

Artisan Global Discovery Strategy 1-Year Anniversary

Artisan Partners Growth Team

PORTFOLIO MANAGER
Viewpoints

August 2018

Artisan Global Discovery Strategy celebrated its one-year anniversary on 1 September 2018. Lead Portfolio Manager Jason White discusses the portfolio's first year.

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

Jason: In a way, Artisan Global Discovery Strategy brings the team full circle from where it first started over 20 years ago with Artisan U.S. Mid-Cap Growth Strategy. 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 Strategy from Artisan U.S. Mid-Cap Growth Strategy and Artisan Global Opportunities Strategy?

Jason: I think you can sum it up thusly: the Artisan Global Discovery Strategy is more global than the Artisan U.S. Mid-Cap Strategy and more mid-cap focused than the Artisan Global Opportunities Strategy. In other words, in relationship to the U.S. Mid-Cap Growth Strategy, 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 U.S. Mid-Cap Growth Strategy. In contrast to the Global Opportunities Strategy, 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.



Jason L. White, CFA
Portfolio Manager

18 Years Investment
Experience

A R T I S A N



P A R T N E R S

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.



For more information: Visit www.artisanpartners.com

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. 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.

This summary represents the views of the investment team as of 31 Aug 2018, which will fluctuate and those view are subject to change without notice. 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. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Strategy information contained herein relates to a representative account managed within the investment composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing the strategy.

For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the portfolio. Securities named but not listed here are not held in the portfolio(s) as of the date of this report. The holdings mentioned above comprise the following percentages of a representative account within the Composite's total net assets as of 30 Sep 2018: Artisan Global Discovery Strategy — 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.

Our capital allocation process is designed to build position size according to our conviction. Portfolio holdings develop through three stages: GardenSM CropSM and HarvestSM. GardenSM investments are situations where we believe we are right, but there is not clear evidence that the profit cycle has taken hold, so positions are small. CropSM investments are holdings where we have gained conviction in the company's profit cycle, so positions are larger. HarvestSM holdings are investments that have exceeded our estimate of intrinsic value or holdings where there is a deceleration in the company's profit cycle. HarvestSM investments are generally being reduced or sold from the portfolios.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein. We expressly confirm that neither Artisan Partners nor its affiliates have made or are making an investment recommendation, or have provided or are providing investment advice of any kind whatsoever (whether impartial or otherwise), in connection with any decision to hire Artisan Partners as an investment adviser, invest in or remain invested in any funds to which we serve as investment adviser or otherwise engage with Artisan Partners in a business relationship.

Artisan Partners Limited Partnership (APLP) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Artisan Partners UK LLP (APUK) is authorized and regulated by the Financial Conduct Authority and is a registered investment adviser with the SEC. APLP and APUK are collectively, with their parent company and affiliates, referred to as Artisan Partners herein.

Artisan Partners is not registered, authorized or eligible for an exemption from registration in all jurisdictions. Therefore, services described herein may not be available in certain jurisdictions. This material does not constitute an offer or solicitation where such actions are not authorized or lawful. Further limitations on the availability of products or services described herein may be imposed.

In no event shall Artisan Partners have any liability for direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) losses or any other damages resulting from the use of this material.

This material is only intended for investors which meet qualifications as institutional investors as defined in the applicable jurisdiction where this material is received, which includes only *Professional Clients* or *Eligible Counterparties* as defined by the UK Financial Conduct Authority where this material is issued by APUK. This material is not for use by retail investors and may not be reproduced or distributed without Artisan Partners' permission.

In the United Kingdom, issued by APUK, 25 St. James's St., Floor 3, London SW1A 1HA, registered in England and Wales (LLP#: OC351201). Registered office: Reading Bridge House, Floor 4, George St., Reading, Berkshire RG1 8LS.

Australia: This material is directed at wholesale clients only and is not intended for, or to be relied upon by, private individuals or retail investors. Artisan Partners Australia Pty Ltd is a representative of APLP (ARBN 153 777 292) and APUK (ARBN 603 522 649). APLP and APUK are respectively regulated under US and UK laws which differ from Australian laws and are exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 in respect to financial services provided in Australia.

Bailiwick of Guernsey: The financial services referred to in this material and this document are not being made available in the Bailiwick of Guernsey (Guernsey) to more than 50 persons in Guernsey and the financial services may not be accepted by more than 50 persons in Guernsey.

Canada: This material is distributed in Canada by APLP and/or Artisan Partners Distributors LLC, which conduct activities in Canada under exemptions from the dealer, portfolio manager and investment fund manager registration requirements of applicable Canadian securities laws. This material does not constitute an offer of services in circumstances where such exemptions are not available. APLP advisory services are available only to investors that qualify as "permitted clients" under applicable Canadian securities laws.

© 2018 Artisan Partners. All rights reserved.

For Institutional Investors Only — Not for Onward Distribution

A R T I S A N



P A R T N E R S