Artisan Developing World Strategy

QUARTERLY
Commentary

As of 30 September 2023

Portfolio Management
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Market Backdrop

The Artisan Developing World Strategy returned -7.16% (net) for the quarter ended September 30, 2023, versus -2.93% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since July 1, 2015, the Artisan Developing World Strategy has returned 78.59% (net) cumulatively, versus 19.73% for the MSCI Emerging Markets Index. Markets peaked in late July, as the Fitch US credit downgrade seemed to reignite risk aversion in the bond markets after a period of disinflation earlier in the year. Labor market slack in July (reported in August) and moderating core inflation readings suggested a continuation of disinflationary trends, but this data was summarily overwhelmed by disappointing headline inflation numbers and labor market unrest. Government shutdown negotiations in the US, indications that Japan will tolerate higher bond yields, an active US debt issuance calendar, and changing foreign buying patterns of US Treasurys may have also aggravated bond markets. This backdrop was punctuated by a revised Fed dot plot in September, which underscored the potential for persistently high policy rates and a resilient US economy. Emerging country indices were not immune to these developments and declined in line with world markets, inclusive of a 44bps decline in the MSCI currency index as the dollar strengthened. Indeed, EM central banks find themselves increasingly constrained by Fed policy as visible in Poland's equity market declines following surprise rate cuts; emerging country rate differentials are in some cases approaching record lows and can pressure portfolio flows and inflation outlooks. The United Arab Emirates was a standout market during the quarter (+6.11%), due to higher oil prices (post Saudi and Russian production cuts and export controls) and a dollar-linked currency. India (+2.72%) also performed well as India chaired the G20, President Modi visited the US, and "China + 1" investments continued to materialize. China also performed relatively well (-1.94%), especially in the context of disappointing economic data and a weak renminbi; improved policy impetus, efforts to stabilize economic relations with the US, and modest investor positioning were likely mitigating factors. Weaker markets included Taiwan (-7.38%) and Korea (-6.62%) perhaps due to a combination of economic linkages, geopolitical developments, and currency weakness.

Contributors and Detractors

Top contributors to performance for the quarter included Indian online travel company MakeMyTrip, cyber security company CrowdStrike, global online travel marketplace Airbnb, Chinese health care services company Wuxi Biologics, and Latin American marketplace MercadoLibre. MakeMyTrip benefited from strong domestic travel demand in India against a relatively fixed cost structure, and from an improved competitive backdrop that has allowed it to accelerate profitability. CrowdStrike benefited from the resilience of cybersecurity budgets, an increasingly challenging outlook for legacy and smaller next-gen peers and excitement around its platform and artificial intelligence capabilities. Airbnb again defied fears about weaker travel demand as it experienced continued recovery in cross-border and urban nights and resilient pricing trends, though travel volumes remain mixed. Wuxi Biologics rebounded after reporting an acceleration in new project additions following a tepid start to the year, and experienced a growing contribution from late-stage and commercial projects. MercadoLibre rose as a result of continued share gains across key markets and supportive Brazilian regulations aimed at creating a level playing field in cross-border e-commerce.

Bottom contributors to performance for the quarter included global payments leader Adyen, Southeast Asian e-commerce and gaming platform company Sea, global beauty product company Estee Lauder, French luxury goods group LVMH, and Dutch semiconductor equipment producer ASML. Adyen fell after reporting weaker-than-expected 1H23 results, as North American volume faced competitive pricing headwinds and management maintained sizeable investment plans for 2023. Sea declined after announcing its ambition to pivot back toward growth, causing investors to question its profitability trajectory and competitive position; Sea benefited late in the quarter from favorable regulatory developments in key market Indonesia that may impede competition from TikTok. Estee Lauder fell due to ongoing inventory destocking in Asian retail travel and recent Chinese government actions targeted at the daigou channel, both of which impacted retail sales in the Hainan duty-free channel. LVMH declined amid growing concerns about a normalization in American and European entry-level luxury demand and the potential impact of a weaker macro environment in China. ASML declined due to ongoing weakness in leading-edge extreme ultraviolet (EUV) orders, uncertainty around sustainability of lagging-edge deep ultraviolet (DUV) demand, and media reports of further potential restrictions on exports to Chinese customers.

Market Outlook

We have in recent quarters broadened our economic framework to incorporate the concept of real per capita GDP increases as a proxy for growth in the emerging country middle class. Historically, such increases have been most pronounced in China, reflecting productivity improvements and growth in the capital stock. While GDP growth is now slowing in China, it is worth noting that the level of per capita GDP has compounded at astonishing rates. Combined with population size, China now represents a substantial latent pool of domestic demand, at levels of income consistent with services demand beyond simple basic needs. It is also worth noting that savings rates in China, though below peak levels, are still among the highest in the world. Thus, in China's case, prospective real per capita GDP growth (which is a good proxy for

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.

GDP growth since China's population is no longer growing) might be less important than savings mobilization. In contrast to much of the emerging world, China's challenge is not affordability; China must focus on confidence and the propensity to consume. We watched with interest as the government introduced tax breaks for childcare. Combined with attempts to stabilize the real estate market, perhaps there can be scope for optimism. This is not to minimize China's mounting domestic or international challenges, or suggest any change in our desire to manage capital risk in China. However, affordability is a fundamentally different conversation in China than in the rest of the emerging world. Our portfolio in China continues to be aligned to services growth, given the country's current stage of economic development.

Outside of China, real per capita GDP growth is such a powerful concept because it underscores current affordability challenges, the need for emerging markets to increase their capital stock, and the imperative of creating a larger consuming middle class (including for moral and political reasons). As we survey the emerging markets landscape, India has a clear record of increasing real per capita GDP, a recent commitment to public investment, favorable exposure to supply chain realignment, and a domestic opportunity that will continue to entice investment from abroad. It should be noted that real per capita GDP increases in India have occurred despite disappointing growth in the capital stock and red tape that continues to impede achievements on land acquisition and labor reform. Indonesia is another standout emerging country in terms of real per capita GDP progression. As these and select other countries compound output over time, affordability will become less of a constraint, and the consuming middle class for basic goods and services will increase. However, for most of the emerging world, revenue velocity and demand fulfilment are key potential ingredients in achieving disproportionate equity outcomes. Rate cuts in the emerging markets may spur portfolio flows and temporary increases in consumption and investment, but they are unlikely to meaningfully alter growth in the capital stock, real per capita GDP increases or affordability. Thus, we are less focused on the scope for emerging markets central banks to ease policy than our tools for value creation.

Portfolio Positioning

Our focus on scalable business models has its roots in our economic framework. As potential output moderated in most emerging countries, it became clear to us affordability was not improving and that low penetration was necessary but not sufficient for value creation. We eliminated companies from the portfolio that were struggling to generate revenue significantly in excess of fixed costs, often replacing them with passport companies such as Nvidia and Airbnb that were economically tied to emerging markets. Over a period of time, we have been successful in redefining the emerging markets opportunity set around real per capita GDP increases, growth in the middle class, revenue velocity and demand fulfilment. Combined with changes in the market backdrop that have resulted in privileged competitive positions for companies with financial strength and access to capital, we find our opportunity set expanding anew to include companies that are both based in emerging markets and conducive to value creation. In the past year, we have added significant investments in Nubank in Brazil, Apollo Hospitals in India, MakeMyTrip in India and Grab in Southeast Asia. These four investments comprise approximately 10% of our portfolio. We have also increased our direct exposure to India (8.4% of the portfolio exiting September) and Southeast Asia (7.4%). Some of these changes are less visible in our asset allocation since they have come against the competing goal of reducing our capital at risk to China, which has fallen from a peak of 38% of our portfolio to about 22% exiting Q3. In places where affordability is challenged and not improving, we continue to be selective with particular attention to revenue velocity and demand fulfilment.

Disproportionate equity outcomes provide the feedstock for compounding outcomes at the portfolio level. Indeed, when disproportionate equity outcomes are realized, we use the concept of value capture to pursue a level of permanence. We then reinvest into new value pathways to enhance diversification and plant seeds for future growth. In the current market backdrop, business value creation has been more than ample across the portfolio, with many companies experiencing good top-line progression against tight expense control and improved competitive backdrops. For example, on consensus estimates MercadoLibre is expected to generate $1.98 billion in free cash flow (FCF) in 2023 versus $0.98 billion in 2022, Snowflake $0.71 billion versus $0.43 billion, and Sea $0.75 billion versus a significant cash outflow last year. However, in each case stock market performance has significantly trailed business value creation, such that value has converged with price. Notably, the median P/E multiple in our portfolio is 27.0X on CY24 consensus estimates as of the writing of this letter, inclusive of outsized value creators such as Nvidia (27.0X), Nubank (20.7X), and Meituan (21.7X). Moreover, some portfolio holdings are less expensive after embedding our estimates of normalized earnings. For example, Estee Lauder has seen consensus estimates decline due to post-pandemic destocking in Hainan, while Adyen and Sea have incurred front-loaded investment cycles. Finally, non-earnings based measures such as free cash flow may better capture discounts to intrinsic value for companies such as CrowdStrike, which is 47.3X CY24 EPS but 34.2X FCF. Importantly, business value creation results not only in improved valuations over time but also the potential for disproportionate equity outcomes, which in the current market backdrop have been hard to realize (with the notable exception of Nvidia). Over time, as disproportionate equity outcomes are achieved, they allow us to extract permanence from our investments and reinforce compounding outcomes at the portfolio level.

We thank you for your trust and confidence.

Investment Results (% USD)

As of 30 September 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite — Gross	**-6.91**	**16.82**	**23.82**	**-8.56**	**10.00**	—	**8.40**
Composite — Net	**-7.16**	**15.92**	**22.55**	**-9.53**	**8.85**	—	**7.28**
MSCI Emerging Markets Index	-2.93	1.82	11.70	-1.73	0.55	—	2.20

Annual Returns (% USD) 12 months ended 30 September

	2019	2020	2021	2022	2023
Composite — Net	**20.57**	**71.20**	**16.85**	**-48.28**	**22.55**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2015.

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.

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Investment Risks: 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 and less developed markets, including frontier markets. Such risks include new and rapidly changing political and economic structures, which may cause instability; underdeveloped securities markets; and higher likelihood of high levels of inflation, deflation or currency devaluations. 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request. Diversification does not ensure a profit or protect against a loss.

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 Developing World Strategy Composite's total net assets as of 30 Sep 2023: MakeMyTrip Ltd 2.6%, CrowdStrike Holdings Inc. 4.3%, Airbnb Inc 5.6%, Wuxi Biologics Inc 2.1%, MercadoLibre Inc 5.6%, Adyen NV 3.1%, Sea Ltd 5.0%, The Estee Lauder Cos Inc 3.0%, LVMH Moet Hennessy Louis Vuitton SE 3.1%, ASML Holding NV 3.1%, Nu Holdings Ltd 2.3%, Apollo Hospitals Enterprise Ltd 2.6%, Grab Holdings Ltd 2.5%, Snowflake Inc 2.4%, Nvidia Corp 5.6%, Meituan 3.8%. As of 3 Mar 2022, Russian holdings are valued at zero. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

Securities referenced may not be representative of all portfolio holdings. Securities of the same issuer are aggregated to determine a holding's portfolio weight. Portfolio statistics calculations exclude outlier data and certain securities which lack applicable attributes, such as private securities. Artisan Partners may substitute information from a related security if unavailable for a particular security. This material is as of the date indicated and is subject to change without notice. Totals may not sum due to rounding.

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.

If applicable, revenue data is sourced from FactSet, is approximate and is subject to change based on the availability of company reported data.

If applicable, contribution is calculated by multiplying a security's weight by its return daily for the period and has been derived from a holdings-based methodology that varies from the portfolio's actual performance calculation by accounting for purchases/sales using end-of-day pricing, rather than intraday transactions. Net contribution has been calculated by 1) deducting the related Composite's net return, which has been reduced by the highest model fee, from the greater of either of the portfolio's gross contribution total or the Composite's gross return, to determine a "model fee" applicable to managing the representative account's portfolio, 2) weighting that model fee based on each investment's average weight during the period; and then 3) deducting the weighted model fee from each investment's corresponding gross contribution to arrive at the net result. Return attribution identifies relevant factors that contributed to the portfolio's results, but is not exact, nor representative of actual investor returns due to several variables (e.g., security pricing, cash flows, the deduction of fees and expenses, etc.), and therefore should be examined in conjunction with performance of the portfolio or Composite during the period. Artisan will promptly provide further information on the methodology used or the performance of the account from which the individual security returns were extracted upon request.

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.

MSCI Emerging Markets Index measures the performance of emerging markets. MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All single country returns are net returns based on MSCI country indices. 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 manager as of 30 Sep 2023. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes. The discussion of portfolio holdings does not constitute a recommendation of any individual security.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **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.

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