

# Artisan Sustainable Emerging Markets Fund

QUARTERLY  
Commentary

Investor Class: ARTZX | Advisor Class: APDEX | Institutional Class: APHEX

As of 31 March 2023

## Investment Process

We seek to invest in companies that are uniquely positioned to benefit from the growth potential in emerging markets and that possess a sustainable global competitive advantage.

### Sustainable Earnings

We believe over the long term a stock's price is directly related to the company's ability to deliver sustainable earnings. We determine a company's sustainable earnings based upon financial and strategic analyses. Our financial analysis focuses on identifying historical drivers of return on equity, and our strategic analysis examines a company's competitive advantages and financial strength.

### Sustainability Assessment

We believe a company's long-term direction and degree of change across multiple environmental, social and governance ("ESG") metrics are important indicators of a company's sustainable growth potential. Our sustainability assessment has incident-based and empirical components to evaluate a company's historical, current and future potential behavior. We use a proprietary scoring system for the incident-based and empirical components of the assessment, which informs the team's view of a company's target price.

### Risk Analysis

We believe a disciplined risk framework allows greater focus on fundamental stock selection. We incorporate our assessment of company-specific, sustainability and country-appropriate macroeconomic risk factors into our valuation analysis.

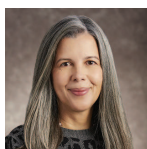
### Valuation

We believe that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. We value a business and develop a price target based on its sustainable earnings and our risk analysis.

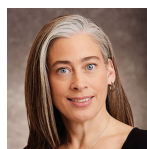
## Team Overview

Team experience, continuity and a rigorous investment process are the characteristics that we believe differentiate our team from other emerging markets investment managers. Research analysts have autonomy and ownership of their regions and accountability for the success of their ideas. Our team members bring deep experience and uncommon insight to their respective areas of responsibility.

### Investment Team



Maria Negrete-Gruson, CFA  
Portfolio Manager



Meagan Nace, CFA  
Analyst



Chen Gu, CFA  
Analyst



Nicolas Rodriguez-Brizuela  
Analyst



Gurpreet Pal  
Analyst



Jessica Lin, CFA  
Analyst

## Investment Results (%)

As of 31 March 2023	Average Annual Total Returns							Inception <sup>1</sup>	Inception <sup>2</sup>
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr			
Investor Class: ARTZX	10.08	10.08	-6.42	8.80	-1.38	2.61	-0.03	—	
Advisor Class: APDEX	10.10	10.10	-6.40	8.80	-1.37	2.61	-0.03	—	
Institutional Class: APHEX	10.13	10.13	-6.28	8.95	-1.24	2.73	—	3.76	
MSCI Emerging Markets Index	3.96	3.96	-10.70	7.83	-0.91	2.00	1.06	4.53	

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</sup>Investor Class inception: 2 June 2008. Advisor Class inception: 27 April 2022. For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different if such expenses were reflected. <sup>2</sup>Institutional Class inception: 26 June 2006.

Expense Ratios (% Gross/Net)	ARTZX	APDEX	APHEX
Annual Report 30 Sep 2022 <sup>1</sup>	1.58/1.26 <sup>2</sup>	1.97/1.05 <sup>3</sup>	1.45/1.07 <sup>2</sup>
Prospectus 30 Sep 2022 <sup>1,4</sup>	1.52/1.15	1.40/1.05 <sup>5</sup>	1.41/1.00

<sup>1</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. <sup>2</sup>Expense limit was lowered during the period, effective 1 Mar 2022. <sup>3</sup>For the period from commencement of operations 25 Apr 2022 through 30 Sep 2022. <sup>4</sup>See prospectus for further details. <sup>5</sup>Includes estimated expenses for the current fiscal year.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.



### Portfolio Discussion

It was another volatile quarter for emerging markets. Following a solid start to the new year aided by the reopening rally in China, emerging markets retreated in February due to global inflationary pressure and continued geopolitical tensions. The MSCI Emerging Markets Index finished the quarter up modestly. Taiwan and China were the benchmark's primary Q1 contributors, while India was its main detractor. Our portfolio comfortably outperformed the index in Q1.

Top relative contributors in Q1 included MercadoLibre, Estun Automation and E Ink. MercadoLibre (MELI), Latin America's leading e-commerce platform, is a long-term holding that has been a strong performer for us. MELI entered the e-commerce market early and made smart investments in its business over the years, even when those investments were difficult. As a result, it has established a market-leading position that has created a strong competitive advantage for the company, helping it ward off competition when the economy is performing well and take share when the economy is struggling. The recent bankruptcy of competitor Americanas, for example, has benefited MELI through customer and merchant acquisition and market share gain. We maintain our conviction in MELI and believe its strong competitive position will continue to drive sustainable earnings for the company.

Our off-benchmark position in Estun Automation is an example of our strong stock selection in China, which propelled our relative outperformance in Q1. Estun Automation, a leading domestic Chinese robot producer, has benefited from the fast-paced growth of the robotics industry in China, especially over the last year. The company has its own production plants, allowing it to produce most of its robot components internally. Those in-house production capabilities, combined with its leading technology, have created a competitive edge for Estun. That competitive edge, in turn, has allowed the company to increase its market share and produce what we believe will be long-term sustainable earnings for the company. We expect Estun to be a long-term leader in robotics and artificial intelligence in China.

E Ink is a Taiwan-based producer of e-paper technology—used in e-readers such as Amazon's Kindle—and electronic shelf label (ESL) systems used to display product pricing on retail shelves. The company has outperformed due in part to increased ESL adoption—a trend we expect to continue based on the many advantages of ESL, including simplifying and streamlining pricing management, allowing for dynamic pricing and reducing paper waste. We believe E Ink is positioned to benefit from increased global ESL adoption by large-scale retailers over the long term.

Our bottom relative Q1 contributors included two Chinese names, Zhuzhou CRRC Times Electric and Sino Biopharmaceutical. Earlier in the quarter, some areas of the Chinese economy experienced volatility as investors were anxiously awaiting China's annual parliamentary meeting, where several economic indicators would be

made public. At the meeting, government leaders shared a historically low GDP growth number and a relatively conservative annual growth target; however, they struck a business-friendly tone during the meeting that many investors found reassuring. We believe shares of Sino Bio, a diversified pharmaceutical company, were caught up in the volatility leading up to the meeting. We remain attracted to Sino Bio's impressive drug pipeline, investment in research and development, and subsequent sustainable, long-term earnings potential.

Zhuzhou provides and integrates train-borne electrical systems for China's railway industry. The company also has a growing non-rail business that is gaining market share in insulated-gate bipolar transistors (IGBTs), a key component in electrical vehicles (EVs). Although EV demand in China has experienced some recent weakness, we believe Zhuzhou's IGBTs will be a long-term growth driver for the company. Despite some relative weakness in these two Chinese names, our Chinese names in aggregate were a source of relative strength in Q1.

One of our bottom relative contributors outside of China was Reliance Industries, an Indian conglomerate with operations in refining, petrochemicals, telecommunications, digital businesses and organized retail. Reliance declined as part of a broad-based selloff in India in late January largely caused by corporate governance concerns around a different large Indian conglomerate and subsequent fears of contagion across the Indian stock market. Additional pressures on Indian equities came from regional rotation out of India following China's reopening as well as concerns over slower domestic consumption. We believe the correction in Reliance was unjustified. We continue to see upside for Reliance, particularly from its digital and new energy investments.

### Portfolio Activity

Q1 was a relatively quiet quarter in terms of portfolio activity. We added InPost to the portfolio, and we exited our position in Jeronimo Martins. This rotation of capital was a direct result of our team's travel. Our extensive travel and on-the-ground research have always been critical components of our due diligence process and a source of idea generation for the portfolio. Recently, one of our analysts visited Poland as part of his typical due diligence efforts for Jeronimo Martins, a food and household products retailer. Though domiciled in Portugal, more than two thirds of Jeronimo's sales come from Poland. While conducting on-the-ground research in Poland, our analyst was intrigued by a set of lockers he encountered near his hotel and began to research the company that owned the lockers. He identified the company as InPost, and following in-depth analysis of the company, we ultimately redeployed our capital out of Jeronimo and into InPost.

InPost is a leading European e-commerce enablement platform that provides delivery services through its network of automated parcel machines and to-door couriers. It also provides fulfillment services to e-commerce merchants. InPost went public in Amsterdam in early

2021 after launching in Poland in 2006. E-commerce can struggle when countries lack proper infrastructure to facilitate to-door deliveries. In countries like Poland, it can be much more efficient to deliver parcels to lockers or box locations in central locations that are near a large portion of the population's housing. With this delivery method, people can collect their parcels from the lockers on their way to or from work, for example, rather than burdening a delivery service with individual doorstep delivery. We believe InPost has a unique understanding of this business model and how it can lead to success in Europe and beyond.

No matter the market environment, valuation is an important part of our investment process—we always seek companies with sustainable growth characteristics trading at compelling valuations.

### Perspective

Emerging markets economies trailed their developed markets counterparts in Q1, as EM continued to face challenges stemming from the war in Ukraine, elevated commodity costs, higher interest rates, currency market volatility and signs of slower global growth. Despite these obstacles, EM proved resilient in Q1, and we are optimistic about the remainder of the year.

We are particularly excited about what we believe will be drivers of alpha in our portfolio, including our large position in e-commerce-related securities. We own a number of e-commerce-related companies that we believe have been heavily penalized in the last year or so. We maintain our conviction in these names and believe they have value that has gone unrecognized in the market. The recent announcement about the upcoming restructure of Alibaba is an example of the potential unlocking of value at an e-commerce-related company that, in our opinion, has historically gone overlooked.

We also believe our stock selection in China poses an opportunity for potential alpha in the portfolio. Recent volatility in China due to its reopening has created solid opportunity for systematic stock selectors like us. Our portfolio is already heavily differentiated from the index, and we are confident in our China positioning looking forward.

Finally, we believe our above-benchmark exposure to Latin America will be an alpha-generator for us. Latin America had a difficult start to the year due to various political pressures in the region, but we believe valuations have been overly penalized in many cases. We believe policymakers in Latin America have handled the recent high-inflation environment adeptly, and our holdings in Latin America exhibit the qualities we look for in long-term holdings—sustainable earnings, discount valuations and substantial upsides. If Latin American growth emerges and if rates normalize, we believe these companies will be well positioned for success.

Environmental, social and governance (ESG) investing remains an important topic in our industry. We share details about our unique approach to ESG in our recently published 2022 Sustainability Report. In the report, we highlight our differentiated perspective on how to

invest sustainably within the context of EM. For example, we explain why we don't believe in using exclusions and how we evaluate companies based on the progress they are demonstrating in terms of ESG—not based on where they are today or where they were yesterday. We acknowledge that our views on sustainable investing vary from many regulators' views, and we welcome that distinction.

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### ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

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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. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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. Investments in which the team has determined to have sustainable growth characteristics may underperform other securities and may not achieve their sustainable growth potential. Non-diversified portfolios may invest larger portions of assets in securities of a smaller number of issuers and performance of a single issuer may have a greater impact to the portfolio's returns. 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.

MSCI Emerging Markets Index measures the performance of emerging markets. 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 managers as of 31 Mar 2023. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. 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 above comprised the following percentages of the Fund's total net assets as of 31 Mar 2023: MercadoLibre Inc 3.5%; Estun Automation Co Ltd 3.4%; E Ink Holdings Inc 3.3%; Zhuzhou CRRC Times Electric Co Ltd 3.2%; Sino Biopharmaceutical Ltd 2.3%; Reliance Industries Ltd 2.5%; InPost SA 0.7%; Alibaba Group Holding Ltd 4.1%. 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 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. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

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**Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity.

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