

# Traversing the Globe

## Artisan Emerging Markets Local Opportunities Strategy

Artisan Partners launched the Artisan Emerging Markets Local Opportunities Strategy in July 2022.

The strategy is managed by the Artisan Partners EMSights Capital Group, led by Portfolio Manager Michael Cirami, CFA, Head of Global Trading Michael O'Brien, CFA, and Portfolio Manager Sarah Orvin, CFA. The team also manages the Artisan Global Unconstrained Strategy and the Artisan Emerging Markets Debt Opportunities Strategy.

Michael Cirami, a managing director at Artisan Partners, joined Artisan Partners in 2021 after spending almost 20 years at Eaton Vance, where he co-led the emerging markets debt group. At Artisan Partners, the team is managing similar portfolios, including the Emerging Markets Local Opportunities strategy.

### Investment Philosophy

The Emerging Markets Local Opportunities strategy primarily invests in emerging market debt denominated in local currencies. It is an opportunity set spanning the emerging markets universe of more than 100 countries and may include countries and fixed-income assets that are overlooked by traditional benchmark indexes. The team's portfolio managers have the flexibility to construct differentiated investments that utilize a broad array of local debt instruments, currencies and derivatives. The team's objective is to outperform the benchmark index with risk-adjusted returns over the medium term.

The portfolio takes a "benchmark-like approach" with "twists" that speak to the team's strengths. The strategy is benchmark aware (in terms of beta) and can be compared to the JPM Government Bond Index-Emerging Market Global Diversified Index (GBIEMGD), an index of local-currency

bonds with maturities of more than one year issued by EM governments. While the team does not replicate the index from a country or bond positioning perspective, the team is cognizant about the benchmark index's composition, its performance and the portfolio's beta relative to the index.

Position sizing and assets are informed by country fundamentals, risk/return expectations, portfolio fit and liquidity. Ultimately, through active management, the team aims to outperform the benchmark index over medium-term market cycles, with a similar beta to the index. The team has the flexibility to deviate from index weightings (i.e., off-benchmark investing, which may be large at times).

The EMSights Capital Group leverages its deep experience in and knowledge of emerging markets, fundamental research, as well as extensive travel to identify countries and on occasion companies that are important to EM growth. The strategy combines a country-by-country, bottom-up analysis and a top-down macroeconomic analysis of countries and markets. EMSights Capital Group's portfolio managers work closely with the implementation team to open investment access to countries outside the benchmark.

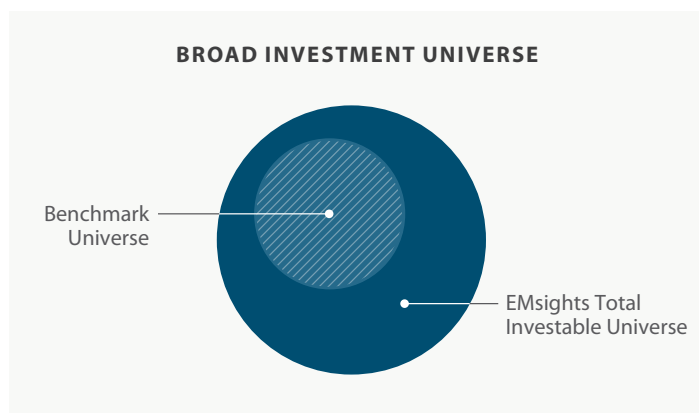


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## Portfolio Highlights

Emerging market local currency bonds offer a broad investible universe when looking beyond countries in the index. The team has the flexibility to explore all possibilities in the domestic EM space. In terms of the investment mix, the team explores a wide array of securities including local currency bonds, currencies, interest-rate swaps and can use other derivatives to gain exposure. While not a core aspect of the team's process, limited cross-over investments in hard-currency sovereign and corporate credit may be added to the portfolio when there are opportunities that the team believes may be beneficial.

The Emerging Markets Local Opportunities strategy is primarily a "long-only" portfolio. The team, however, has the ability to use derivatives and shorting to hedge risks in the portfolio. In terms of investment limits, the portfolio typically does not exceed 15% of the portfolio's market value in any given country or currency. The team limits hard currency opportunistic aggregate positioning to 15%, and 1% for a single corporate. The duration for local currency bonds, at the portfolio level, will typically not be more than 2.5 years over the duration of any single country included in the benchmark index.



The team's EM local debt universe is vast; there are more than 100 EM countries which have active local-currency markets. Investment

opportunities span Asia, the Middle East, Africa, emerging Europe and Latin America. The GBIEMGD Index currently has 20 countries; therefore, the team has full flexibility to make out-of-benchmark investments. The team is focused on uncovering the best relative value opportunities across the asset class, while seeking total returns. As a result, the team's portfolios may consist of approximately 30% to 60% in exposures to off-benchmark countries through bonds, foreign exchange and derivatives. The team takes a high conviction approach to positions, with a goal of isolating investment risk and establishing positions when risk-adjusted returns are attractive.

## Diversification Derived from EM Local Currency Bonds

Emerging market local currency fixed-income securities provides the team with a broad opportunity set and an option to invest in more than **100 different countries**. The team does not restrict themselves to the benchmark. Consequently, emerging market local currency bonds can help add diversification to an investment portfolio, provide exposure to many countries which have idiosyncratic economic cycles varied correlations to many asset classes.

## Idea Generation

Analysts and portfolio managers perform fundamental country-by-country research and monitor financial markets for inflection points. The EMsights Capital Group's investment and implementation teams also analyze which instruments can provide optimal risk-adjusted returns. The portfolio construction process includes an understanding of a country's policy environment and how key policy events alter the investment environment.

In addition, the investment team can use derivatives as an investment tool to gain exposure to countries and currencies, in addition to hedging unwanted currency and interest rate exposures. A derivative may be used to access currencies including deliverable or non-deliverable forwards or currency options, local rates (e.g., interest rate swaps), sovereign credit (e.g., credit default swaps or credit linked notes), and repurchase agreements, among other securities.

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This section contains information important to a complete understanding of the material presented. Please review it carefully.

**Investment Risks:** Diversification cannot guarantee profit or protect against loss. A non-diversified portfolio may invest a larger portion of assets in securities of a smaller number of issuers and performance of a single issuer may affect overall portfolio performance greater than in a diversified portfolio. 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. Fixed income securities carry interest rate risk and credit risk for both the issuer and counterparty and investors may lose principal value. In general, when interest rates rise, fixed income values fall. High income securities (junk bonds) are speculative, experience greater price volatility and have a higher degree of credit and liquidity risk than bonds with a higher credit rating. The use of derivatives in a portfolio may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. 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 in Artisan Partners Form ADV, which is available upon request.

The **JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD)** is an index of local-currency bonds with maturities of more than one year issued by EM governments. The index is unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright © 2022 J.P. Morgan Chase & Co. All rights reserved.

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