



# Artisan Mid Cap Value Fund

QUARTERLY  
Commentary

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

As of 31 March 2026

## Portfolio Management



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## Investing Environment

US equity market performance was mixed in Q1 2026. Large-cap indices declined, while mid- and small-cap stocks posted modest gains, extending the gradual broadening in market participation that began in late 2025. Volatility increased meaningfully as the quarter progressed. Early in the quarter, investor attention focused on risks tied to artificial intelligence (AI) and private credit. Software and IT services companies came under pressure as concerns around AI-driven disruption, margin durability and intensifying competition moved to the forefront. At the same time, large platform companies signaled sustained, and in some cases accelerating, investment in AI infrastructure, raising questions about hyperscalers' economics and the near-term trajectory of free cash flow. Private credit's combination of rapid growth, elevated leverage and potential liquidity mismatches raised concern, particularly given the sector's exposure to software and technology-enabled borrowers. While spreads widened modestly, funding markets remained functional, and systemic stress did not emerge. Private credit was a source of episodic volatility rather than a primary driver of equity market direction, though it did weigh on large-cap growth.

The market backdrop shifted more abruptly in late February. The outbreak of conflict involving Iran—and the subsequent closure of the Strait of Hormuz—triggered a sharp rise in oil prices, with West Texas Intermediate crude moving from \$67 to over \$100. The disruption to a meaningful share of global energy supply drove a spike in volatility and renewed concerns about both inflation and growth. Energy equities responded accordingly and were the strongest performing sector in the quarter. This oil shock introduces a more challenging macroeconomic environment. Rising inflation expectations alongside slowing growth increases the risk of stagflation. While the US economy is less energy-intensive than in prior cycles, the speed and magnitude of the move raise the risk of demand destruction. Daily market gyrations in March were largely driven by uncertainty around the duration of the conflict and its implications for input costs and global growth. Expectations for monetary policy also shifted, with markets moving away from anticipated rate cuts in 2026 toward a more cautious, higher-for-longer stance.

Style and factor performance followed these dynamics. Value outperformed growth across market capitalizations, supported by strength in energy and other cyclical sectors, as well as the headwind of higher interest rates on longer duration assets. Notably, traditional defensive factors such as quality did not provide their usual downside protection, as investors questioned the

sustainability of elevated margins in a more competitive, AI-driven environment. Momentum remained an important driver of returns, although crowded positioning contributed to periods of sharper volatility.

Within the Russell Midcap® Value Index, performance was largely driven by macro forces and was notably dispersed at the sector level. Energy was the primary contributor, benefiting from higher commodity prices, while materials and utilities also added to returns. Technology performed well overall, as strength in hardware, equipment and semiconductors offset weakness in software and services. More economically sensitive sectors, including consumer discretionary and financials, lagged amid concerns about demand and credit conditions, while health care and real estate also detracted.

## Performance Discussion

The portfolio trailed the Russell Midcap® Value Index in Q1. Performance was weighed down by a market environment that continued to favor momentum-driven stocks, with less support for quality factors. In addition, several holdings experienced company-specific setbacks and weak sentiment. Among the biggest decliners were ICON, Humana, Gartner and Pinterest, each of which dropped by 30% or more during the quarter.

ICON, a leading provider of outsourced clinical development services to pharmaceutical and biotechnology companies, was the largest detractor. The stock fell sharply—nearly 49% in a single day—after the company announced it would delay its financial results due to an internal review of its accounting, specifically related to revenue recognition in recent years. While ICON indicated its cash position remains intact, the situation raises uncertainty around reported earnings and has pressured investor confidence in the near term. This development comes at a challenging time for the broader contract research industry, where funding constraints and cautious spending by biotech and pharmaceutical companies have already weighed on demand. Although the lack of updated financials limits near-term visibility, we believe the stock reflects a more attractive valuation based on conservative assumptions for free cash flow.

Managed care stocks, including Humana, also declined during the quarter. The sector came under pressure after the Centers for Medicare & Medicaid Services (CMS) released a preliminary 2027 Medicare Advantage rate update that was significantly below expectations. The proposed increase of just 0.09% was essentially flat compared with investor expectations of 4% to 6%.

While final rates are often revised higher, the announcement was a meaningful disappointment and adds uncertainty to Humana's multiyear turnaround. More broadly, the managed care industry continues to face higher medical costs driven by elevated utilization. Humana is also dealing with lower quality ratings under the Medicare Stars program, which could reduce bonus payments over the next several years. Although the stock appears inexpensive following its recent decline, we chose to exit the position given the company's heavy exposure to Medicare Advantage and the risk that policy and execution challenges could delay a recovery in margins and earnings.

Gartner, a technology and business advisory firm, declined following signs of slowing growth and a weaker-than-expected outlook for 2026. Its core research business has been affected by several cyclical headwinds, including US government cost-cutting, uncertainty around trade policy and longer sales cycles. At the same time, some investors have become concerned about the potential long-term impact of artificial intelligence on Gartner's business model. While we take these risks seriously, we believe the company's current challenges are primarily cyclical, and any meaningful disruption from AI is likely to play out over a longer time horizon. Gartner continues to generate strong free cash flow, maintains a solid balance sheet and has been returning capital to shareholders, including approximately \$2 billion of share repurchases in 2025. At current levels, we believe the stock appears attractively valued.

Pinterest's recent results have been impacted by macroeconomic headwinds, particularly tariffs, which have weighed on advertising spending by large retail customers. Compared with larger social media peers, Pinterest is less diversified and more exposed to consumer-driven categories, making it more sensitive to these pressures. While we continue to view digital advertising as a structurally attractive market with growth likely to exceed that of the broader economy, we chose to exit the position in favor of more compelling opportunities. Nearly four years into the current management team's tenure, progress on key priorities, including user growth, engagement, monetization and profitability, has been slower than expected.

Our energy holdings were well represented among our top contributors, benefiting from higher energy prices. Permian Resources (PR), an independent oil and gas company, and NOV, the largest manufacturer of oilfield equipment, led the way. We added PR to the portfolio in Q1 2025. 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 commodity 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 we believe this is even more critical when investing in mid-sized energy companies given their dependence on underlying commodity prices, minimal diversification by business and geography, and the sector's general predilection for reinvesting capital for growth rather than returns.

NOV ended 2025 on a solid note, with Q4 revenue up nearly 5% sequentially and earnings beating expectations, helped by strong execution, backlog conversion and market share gains even as broader global activity remained soft. NOV's energy equipment segment has been a bright spot, benefiting from stronger offshore demand and a growing backlog that supports future activity. Cash flow generation has remained solid, allowing NOV to continue returning capital to shareholders. The Middle East conflict is creating near-term headwinds for NOV through logistical and supply-chain disruptions, weaker aftermarket demand and softer customer ordering activity across the region. Thankfully, the company has reported no personnel injuries or facility damage, and its Saudi rig-building and composite pipe facilities remain operational. The disruption is likely to impact near-term results, but the longer term outlook remains intact, in our view, supported by NOV's diversified global footprint and a still-constructive offshore backdrop that could help absorb or outlast the regional disruption.

Outside of the energy sector, Analog Devices Inc (ADI) was our largest gainer. ADI is the second-largest analog semiconductor chipmaker in the world behind Texas Instruments. ADI's most recent results reflect a clear acceleration in operating performance as the analog semiconductor cycle improves. The company delivered strong growth, with revenue up roughly 30% year over year and earnings and margins expanding meaningfully, driven by broad-based strength across end markets—particularly industrial, communications and data center demand. Performance has been supported by improving bookings and a recovery in customer demand, alongside continued share gains and strong execution. Profitability has also rebounded, with notable margin expansion reflecting both operating leverage and a more favorable mix. Initially purchased in 2006, ADI is one of our longest held investments and has proven to be an excellent compounder of value, supported by its leadership position in a secular growth industry, strong balance sheet and consistent cash generation. The company operates in attractive segments characterized by high margins and sticky customer relationships. Its chips are designed into applications with long lifecycles—such as automotive, industrial and communications systems—and typically represent a small portion of overall system cost, making them difficult to displace once adopted.

### Portfolio Activity

We initiated six new positions in Q1, representing an above-average rate of new purchase activity. Increased market volatility and greater dispersion in US equities during the quarter created more opportunities to add new names that meet our three margin-of-safety criteria: attractive business economics, sound financial condition and attractive valuation. Additionally, we sought to use recent volatility to upgrade the portfolio's quality. Our three largest new buys by position size were Brown & Brown, Veralto and IQVIA Holdings.

Brown & Brown is a leading US insurance broker focused on the middle market. The shares have come under pressure alongside the broader broker group, as investors recalibrated expectations following a period of elevated growth driven by a hard insurance market. As pricing and growth have begun to normalize, valuations have compressed, creating what we believe is a more attractive entry point. From a business economics perspective, insurance brokerage is a compelling model. Brokers act as intermediaries without taking underwriting risk, resulting in high margins, low capital

intensity and strong free cash flow conversion, supported by high customer retention. Brown & Brown has built a scaled platform serving small- and mid-sized businesses, a segment that tends to exhibit resilient demand, and has compounded value over time through consistent organic growth and acquisitions in a fragmented industry. While near-term growth is moderating and competition has increased, we view concerns around AI-driven disruption as overstated. Brokers provide critical advisory and claims support functions that remain difficult to replicate, and technology should enhance productivity over time rather than displace the model. From a financial standpoint, the company is generating strong, recurring cash flows, with a solid balance sheet that supports continued reinvestment and M&A. With the shares now trading closer to the lower end of their historical valuation range, we believe the risk/reward is favorable.

Veralto is a provider of water quality and product quality solutions that was spun out of Danaher in 2023. The shares have traded off from prior levels and now reflect more modest expectations, creating an opportunity to invest in a historically high-quality compounder at a more reasonable valuation. The company's conservative guidance for full-year EPS disappointed the market. From a business economics perspective, Veralto benefits from attractive end markets and durable competitive advantages. Its Water Quality and Product Quality & Innovation segments operate in niches characterized by high regulatory requirements, mission-critical applications and significant switching costs. These factors, combined with a "razor/razor-blade" model, drive a high level of recurring, consumable-driven revenue and strong pricing power. The business is also highly cash generative, with minimal capital requirements, allowing most earnings to convert to free cash flow. Importantly, Veralto retains many of the operational attributes that made Danaher successful. Its Veralto Enterprise System, adapted from the Danaher Business System, supports continuous improvement, margin expansion and disciplined capital allocation. Over time, management has the opportunity to reinvest this cash flow into organic growth initiatives and bolt-on acquisitions in a still-fragmented landscape. From a financial condition standpoint, the company has a clean balance sheet and modest leverage, supported by stable end markets and predictable cash flows. This provides flexibility to pursue growth while maintaining resilience across cycles. At our initial purchase price, the shares traded below historical valuation ranges and at a discount to peers, despite what we believe to be superior business quality and growth prospects. Consistent with our philosophy, we are investing in a cash-producing business with strong underlying economics and financial flexibility at what we believe is an undemanding valuation, offering an attractive long-term risk/reward, in our view.

IQVIA combines a leading global contract research organization (CRO) franchise with a unique, mission-critical health care data asset, creating a diversified model with both cyclical and recurring revenue streams. We believe its Technology & Analytics Solutions segment—anchored by proprietary prescription and patient data—provides a durable competitive moat, deeply embedded in pharma workflows, while the CRO business benefits from scale, long-term outsourcing trends and complex trial demand. From a business quality perspective, IQVIA has generated substantial free cash flow and maintained strong competitive positioning, supported by high customer retention and mission-critical offerings. While leverage is elevated, the company's cash flow profile and liquidity provide financial flexibility consistent with the team's emphasis on balance sheet

resilience and downside protection. Recent share price weakness—down materially year-to-date—has been driven by concerns around AI disruption and softness in CRO demand, including trial cancellations and pharma reprioritization. However, these pressures appear cyclical and, in the case of AI, likely overstated given IQVIA's proprietary data assets and domain expertise, which are difficult to replicate and position the company as a potential beneficiary of AI adoption rather than a casualty. At 15X forward earnings and a high-single-digit free cash flow yield, the stock reflects low expectations despite resilient fundamentals. Consistent with the team's process, this dislocation—driven by near-term uncertainty—could present an attractive entry point, particularly if the underlying business proves more resilient than current expectations imply.

### Perspective

While corporate earnings expectations have remained relatively resilient, markets have become increasingly sensitive to geopolitical developments, inflation dynamics and policy uncertainty. At the same time, the evolution of the AI investment cycle has introduced both opportunities and challenges, as investors balance long-term growth potential against near-term economic and financial considerations. The result has been a more volatile market characterized by greater dispersion and a gradual broadening of leadership, though the durability of these trends will likely depend on the path of geopolitical developments, energy prices and monetary policy in the quarters ahead.

Periods like this are unsettling for many reasons beyond market prices. But from an investment perspective, extending one's time horizon reframes the opportunity: Downturns often allow investors to buy equities at more attractive prices. The value of equities lies in the duration and growth of earnings—forces that typically extend well beyond the lifespan of geopolitical disruptions. While the near-term environment is more volatile, we believe it is also creating a more favorable backdrop for active management. Greater dispersion across sectors and business models is increasing the opportunity to differentiate between structural winners and those facing more persistent challenges. We remain focused on identifying companies that can compound value through cycles, particularly where market dislocations create attractive entry points.

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## Investment Results (%)

As of 31 March 2026	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: ARTQX</b> —Inception: 28 Mar 2001	<b>-4.93</b>	<b>-4.93</b>	<b>-2.29</b>	<b>4.41</b>	<b>2.61</b>	<b>6.68</b>	<b>8.78</b>
<b>Advisor Class: APDQX</b> —Inception: 1 Apr 2015	<b>-4.90</b>	<b>-4.90</b>	<b>-2.24</b>	<b>4.52</b>	<b>2.74</b>	<b>6.82</b>	<b>8.84</b>
<b>Institutional Class: APHQX</b> —Inception: 1 Feb 2012	<b>-4.97</b>	<b>-4.97</b>	<b>-2.15</b>	<b>4.62</b>	<b>2.82</b>	<b>6.91</b>	<b>8.91</b>
Russell Midcap® Value Index	3.68	3.68	17.62	13.14	7.94	9.75	9.76
Russell Midcap® Index	1.29	1.29	15.98	13.33	7.26	10.91	9.87

Source: Artisan Partners/Russell. Returns for periods less than one year are not annualized. 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.

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.

## Expense Ratios (%)\*

	ARTQX	APDQX	APHQX
Annual Report	1.18/—	1.07/—	0.95/—
Prospectus	1.18/—	1.07/—	0.96/—

\*Unsubsidized/subsidized. Annual Report: 30 Sep 2025. Prospectus: 30 Sep 2025. See prospectus for further details.

## Top 10 Holdings (% of total portfolio)

Analog Devices Inc	3.3
OGE Energy Corp	2.9
First Citizens BancShares Inc	2.8
Lamar Advertising Co	2.8
Permian Resources Corp	2.7
nVent Electric PLC	2.7
Vontier Corp	2.6
NOV Inc	2.5
Tyson Foods Inc	2.4
Alliant Energy Corp	2.4
<b>Total</b>	<b>27.2%</b>

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.

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**Contribution to Return (CTR)** represents the contribution of an investment to the total portfolio return. CTR is calculated by multiplying a security's portfolio weight by its in-portfolio return daily for the period and has been derived from a holdings-based methodology, which uses daily positions and pricing rather than intraday transactions. **Attribution** quantifies the relationship between a portfolio's relative returns and the active management decisions differentiating the portfolio from the benchmark. **CTR and Attribution** are not exact, nor representative of actual investor returns due to several variables (e.g., fees, expenses, transactions) and therefore should be considered an approximation and examined in conjunction with the performance of the portfolio during the period. If applicable, securities of the same issuer are aggregated and may be delta-adjusted to determine the weight in the portfolio, and aggregation of corporate affiliates is subject to the determination of Artisan Partners. Further information on the methodology used is available upon request.

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**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. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Duration** estimates the sensitivity of underlying fixed income securities to changes in interest rates—the longer the duration, the greater the sensitivity to changes in interest rates. **Organic Growth** is the revenue and earnings growth a company achieves as a result of its own operations and resources rather than those attributable to mergers and acquisitions. **Forward Earnings** are an estimate of the next period's earnings of a company, usually till the completion of the current fiscal year and sometimes to the following fiscal year. **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. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **Free Cash Flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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