Artisan Global Discovery Fund 1-Year Anniversary

Artisan Partners Growth Team

PORTFOLIO MANAGER
Viewpoints

August 2018

Artisan Global Discovery Fund celebrated its one-year anniversary on 21 August 2018. Lead Portfolio Manager Jason White discusses the portfolio's first year.

Jason L. White, CFA
Portfolio Manager

18 Years Investment Experience

Could you discuss why the team decided to launch Artisan Global Discovery Fund?

Jason: In a way, Artisan Global Discovery Fund brings the team full circle from where it first started over 20 years ago with Artisan Mid Cap Fund. We've described Global Discovery as the one we would have started with if we could have in the sense that we're applying our "mid cap as a state of mind" philosophy to a highly unconstrained, global universe with greater size freedom than the other portfolios the team manages.

What does the team mean by "mid cap is a state of mind"?

Jason: Since the team's inception, we have found mid caps to be an investing sweet spot—a compelling intersection of quality, competitively advantaged businesses with still-ample growth runways. This is a belief that has been embedded in the team's DNA from day one, and we apply it across the portfolios that we manage. In Global Discovery, we have the most unconstrained opportunity of any of our portfolios to pursue companies which we believe reflect it, regardless of their domicile or their current market capitalization.

What distinguishes Artisan Global Discovery Fund from Artisan Mid Cap Fund and Artisan Global Opportunities Fund?

Jason: I think you can sum it up thusly: the Artisan Global Discovery Fund is more global than the Artisan Mid Cap Fund and more mid-cap focused than the Artisan Global Opportunities Fund. In other words, in relationship to the Mid Cap Fund, while we seek companies that exemplify the mid-cap franchise traits we are attracted to, we intend to hold those companies through the duration of their profit cycles—even if that means their market capitalizations reach points beyond which we would normally hold them in the Mid Cap Fund. In contrast to the Global Opportunities Fund, we tend to initiate our investing campaigns in smaller companies—which should over time allow us to capture more of the profit cycle than we are typically able to in portfolios which have firmer capitalization thresholds.

Does the team consider regional exposure to any meaningful degree in managing the portfolio?

Jason: While we acknowledge the macroeconomic environment in any given country can impact securities domiciled there in a variety of ways—both positive and negative—we prefer to evaluate those factors through a bottom-up lens, incorporating them into our expectations of future results. Said another way, we don't want to determine our regional exposure from a top-down perspective because that would likely preclude franchises that might be attractive candidates for a variety of reasons—i.e., maybe they're domiciled in a challenged country but they generate a majority of their revenues abroad. Or maybe they're well-positioned to capitalize on a particular macro challenge that might impair other companies also domiciled there. And so on.

This results in a portfolio that is global in nature but largely agnostic about the composition of its regional exposure—at times, it may have above-benchmark exposure to non-US holdings; at others, it may have a higher percentage of US exposure. But as benchmark-agnostic investors, we're much more focused on finding high-quality franchises that are on the cusp of or in the early innings of a compelling profit cycle. Over the course of our two decades-plus managing portfolios, we've found that such opportunities can and do occur in a wide variety of markets—hence our desire to launch an unconstrained portfolio that allows us to pursue such opportunities regardless of their domicile.

Could you give us an example of a company undergoing a profit cycle that you find particularly interesting right now?

Jason: One example we especially like right now is Takeaway.com. Takeaway.com is a leading online food delivery marketplace in the Netherlands, Germany and Poland. Online food delivery is rapidly growing as consumers are increasingly willing to pay to have restaurant-quality meals delivered to their homes. Takeaway.com has dominant market share in the Netherlands and is focused on growing its presence in Germany, Austria, Poland and Belgium, among others. Its strong presence in the Netherlands has driven attractive revenue growth, allowing the company to invest in its operations in other European countries. The food delivery business is one which requires heavy upfront investments—primarily in marketing—in order to win customers. However, once customers are committed to a particular delivery platform, they tend to be highly sticky, generating attractive profits for the winner. Case in point: We believe the Netherlands, where Takeaway is the hands-down leader, has greater than 55% EBITDA margins. Further, in recent quarters, Takeaway has gained significant market share in Germany—a market that has five times the population and is at least three times the size of the Netherlands. Now with greater than 50% market share in Germany (and growing), we believe Germany's profitability will materially inflect in the near future. Given its attractive positioning in front of a powerful secular trend and the material potential of big new markets like Germany and Poland where Takeaway is separating itself competitively, we believe Takeaway's profitability will improve dramatically over the next several years.

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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.

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. Growth securities may underperform other asset types during a given period.

This summary represents the views of the investment team as of 31 Aug 2018 and is subject to change without notice. Security examples are for informational purposes only and are not representative of the entire portfolio. There is no guarantee that investment in the securities mentioned will result in profit. While the information contained herein is believed to be reliable, there is no guarantee as to the accuracy or completeness of any statement in the discussion.

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For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned comprise the following percentages of the Artisan Global Discovery Fund's total net assets (including all classes of shares) as of 31 Aug 2018: Takeaway.com NV 0.9%. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization.

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