



### 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 of a company's balance sheet, income statement and statement of cash flows focuses on identifying historical drivers of return on equity. Our strategic analysis examines a company's competitive advantages and financial strength to assess sustainability.

### Risk Analysis

We believe a disciplined risk framework allows greater focus on fundamental stock selection. We incorporate our assessment of company-specific and macroeconomic risks into our valuation analysis to develop a risk-adjusted target price. Our risk-rating assessment includes a review of country-appropriate macroeconomic risk factors to which a company is exposed.

### 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 for a company based on our assessment of the business's sustainable earnings and 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.

### Portfolio Management



Maria Negrete-Gruson, CFA  
Portfolio Manager

### Investment Results (%)

As of 31 December 2018	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception <sup>1</sup>
<b>Composite — Gross</b>	<b>-5.92</b>	<b>-14.20</b>	<b>-14.20</b>	<b>12.33</b>	<b>4.17</b>	<b>8.66</b>	<b>5.03</b>
<b>Composite — Net</b>	<b>-6.16</b>	<b>-15.07</b>	<b>-15.07</b>	<b>11.19</b>	<b>3.11</b>	<b>7.54</b>	<b>3.94</b>
MSCI Emerging Markets Index	-7.46	-14.57	-14.57	9.24	1.65	8.02	4.51

### Annual Returns (%) 12 months ended 31 December

	2014	2015	2016	2017	2018
<b>Composite — Gross</b>	<b>-2.80</b>	<b>-10.95</b>	<b>17.03</b>	<b>41.19</b>	<b>-14.20</b>

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</sup>Composite inception: 1 July 2006.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

**Investment Risks:** 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 on the second to last page, which should be read in conjunction with this material.



### Investing Environment

Volatility walloped developed markets in the fourth quarter, with a particularly sharp move in December. With ratcheting trade tensions between the US and China, and tightening monetary policy in the US, the MSCI Emerging Markets Index finished Q4, and 2018, in the red. Only a handful of countries were positive performers. Still, emerging markets fared relatively well, outpacing developed markets for the quarter and year.

The prospect of slower growth in China weighed on Chinese markets, but also those with notable Chinese exposures, including Korea and Taiwan. The top performing EM country was Brazil, which saw positive market action in response to its October general election where the populist but market-friendly reformer Jair Bolsonaro won the presidency.

At the sector level, health care was the biggest laggard, which worked against our portfolio in the near term. Long-term, we see compelling upside in more health care sector names than the index holds, especially among the Chinese pharmaceutical firms. As investors reacted to the market action, they took up defensive positions and shunned more cyclically oriented names; utilities and real estate were the only positive-performing sectors in the index.

The IMF continues to forecast faster economic growth rates for EM relative to developed markets, but colored its expectations by noting the rising risks emerging markets pose to global financial stability amid escalating trade disputes and higher hard-currency funding costs.

### Performance Discussion

Our portfolio outpaced the MSCI Emerging Markets Index for the quarter. Among our top relative contributors were two off-benchmark holdings, Linx and Kajaria.

Linx, Brazil's leading retail management software company, benefited from its launch of Linx Pay, a wholly owned subsidiary that is expected to meaningfully expand revenues through its newly established payments acquirer business and other fintech initiatives. We trimmed our exposure as shares approached our target price.

Shares of Kajaria, India's largest tile manufacturer, advanced in part due to increased government funding for affordable housing, which is expected to drive demand for construction materials. We also believe a broad, secular trend of home improvement projects among India's growing middle class will drive positive results for the company. We increased our position in Kajaria in accordance with our conviction.

Cemig, a Brazilian integrated utility company, was another top Q4 contributor. Its shares advanced as Romeo Zema—the recently elected governor of the Brazilian state where Cemig is headquartered, Minas Gerais—has made repeated comments about privatizing the state-owned company. Separately, Zema has also announced cost-cutting measures which should contribute to improving margins. We have reduced our position on the back of share-price strength.

Among our bottom relative contributors in Q4 were Samsung Biologics and China Petroleum & Chemical Corp.

Samsung Biologics shares remained pressured amid allegations of accounting fraud, which the company has adamantly denied. After suspending company trading for almost a month, Korea's financial regulator opted not to delist Samsung Biologics and instead allowed the company's shares to resume trading in December. A late-stage rally ensued, but not enough to wipe out earlier losses. Throughout the controversy, we have maintained our conviction in the company's best-in-class manufacturing capabilities and strong pipeline of marketable biosimilars.

Shares of China Petroleum & Chemical Corp, also known as Sinopec, slumped in late December after the company announced it experienced "some losses" due to weak oil prices. Although company management did not disclose details, industry experts estimate the losses will amount to roughly \$1.5 billion, likely stemming from a poorly executed oil options strategy. We believe the headwinds are short-term, and we have maintained our position in Sinopec.

iQiyi, often referred to as the Chinese version of Netflix, was another bottom relative contributor in Q4. Shares have been pressured as advertising revenues have softened—which management attributes to its recent decision to remove what it considers risky advertisers from the platform. Those issues appear to be fleeting, and looking ahead, we believe the company is well-positioned to build a robust library of original content while commanding higher subscription prices from its growing customer base.

### Portfolio Activity

In the fourth quarter we made two notable dispositions: Argentine bank holding company Grupo Supervielle and Korean Internet portal Naver.

Despite recent country-level financial market and currency woes, we continue to see significant upside in some Argentine stocks, and as such we re-evaluated our holdings, sustainable ROEs and relative upsides. In the particular case of Supervielle, we lowered the sustainable ROE given that its strategic focus on small-and-medium-sized enterprises makes its earnings more vulnerable to economic cycles. On a relative upside basis, we believe Grupo Financiero Galicia—a leading private bank in Argentina—provides for the highest sustainable ROE among its peers. We are particularly attracted to its multi-segment business model, which offers business and consumer loans, mortgages, foreign exchange, asset management, insurance and annuities, credit cards, and investment banking, securities and brokerage services. By virtue of its diversified segments and revenue streams, we believe Galicia is much better prepared to handle the ups and downs of a relatively volatile economy like Argentina's.

Carrying over from momentum in Q3, we continued building positions in Copa Holdings and Phoenix Mills. Copa Holdings is a

Panamanian airline operator. We believe it is run by a capable management team and like its efficient business model, whereby it consolidates less traveled routes and directs them through the company's Panama hub. Attractively, Copa Holdings faces relatively little competition on the majority of its routes.

Phoenix Mills, a leading mall developer, has been a name we've had on our radar for some time, and we waited for the valuation to present the right opportunity. We have long believed it had sustainable earnings growth and operated a solid business model in a very compelling Indian retail market.

### Perspective

When we look at emerging markets, we keep two critical ideas close in mind. First, in emerging markets there should be relatively higher levels of trend growth versus developed markets. Second, there is going to be relatively more volatility around that trend. So, volatility is to be expected in emerging markets—it's a natural part of what we believe is a superior growth opportunity over longer periods.

As a result, we orient our investment process to look through as much of the boom and bust as we can. What we try to assess is a company's earning power, separate from the macro environment. Our experience has taught us to reject the notion that emerging markets investors can only do well when they have the wind at their back—when the global economy is on their side. We are looking for the companies that can succeed even in an environment that is more hostile in terms of higher interest rates and deteriorating global trade conditions.

A company needs a compelling competitive advantage, which cannot be exclusively that it benefits from a cheap currency or cheap capital, and therefore succeeds as an exporter of cheap goods. The competitive advantage must be stronger than that. In the international markets, product and pricing have to be globally competitive. In domestic markets, the firm should have unique access to growth in that market.

Those are the qualities we seek at the stock level. Our process is designed to find the self-help story—the company that understands the environment is going to be negative and it may not get better any time soon, but at the same time is positioning itself for growing earnings sustainably over time. Fortunately, the emerging markets are a rich source of such companies for those who know how to find them.

Regardless of the macroeconomic environment, we will continue our unique, indigenous approach to investing in emerging markets, traveling the world to meet not only with management teams for the portfolio's current investments, but also with potential candidates for future investment. We continue to find interesting companies around the globe possessing the compelling combination of unique access to emerging markets growth and sustainable competitive advantages. We will remain focused on our disciplined approach to building a portfolio with attractive upside potential that we believe is reflective of the full emerging markets opportunity set.

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**Investment Risks:** 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. 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

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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.

Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

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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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# Artisan Emerging Markets Strategy

Quarterly Contribution to Return (%)

As of 31 December 2018

Top Contributors	Average Weight	Contribution to Return	Ending Weight
Linx SA	0.97	0.82	0.94
Cia Energetica de Minas Gerais	1.08	0.72	1.19
ICICI Bank Ltd	1.97	0.40	2.18
Itau Unibanco Holding SA	1.91	0.38	2.09
Kajaria Ceramics Ltd	0.90	0.33	1.27
Polyus PJSC	1.41	0.31	1.65
CVC Brasil Operadora e Agencia de Viagens SA	0.76	0.28	0.67
Indofood CBP Sukses Makmur Tbk PT	1.00	0.22	1.18
Bank Rakyat Indonesia Persero Tbk PT	1.08	0.20	1.24
Astra International Tbk PT	1.14	0.18	1.23
Havells India Ltd	0.91	0.18	1.02
Grupo Supervielle SA	0.65	0.15	0.00
Westlife Development Ltd	0.77	0.12	0.92
MMC Norilsk Nickel PJSC	1.39	0.11	1.48
Petroleo Brasileiro SA	1.38	0.10	1.25
Anima Holding SA	0.54	0.10	0.59
Grana y Montero SAA	0.69	0.09	0.69
Turkiye Sinai Kalkinma Bankasi AS	0.94	0.08	1.05
Godrej Consumer Products Ltd	0.77	0.08	0.87
Telekomunikasi Indonesia Persero Tbk PT	1.04	0.07	1.17
Noah Holdings Ltd	1.74	0.06	1.83
AirAsia Group Bhd	0.64	0.05	0.68
PLAY Communications SA	0.58	0.04	0.74
Cash Holdings	2.16	0.02	1.41
The Phoenix Mills Ltd	0.56	0.01	0.70
Copa Holdings SA	0.67	0.01	0.80
Tencent Music Entertainment Group	0.06	0.00	0.34
China High Precision Automation Group Ltd	0.00	0.00	0.00
Credicorp Ltd	1.01	-0.00	1.03
JUMBO SA	1.23	-0.00	1.29
Grupo Financiero Galicia SA	0.20	-0.01	0.80
FirstRand Ltd	1.05	-0.02	1.07
Pampa Energia SA	0.72	-0.02	0.89
Kia Motors Corp	0.93	-0.03	1.09
LG Chem Ltd	1.07	-0.03	1.18
Bangkok Bank PCL	0.86	-0.04	0.86
MercadoLibre Inc	0.29	-0.04	0.26
Medy-Tox Inc	1.21	-0.05	1.42

Bottom Contributors	Average Weight	Contribution to Return	Ending Weight
Samsung Electronics Co Ltd	6.30	-1.12	6.17
Alibaba Group Holding Ltd	5.34	-0.96	4.98
Taiwan Semiconductor Manufacturing Co Ltd	5.66	-0.93	5.93
Baidu Inc	1.76	-0.63	1.51
Samsung Biologics Co Ltd	1.55	-0.59	1.43
China Petroleum & Chemical Corp	1.67	-0.57	1.42
Sino Biopharmaceutical Ltd	1.83	-0.54	1.42
iQIYI Inc	0.80	-0.46	0.56
Global Ports Holding PLC	1.36	-0.41	1.28
Cemex SAB de CV	0.97	-0.36	0.95
Ctrip.com International Ltd	0.82	-0.25	0.74
China Traditional Chinese Medicine Holdings Co Ltd	1.56	-0.25	1.60
Sinopharm Group Co Ltd	1.71	-0.24	1.55
Vale SA	1.94	-0.23	1.79
Reliance Industries Ltd	2.54	-0.18	2.69
Sunny Friend Environmental Technology Co Ltd	1.76	-0.17	1.77
Sberbank of Russia PJSC	2.08	-0.17	1.97
Naspers Ltd	2.48	-0.16	2.57
Digital China Holdings Ltd	1.04	-0.16	0.97
Shinhan Financial Group Co Ltd	1.43	-0.15	1.43
Banco Davivienda SA	0.71	-0.14	0.73
NAVER Corp	0.60	-0.14	0.00
Yandex NV	0.77	-0.14	0.73
Moneta Money Bank AS	0.99	-0.13	0.94
AIA Group Ltd	1.55	-0.12	1.60
LUKOIL PJSC	2.10	-0.11	1.86
Emaar Development PJSC	0.91	-0.11	0.88
SACI Falabella	0.97	-0.10	0.95
MediaTek Inc	1.17	-0.10	1.25
Empresa Nacional de Telecomunicaciones SA	0.89	-0.09	0.88
China Life Insurance Co Ltd	1.19	-0.09	1.20
Zhuzhou CRRC Times Electric Co Ltd	2.45	-0.09	2.50
Ecobank Transnational Inc	0.38	-0.08	0.19
The Foschini Group Ltd	1.36	-0.08	1.37
Alpha Bank AE	0.51	-0.07	0.50
Vietnam Technological & Commercial Joint Stock Bank	0.51	-0.07	0.51
E Ink Holdings Inc	1.36	-0.06	1.55
Georgia Healthcare Group PLC	0.69	-0.06	0.62

Source: Artisan Partners/FactSet. Performance is historical and is not a reliable indicator of future results. As of 31 Dec 2018. These investments made the greatest contribution to, or detracted most from, performance during the period based on a representative account within the strategy Composite. Upon request, Artisan will provide: (i) the calculation methodology and/or (ii) a list showing the contribution of each holding to overall performance during the measurement period. Securities of the same issuer are aggregated to determine the weight in the portfolio. % Contribution to Return is calculated by FactSet by multiplying a security's weight in the portfolio by its in portfolio return for the period referenced and does not take into account expenses of the portfolio. Purchases/sales are accounted for by using end of the day prices, which may or may not reflect the actual purchase/sale price realized by the portfolio.