



INDEPENDENT  
THINKING

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# Q&A

with Artisan  
International Value



David Samra

Editor's note: Evercore Wealth Management supplements its core investment capabilities with carefully selected outside funds across the range of the firm's asset classes. Here we speak with David Samra, a managing director of Artisan Partners and a founding partner of the Artisan Partners International Value Team. Please note that the views of the external managers interviewed in *Independent Thinking* are their own and not necessarily those of Evercore Wealth Management.

**Q:** The convergence of high inflation, rising interest rates and slowing growth is driving volatility in all major markets. How should U.S.-domiciled investors think about investing internationally now?

**A:** As fundamental investors, we invest in companies, not stock markets. The distinction is meaningful in that we take a highly researched, fundamental approach to investing in businesses that we feel are competitively advantaged globally and have the market position, financial resources and management talent to prosper through all types of economic environments. That is fundamentally different than a security, such as an ETF, that simply provides exposure to a region or a factor. One difference that we would point to today is the overvaluation of the U.S. dollar on just about any measure. We believe the non-US. equities we own in our portfolio today are not only attractively valued, but also offer exposure to currencies that are meaningfully undervalued.

**Q:** What risks and opportunities does the strong U.S. dollar present for companies in your portfolio?

**A:** Many of the multinational companies in our portfolio are today benefiting from increased earnings from their U.S. dollar operations. While we believe the dollar today is overvalued, we also believe it puts several of the businesses in the portfolio in an incrementally advantaged position on labor and certain material costs that are commonly not priced in dollars. However, there are a few companies in the portfolio that source raw materials in dollars, and it will take time before price increases in local currency can fully cover those costs.

**Q:** Let's look at some specific regions, and their potential impact on the portfolio. How do you view recent events in China, in the context of your investments?

**A:** China's geopolitical issues, unfortunately for the rest of the world, create certain frictional costs, such as the need to adapt supply chains. That need will add to already high inflation pressures. Another frictional cost is the reduction in foreign direct investment in China. Companies around the globe have curtailed Chinese investment, which will further slow one of the world's largest economies. One must also consider the newly emboldened centralized Chinese government that is increasingly involved in the affairs of private enterprise. This approach to economic management over decades created inefficiencies and hampered efficient wealth creation. We have invested

a small portion of the assets in the portfolio in what we believe are a few well-run and well-positioned Chinese businesses that are trading at valuations we have not experienced in our career.

**Q:** About half of the companies in your portfolio are in the European Union. How do you see them managing their current economic challenges, notably higher energy costs?

**A:** Higher energy costs are a global phenomenon, though certain parts of Europe have a time-constrained need to replace Russian gas and are experiencing a significant increase in those costs. Of course, that will likely lead to a tax on consumption and a reduction in profit margins for companies that do not have the ability to pass on those higher costs.

**Q:** British management teams are struggling to keep up with changes in government and policy. How would you describe the investment outlook there?

**A:** We believe the United Kingdom is facing some near-term fiscal and political challenges that will create economic headwinds. As a result, share prices have declined significantly. As with the United States, U.K. culture and the corporate governance system provide an incredible foundation for corporate value creation. The United Kingdom has always been a somewhat outsized focus for our investment portfolio. Today's challenging situation allows us to parse through falling share prices and invest selectively in what we believe are higher-quality businesses at very attractive valuations.

**Q:** As part of your investment process, you calculate an estimate of intrinsic value for companies. Given the declines in the equity markets, what type of discounts to intrinsic value are you seeing for companies in your portfolio?

**A:** The Artisan International Value Fund was launched in 2002. We have since tracked what we call the portfolio's discount to intrinsic value. The discount represents the difference between the market value and fair value of the securities owned in the portfolio. That discount has ranged from a low of approximately 5% to a high in the mid-40s over the last 20 years. Today the portfolio is trading at the highest end of the historical discount range.

**Q:** More specifically, Samsung Electric has been one of your larger holdings for some time. It has been a tough year for

many technology companies, but particularly tough for semiconductor companies. What are some of the issues affecting Samsung currently, and how do you see those issues getting resolved?

**A:** Samsung Electronics is a vertically integrated manufacturer of technology and consumer products. The basis of the company's competitive advantage comes from the internal manufacturing at scale of components including panels, displays, optical semiconductors, application processors and memory chips, including DRAM and NAND. Samsung is the world's largest manufacturer of memory chips due to significant scale and technological leadership. Today, the DRAM and NAND markets are oversupplied, resulting in falling prices that have hurt reported operating profits. The market for memory chips is today characterized by excess inventories, growing demand and falling supply. Eventually, we believe excess inventory will be worked down through growing demand and supply cuts, which should move prices back to more normal levels. Once Samsung's profit begins to recover, we would expect the share price to follow.

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For further information, please contact Evercore Wealth Management Partner and Portfolio Manager **Judy Moses** at [moses@evercore.com](mailto:moses@evercore.com).

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**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. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. These holdings comprise the following percentages of the Artisan International Value Fund's total net assets (including all classes of shares) as of 30 Sep 2022: Samsung Electronics Co Ltd 5.2%. 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.

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