tariffs create additional growth challenges. Due to high dealer inventories, Polaris has had to pursue greater promotional activity through rebates as well as provide cheaper floorplan financing and advertising assistance to dealers—all of which are pressuring margins. Retail weakness is partly a hangover from robust sales during the pandemic that pulled forward demand. Additionally, as inflation has constrained consumer budgets, consumers are deferring big-ticket discretionary purchases and avoiding high financing costs at today's interest rates. We admit that the challenging sales environment may continue, but with the stock drifting back toward its lowest prices since the pandemic selloff of 2020, it now sells cheaply at a mere single-digit P/E based on our estimate of normalized earnings. 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 powersports and continuing its history of returning capital to shareholders via dividends and buybacks. Returns over a business cycle are strong, with returns on tangible capital most years in the mid-to-high teens. Though cash generation has fallen—as expected in a tough retail backdrop—Polaris remains well financed.

Portfolio Activity

We made one new purchase this quarter, adding Permian Resources (PR), an independent oil and gas company. PR is focused solely on the Delaware Basin of West Texas and southwestern New Mexico—the most prolific oil-producing region in the US. The founders and co-CEOs, who also have large ownership interests in the business, have sought to build a business that can produce substantial free cash flow, return capital to shareholders and generate attractive equity returns across varied commodities price environments. To achieve these goals, PR has pursued best-in-class operations and responsible capital stewardship by thoughtfully acquiring assets it believes are undervalued and divesting acreage it believes would be better in someone else's hands, while meaningfully returning capital to shareholders in the form of dividends. We always seek to align ourselves with shareholder-oriented management teams, but this is even more critical when investing in mid-sized energy companies given their dependence on the underlying commodity prices and minimal diversification by business and geography as well as the sector's general predilection for reinvesting capital for growth rather than returns. Shares were rangebound for much of 2024 as macro fears have weighed on oil prices and energy sector stocks, giving us an opportunity to purchase a strong operator at a favorable price.

We exited Marriott International, a multinational hospitality company, after a successful multiyear investment campaign. Marriott is a prime example of how we aim to use volatility to our advantage by investing in quality businesses at lower prices. When we initiated our position in March 2020 during the COVID crash, its P/E multiple had collapsed from the mid-20s to the high teens, which offered a sufficient margin of safety, in our estimation, to take on the position in an iconic, long-lived global franchise with competitive advantages to peers, value-conscious management, a flexible financial structure and cash-producing capabilities. At the time it was tough to see travel picking up again, though we believed it was only a matter of time. Since that time, travel has been one of the strongest areas of the economy, and Marriott's stock price is up more than three-fold from its March 2020 lows.

We also sold Dentsply Sirona, a global dental products manufacturer. The dental market has been challenging due to a combination of weak macro conditions, higher interest rates that are pushing out capital equipment sales and competitive pressures. While the company continues to generate free cash flow, which is being used to buy back stock cheaply and pay a dividend, we chose to sell our position in favor of other opportunities as we believe improvement in the business will take longer than we had expected.

Perspective

As we write this letter following April 2's rollout of tariffs by the US administration that shocked equity, fixed income and commodity markets across the world in its breadth and scope, Q1 seems like a distant memory.

How should we frame the range of outcomes? Before we go there, let's first revisit the last period of severe uncertainty, March 2020. In the early weeks and months of COVID, our framework was as follows:

- We don't know how long COVID will last. It could be a very bad 12–24 months. After that time, presumably life will return to normal.
- Therefore, we sold any companies that had diminished capability to make it to the other side.
- We purchased high-quality franchises we believed would make it and were cheap three years out, assuming a normalization of the business results.

With hindsight, we believe the COVID framework served us well, in what was a very difficult environment. Constructing an analog to current events is not as straightforward, however, because the intent of the administration is unclear. While some White House advisors say it is a negotiation, those who constructed the tariffs have said "this is not a negotiation." The distinction is important. If President Trump, who has talked up his 30 years of frustrations with being "mistreated" in global trade, truly wants to reorder global trade and return manufacturing to the US, tariffs will continue to be used and may be ratcheted up in 90 days. The tariffs would have to be viewed by CEOs as credibly intact for the duration of his presidency and beyond to build supply chains and manufacturing in the 50 states. To project this kind of certainty on tariffs for that long will create immediate and enduring inflation commensurate with the tariff rate. If the tariffs are high, it will likely create demand destruction. For affected companies, this translates to significant margin compression and a revenue recession. It appears with the 90-day reprieve of April 9 that the deep recession/depression risk is off the table for now, a giant relief. Now we begin the "deal" phase.

These are difficult times. Please know we are researching impacts with the seriousness they deserve. While the coming months may be extremely volatile, we'd note our portfolio performed well coming out of COVID. Our long-standing investment philosophy allows us to deploy capital in turbulent markets with both humility and confidence. We typically find more bargains in the market when the elements of fear and panic rise in magnitude. As always, we lean on our better-safer-cheaper foundation.

For more information: Visit www.artisanpartners.com

Investment Risks: 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request. This is a marketing communication.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information. References to individual security performance relate to a representative account in the composite. Individual holding periods may differ.

For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan U.S. Mid-Cap Value Strategy Composite's total net assets as of 31 Mar 2025: DENTSPLY SIRONA Inc 1.5%, Polaris Inc 1.9%, Baxter International Inc 2.4%, Expedia Group Inc 3.0%, First Citizens BancShares Inc 3.9%, Vail Resorts Inc 2.5%, Dollar General Corp 0.9%, Cable One Inc 2.0%, M&T Bank Corp 1.2%, Humana Inc 2.1%, Asbury Automotive Group Inc 1.9%, Fifth Third Bancorp 1.3%, Marriott International Inc 1.0%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

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Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

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. Russell Midcap® Growth Index measures the performance of US mid-cap companies with higher price/book ratios and forecasted growth values. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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