Artisan US Select Equity Fund

QUARTERLY
Commentary

Artisan Partners Global Funds plc

As of 31 December 2023

For Institutional Investors – Not for Onward Distribution

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Team Overview

Our team has worked together for many years and has implemented a consistent and disciplined investment process. Our team is organized by geographic regions, but within those regions we are generalists who look across all industries. We believe this model enables our analysts to become broad thinkers and gain critical insight across all economic sectors.

Portfolio Management

Daniel J. O'Keefe
Portfolio Manager (Lead)
Managing Director

Michael J. McKinnon, CFA
Portfolio Manager
Managing Director

Investment Results (%)

			Average Annual Total Returns				
As of 31 December 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Class I USD—Inception: 20 Apr 2020	**13.13**	**26.73**	**26.73**	**7.01**	—	—	**16.15**
S&P 500® Index (USD)	11.69	26.29	26.29	10.00	—	—	17.10

Annual Returns (%) Trailing 12 months ended 31 December

	2019	2020	2021	2022	2023
Class I USD	—	—	**15.92**	**-16.59**	**26.73**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized.

Past performance does not predict future returns. Performance is NAV to NAV, including reinvestment of dividends and capital gains, if any, and is net of fees and expenses, excluding any subscription or redemption charges which may be levied. At the moment, the Fund does not intend to charge subscription or redemption fees. The Fund may be offered in different share classes, which are subject to different fees, expenses and inception dates (which may affect performance), have different minimum investment requirements and are entitled to different services. Funds are actively managed and are not managed to a benchmark index.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in funds 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 on the last page, which should be read in conjunction with this material.

Market Overview

"If something cannot go on forever, it will stop."
Herbert Stein, Chairman of President Nixon's council of economic advisors

Much of what we will say here we have already said. We have quoted Herbert Stein at least once before in these pages. It seems fitting to do it again. Repeating something doesn't make it less true, just easier to ignore.

Stating the obvious, markets ripped in Q4 and for the full year. And they did so in a way to which we have all become accustomed, numb even. Big Tech trounced everything. For the quarter, the Magnificent Seven had an average gain of 13%, outpacing the S&P 500® Index's 12%, the MSCI World Index's 11% and the MSCI EAFE Index's 10%, all in US dollars. For the year, they averaged a gain of 112%, beating the S&P 500® Index's 26%, the MSCI World Index's 23% and the MSCI EAFE Index's 18%, again all in US dollars. (China was the only major stock market to post a loss, down 4% during the quarter in US dollars, as it struggled against a slow post-COVID recovery and geopolitical tensions.) The tailwind for the market in general and the Magnificent Seven in particular was the emerging consensus for a soft landing and subsequent rapid cuts in interest rates. Inflation does indeed appear to be coming down toward central bankers' preferred levels.

Interestingly, the divergence between growth and value in the US during 2023 was about as extreme as we have ever seen it. The US market broadly was up in 2023, with the MSCI USA Index up 26% driven by Big Tech, while the value segment rose only 8% as measured by the MSCI USA Value Index. Wow. But outside the US, something very interesting happened: Value held its own. The MSCI EAFE Value Index was up 19%, while the MSCI EAFE Index was up 18%. The MSCI Japan Value Index was up 24%, while the MSCI Japan Index was up 21%. Outside the US, value actually outperformed growth. It must be said, however, that the growth versus value distinction outside the US is a subtle one. We would argue the MSCI EAFE Index overall is a value index, as is Japan more broadly. There is no dynamic, globally relevant tech industry outside the US. After decades of massive underperformance versus the US, international stocks can broadly be characterized as value or perhaps more accurately, "old economy" and/or "cyclical." Still, it's notable that the performance of value stocks outside the US was strong—particularly in Q4.

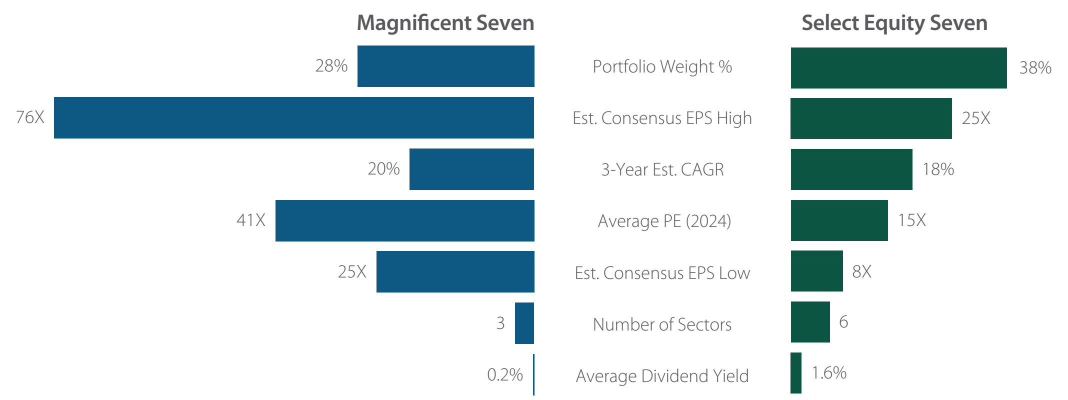
The emerging consensus for falling rates in 2024 is an interesting one to explore. Growth stock investors took that expectation to the bank in 2023, as we pointed out. But are falling rates really the ticket to growth stock nirvana? Will continued economic growth and falling rates be more beneficial to stocks with already high valuations and expectations or to those that are more cyclical and much cheaper? History has an opinion on this question. According to Bloomberg, there have been 11 falling rate cycles since 1954. In 9 of those 11 falling Fed Funds cycles, value outperformed growth. The two exceptions were a 20-month stretch starting in 1959 and, of course, the one we are all familiar with, the seemingly never-ending fall in rates following the financial crisis of 2008.

But we don't invest based on interest rates and predictions of the future. Neither should you. Growth versus value, soft landing versus hard—who knows? Over the past few years, we had a pandemic come out of nowhere, followed by an orgy of monetary and fiscal stimulus, followed by hopes for a sustainable boom in growth, followed by an inflationary spiral, followed by near certainty of recession. Now, the overwhelming bet is for a soft landing and falling rates. If anyone still believes they know the future or where markets are heading, they should stop by the nearest doctor's office for an examination.

We anchor on fundamentals as best we can. Essentially, there are three sources of return from stocks: growth in earnings, dividends paid and multiple expansion/contraction. Every investment must weigh those variables in order to frame potential return versus downside risk. Instead of trying to predict the future from the top down, let's compare the fundamentals for our top seven holdings to the Magnificent Seven, which are the top holdings for the S&P 500® Index.

Our top seven holdings are American Express (the world's leading premium closed loop credit card network operator), Samsung Electronics (the leading global manufacturer of memory semiconductors), Berkshire Hathaway (the holding company run by Warren Buffett), Elevance (a leading US health insurer), Danone (global food and nutrition), Heidelberg Materials (global cement and aggregates) and Alphabet (global Internet search). The Magnificent Seven are well known, but we will list them anyway: Amazon, Tesla, Nvidia, Microsoft, Apple, Alphabet and Meta. These seven stocks make up 28% of the S&P 500® Index and 17% of the

Exhibit 1: Comparing Fundamentals Between Magnificent Seven and Select Equity Seven Stocks



Source: FactSet/GICS/S&P. As of 31 Dec 2023. Magnificent Seven stocks are the top seven holdings for both the MSCI AC World Index and the S&P 500® Index: Amazon, Tesla, Nvidia, Microsoft, Apple, Alphabet and Meta. The Select Equity Seven Value Seven are the top seven holdings in Artisan Select Equity as of 31 Dec 2023: American Express, Samsung Electronics, Berkshire Hathaway, Elevance, Danone, Heidelberg Materials and Alphabet.

MSCI AC World Index. Our top seven holdings account for 38% of our portfolio.

First, let's look at valuation. The divergence is dramatic. For simplicity, we used the readily available consensus estimates for both groups. On this basis, the Magnificent Seven trade at 25X earnings on the low end (Alphabet and Meta) to 76X earnings on the high end (Tesla), with an average PE of 41X 2024 earnings. Our top seven trade for 15X 2024 earnings with a range of 8X on the low end (Heidelberg) and 25X on the high end (Alphabet). The average dividend yield of our top seven holdings is 1.6% versus 0.2% for the Magnificent Seven, as only Microsoft (0.8% yield) and Apple (0.5% yield) pay a dividend.

Is the Magnificent Seven's valuation premium justified? They are indeed great businesses, but they are not perfect. Apple faces significant headwinds in China, not only in terms of product demand but also supply chain stability. Tesla is the leading electric vehicle (EV) manufacturer, and EVs should grow in the global auto mix. But the potential for EV demand to hit a wall should not be discounted, nor should the rising competitive intensity of the industry. At the end of the day, Tesla is an auto manufacturer. Making cars is a crummy business. Nvidia dominates artificial intelligence (AI) chip manufacturing. AI will certainly grow, but at this valuation, it will need to grow significantly for many years in a historically cyclical industry.

The question of whether a valuation is justified ultimately comes down to earnings growth. Comparing the estimated earnings growth of our top seven to the Magnificent Seven is a bit tricky. Berkshire is a holding company that owns a combination of operating businesses, common stock investments and cash, a lot of cash. There are no published consensus earnings estimates for Berkshire, so we are going to leave it out of this particular analysis. The average estimated earnings growth of our top six, therefore, is 18%. This compares to the Magnificent Seven's 20%.

Our top seven are certainly not as dominant or as profitable collectively as their Magnificent Seven counterparts. But they are durable, attractive businesses with good growth prospects. American Express benefits from the continuing shift to electronic and digital payments from cash and checks. Samsung is coming off one of the worst memory semiconductor downturns in history, and we expect a strong recovery over the next few years. It is a leader in memory chips, which will also benefit from growing AI demand. Berkshire has enormous financial firepower that it can deploy to create earnings future earnings streams and cashflow. Elevance benefits from continued growth in health care expenditures as our society ages. And so on.

Let us return to our basic investment analysis framework. The dividend yield of our holdings is about 10X higher than that of the Magnificent Seven. The PE multiple is almost one-third. The expected consensus earnings growth is a little bit lower. Our holdings seem to us like a much better proposition than a concentrated bet in the same seven stocks that have powered the market for the past decade. Are those seven stocks really worth three times the multiple as ours?

We have made our bet. Let us agree to return to this analysis in a few years' time and examine the results. We suspect at some point in the near future that which has appeared to go on forever will have come to a stop, and we can thankfully find another topic to write about.

Portfolio Update

Our top performers this quarter were American Express, Expedia and Axalta.

American Express saw a 26% share price gain. The business has performed well over the past year and over our holding period. While American Express' long-term growth and attractive business model is well known and understood, the shares had been flat to down for most of the year on fears of a recession. In a recessionary environment, consumer spending slows, which impacts revenue, and credit costs go up as consumers have a harder time paying their bills. As fears about a recession receded in Q4, investors bid up American Express shares.

Expedia shares were up 47% during the quarter. Travel continues to be strong, and Expedia reported solid Q3 results. Revenue was up about 9%, but importantly, operating margins expanded and EBIT was up 14%. Margin performance has been a real concern for investors. Booking—the leading online travel agency—has much higher margins and continually demonstrates strong operating leverage within its financial model. Expedia has been investing for years now to improve its revenue generation and has mostly been unable to scale its investments in order to expand margins. Recent results are encouraging on this front. In addition, Expedia announced a massive share repurchase program roughly equal to 30% of its market cap at the time of the announcement.

Axalta reported strong Q3 results, and the shares reacted very positively, gaining 26% for the quarter. Axalta—a leading coatings manufacturer—has been pushing through price increases in the wake of significant raw material cost inflation. Investors have questioned its ability to push through the necessary price increases in order to restore operating margins to a healthy level. Recent results confirm that Axalta is on track to do so. Revenue was up 6%, and EBIT increased 27%. Management confirmed that they are on track to restore operating margins to pre-COVID levels.

Pretty much all of our holdings rose during the quarter. Only one stock declined by more than a couple of percent—Alibaba, which was down 9% for the quarter and 12% for the year. This investment continues to be a disappointment. We estimate the shares are trading at around 5X EBITA—a valuation normally reserved for a company with evaporating profits. While it's true Alibaba is underperforming its peers in the market, the fact is it remains the market leader in its core businesses, and the business is still growing. In the most recent quarter, revenues grew 9% and profits grew 26%. It's not evaporating. The management seems to be making meaningful changes designed to enhance shareholder value, including structural changes to improve profitability and restore its competitive position. It is monetizing non-core assets and making improvements in capital allocation. A lot of good things are happening that are not yet recognized in the share price. There are reasons—primarily geopolitical—for this, but at the current valuation, we could easily see the shares double and they would still be cheap.

We added no new positions during the quarter.

Equity investors had a great quarter and great year, pretty much across the board. Our strategy performed well and notably was driven by broad-based performance rather than the narrow industry-specific performance that drove the index. We have no idea what the next year holds. The world today is very different from the one we have known over the past decade. Inflation is, in our opinion, likely to remain higher than pre COVID. Geopolitical risk is greater. Government debt levels are a real concern. We will continue to do what we have done for more than a decade: work hard every day to grow our clients' savings alongside our own while managing risk the best that we can.

For more information: Visit www.artisanpartners.com

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. 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. Value or growth securities may underperform other asset types during a given period. The costs associated with this fund will impact your return over time. Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in funds 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 the Fund Documents.

This is a marketing communication. Further fund details, including risks, fees and expenses, and other information, such as ESG practices, are set out in the current Prospectus, Supplements, Key Information Documents (KIDs) and other documentation (collectively, the Fund Documents), which can be obtained by calling +44 (0) 207 766 7130 or visiting www.apgfunds-docs.com. Please refer to the Fund Documents and consider all of a fund's characteristics before making any final investment decisions.

This summary represents the views of the portfolio managers as of 31 Dec 2023. Those views may change, and the Fund disclaims any obligation to advise investors of such changes.Portfolio holdings are displayed in the context of marketing the fund shares and not the marketing of underlying portfolio securities. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Dec 2023: American Express Co 5.8%, Samsung Electronics Co Ltd 5.8%, Berkshire Hathaway Inc 5.6%, Elevance Health Inc 5.6%, Heidelberg Materials AG 5.1%, Danone SA 5.1%, Alphabet Inc 5.1%, Meta Platforms Inc 4.9%, Axalta Coating Systems Ltd 4.4%, Alibaba Group Holding Ltd 3.5%, Expedia Group Inc 3.0%. 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.

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.

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MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI EAFE Value Index measures the performance of developed markets companies, excluding the US and Canada, that exhibit value style characteristics according to MSCI. MSCI World Index measures the performance of developed markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). MSCI Japan Index measures the performance of the large- and mid-cap segments of the Japanese market. MSCI Japan Value Index measures the performance of the large- and mid-cap companies in the Japanese market that exhibit value style characteristics according to MSCI. The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. The MSCI USA Value Index is designed to measure the performance of the large- and mid-cap companies in the US market that exhibit value style characteristics according to MSCI. MSCI All Country World Index measures the performance of developed and emerging markets. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

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Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Normalized Earnings** are earnings that are adjusted for the cyclical ups and downs over a business cycle. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Earnings Before Interest & Tax (EBIT)** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. **Compound Annual Growth Rate (CAGR)** is the year-over-year average growth rate of an investment over a period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered. **Operating Margin** is a measure of profitability equal to operating income divided by revenue. **Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity. **Tangible Book Value** is a measure of a company's shareholder equity after removing any intangible assets.

Portfolio statistics are obtained from various data sources and intended to provide a general view of the portfolio, or Index, at a point in time. Artisan Partners excludes outliers when calculating portfolio characteristics and may use data from a related security to calculate statistics if information is unavailable for a particular security.

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