



Artisan Emerging Markets Debt Opportunities Strategy

QUARTERLY
Commentary

As of 30 June 2022

Investment Process

We employ in-depth fundamental research and robust operational capabilities across a broad opportunity set to uncover knowledge gaps that can lead to idiosyncratic opportunities with compelling risk-adjusted return potential.

Organizational Structure

We have a flat and collaborative organization where portfolio managers and analysts communicate daily and share the responsibility of idea generation. Portfolio managers and analysts determine their own focus areas and pursue them from an idea generation perspective. Trading and implementation is embedded within the investment team, as trading capabilities and infrastructure are considered important components of our investment process.

Idea Generation Through Broad Investment Universe

Our team covers a broad spectrum of global markets comprising investable assets across more than 130 countries. We constantly perform fundamental country research and monitor financial markets in order to understand each country's policy environments and how important policy moments may alter their investment environment. Our corporate analysis includes decomposing yields and examining corporate liquidity and solvency risks. We integrate environmental, social and governance (ESG) analysis at the country and corporate levels.

Portfolio Implementation

We analyze investment opportunities from a risk factor perspective—the forces that drive securities and instruments prices. The investment team and trading and implementation team work together to consider which instruments may provide optimal risk-adjusted returns. The trading and implementation team expands our investment universe by understanding and overcoming investment barriers.

Team Overview

We are a seasoned investment team with strong continuity across decision makers. Our group's core has been together for more than 10 years prior to its evolution at Artisan Partners, and our group's leadership has been investing in emerging markets since 2005. Our coverage areas are generally defined geographically, with some PM/Analysts and research associates focused on corporates.

Portfolio Management



Michael A. Cirami, CFA
Portfolio Manager



Sarah C. Orvin, CFA
Portfolio Manager

Investment Results (% USD)

As of 30 June 2022	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite — Gross	—	—	—	—	—	—	-2.34
Composite — Net	—	—	—	—	—	—	-2.46
J.P. Morgan EMB Hard Currency / Local Currency 50/50	—	—	—	—	—	—	-3.84

Annual Returns (% USD) 12 months ended 30 June

	2018	2019	2020	2021	2022
Composite — Gross	—	—	—	—	—

Source: Artisan Partners/J.P. Morgan. Returns for periods less than one year are not annualized. ¹Composite inception: 1 May 2022.

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. The portfolio's returns may vary greatly over shorter periods due to the limited operating period since inception.

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 near the back of this document, which should be read in conjunction with this material.



Performance Discussion

Our portfolio traded lower as risk assets continued to face headwinds, but it outperformed the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index which returned -3.84% since the strategy's inception. The J.P. Morgan GBI-EM Global Diversified Index returned -2.77%, the J.P. Morgan CEMBI Broad Diversified Index returned -3.63% and the J.P. Morgan EMBI Global Diversified Index returned -6.19%.

Investing Environment

High inflation, tighter financial conditions and concerns over slower global economic growth weighed on financial markets, including emerging markets debt. Inflation continued to surge during Q2. In the US data released in June showed consumer prices hit a four-decade high of 8.6% YoY. In the euro zone, inflation hit a record 8.6% YoY, and inflation accelerated in many EM countries, including Brazil, India, Korea, Poland and South Africa.

Commodity prices have been a key inflation driver. The Ukraine war and supply constraints led to volatile oil prices, with Brent crude hitting \$123 a barrel in June, before easing off in the later stages of the period. Natural gas prices also surged into early June before pulling back. Key metals and foodstuffs did not show quite the same price strength, and they generally eased as the quarter concluded. As a result, the Bloomberg Commodity Index posted a 5.9% decline in Q2 with gains in April and May more than offset by the decline in June, perhaps due in part to demand destruction.

Commodity price movements, particularly energy prices, have had different impacts on EM countries. Significant energy exporters have been able to get through the current turbulence more smoothly. Higher prices of goods—from wheat to oil—have helped bolster the currencies of commodity exporting countries. Meanwhile, commodity importers have felt the pinch from rising prices, especially oil importers. That has added to inflation and debt challenges.

Many central banks have responded aggressively to the strong inflationary impulse. Most notable has been the Fed's increased sense of urgency to squelch US inflation. During Q2, the Fed announced two rate hikes—the second was 75bps, the largest move since 1994—to put the fed funds rate at a range of 1.5%-1.75%. The Fed also released its updated projection for the fed funds rate (also known as the dot plot). The median estimate for year-end 2022 rose to 3.4% from 1.9%.

Several EM central banks were particularly hawkish in Q2. In Europe, Hungary raised its policy rate by 335bps, to 7.75%. Poland and the Czech Republic raised their rates by 250bps. In Latin America, Argentina raised rates by 750bps, while Colombia and Chile each increased their policy rate by 200bps. Asian central banks were generally less active with India hiking by 90bps and Korea by 50bps. However, Turkey remains one of the outliers in the global push for higher interest rates. The central bank has held its benchmark interest rate steady at 14% so far this year despite sky-high inflation.

While the ECB didn't raise interest rates, comments made by President Christine Lagarde caused investors to raise their expectations of a rate hike during the summer, as well as a stronger pace of action over the rest of the year. The ECB also said it was working on a program to address diverging interest rates between member countries, particularly Portugal, Italy, Greece and Spain.

The convergence of higher prices, rising rates, broken supply chains, COVID-19 and negative geopolitical events weighed on the global economy. China's Caixin/Markit manufacturing and services PMIs fell further in April as omicron and the country's zero-COVID policy slowed activity. China subsequently announced measures to help the economy recover.

Elsewhere, recession risks for the US and Europe appeared to rise. Nascent signs of higher interest rates cooling a robust US housing market appeared, and reduced oil and gas supplies from Russia and higher prices threatened Europe's economy. Investors also grew more concerned by the surging US dollar and its potential negative effects on emerging markets. A rising dollar acts to tighten financial conditions for emerging markets and adds pressure for additional rate hikes by central banks in order to prevent drops in their own currencies. In June, The World Bank lowered its 2022 economic growth forecast for emerging markets and developing economies to 3.4% from 4.6% and cautioned that global inflation would likely remain elevated into 2024.

Emerging markets debt were also affected by country-specific events. Hungary's Prime Minister Viktor Orbán won a fourth term, and in Colombia, leftist Gustavo Petro won the presidential election. Pakistan's Prime Minister Imran Khan was ousted through a no-confidence vote as the country faces significant fiscal headwinds while Sri Lanka defaulted on its debt for the first time ever as the country struggles with its worst financial crisis in more than 70 years.

Positioning

We are currently in an uncertain macro and policy environment, including elevated inflation, uncoordinated central bank responses, the Russia-Ukraine conflict, COVID-19 variants and various government (re)actions. Against a backdrop of higher commodity prices, rising inflation and our belief that many central banks will need to hike rates further to temper inflation, we have positioned our portfolio with moderate risk in countries which benefit from higher commodity prices and are running prudent fiscal programs.

We hold long positions in the currencies of some European and Central Asian countries that have aggressively hiked rates. At the same time, the portfolio is underweight in the currencies of countries that have not acted sufficiently, in our view. Elsewhere, the portfolio is long credit in countries that have taken proactive steps with international financial institutions to help manage their reserves and are holding short-dated positions. In our view, global central banks

will continue to tighten monetary policy. As such, our portfolio is underweight developed market duration and has limited exposure to local interest rate duration.

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Investment Risks: A non-diversified portfolio may invest a larger portion of assets in securities of a smaller number of issuers and performance of a single issuer may affect overall portfolio performance greater than in a diversified portfolio. 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. Fixed income securities carry interest rate risk and credit risk for both the issuer and counterparty and investors may lose principal value. In general, when interest rates rise, fixed income values fall. High income securities (junk bonds) are speculative, experience greater price volatility and have a higher degree of credit and liquidity risk than bonds with a higher credit rating. The use of derivatives in a portfolio may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. 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. References to individual security performance relate to a representative account in the composite. Individual holding periods may differ.

Securities referenced may not be representative of all portfolio holdings. Securities of the same issuer are aggregated to determine a holding's portfolio weight. Portfolio statistics calculations exclude outlier data and certain securities which lack applicable attributes, such as private securities. Artisan Partners may substitute information from a related security if unavailable for a particular security. This material is as of the date indicated and is subject to change without notice. Totals may not sum due to rounding.

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.

The J.P. Morgan (JPM) EMB Hard Currency/Local currency 50-50 is an unmanaged, blended index consisting of 50% JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD), an index of local-currency bonds with maturities of more than one year issued by EM governments; 25% JPM Emerging Markets Bond Index-Global Diversified (EMBIGD), an index of USD-denominated bonds with maturities of more than one year issued by EM governments; and 25% JPM Corporate Emerging Market Bond Index-Broad Diversified (CEMBIBD), an index of USD-denominated EM corporate bonds. The Bloomberg Commodity Index calculates commodity futures price movements on an excess return basis. The Coixin China General Manufacturing and Services purchasing managers' indices are indicators of China's economic activity, based on broad surveys of purchasing executives at manufacturing companies. 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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This summary represents the views of the portfolio manager as of 30 Jun 2022. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes.

Notional value represents the portfolio's exposures based on the economic value of investments by adjusting for derivatives exposure to the market value of the contract's underlying security and accounts for the sensitivity to changes in price of the underlying security. In comparison, measuring the exposure of a derivative contract at market value or notional value can understate or overstate, respectively, the economic exposure and risk. This estimate of portfolio exposure is only an approximation of the portfolio at a point in time.

Credit spread is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities. **Duration** estimates the sensitivity of underlying fixed income securities to changes in interest rates—the longer the duration, the greater the sensitivity to changes in interest rates.

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