



Artisan Emerging Markets Local Opportunities Strategy

QUARTERLY
Commentary

As of 30 September 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 100 countries. We constantly perform fundamental country research and monitor financial markets in order to understand each countries' policy environments and how important policy moments may alter their investment environment. 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 September 2022	Average Annual Total Returns						Inception ¹
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	
Composite — Gross	—	—	—	—	—	—	-3.81
Composite — Net	—	—	—	—	—	—	-3.93
J.P. Morgan GBI-EM Global Diversified Index	—	—	—	—	—	—	-5.00

Annual Returns (% USD) 12 months ended 30 September

	2018	2019	2020	2021	2022
Composite — Net	—	—	—	—	—

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

The portfolio outperformed the J.P. Morgan GBI-EM Global Diversified Index in September. Other emerging markets debt indices also declined, with the J.P. Morgan EMBI Global Diversified Index and the J.P. Morgan CEMBI Broad Diversified Index declining in September.

Investing Environment

High inflation, tighter financial conditions and concerns over slower global economic growth weighed on financial markets into the end of the quarter. In the US, price pressure proved to be more persistent than investors initially anticipated as data released in August showed consumer prices rose 8.3% year over year. In the euro zone, inflation hit a fresh record of 9.1% year over year. Likewise, inflation accelerated in many EM countries, including Hungary, Nigeria and Mexico. Globally, commodity and energy prices have been key inflation drivers, despite commodities declining -4.75% during the quarter, measured by the Bloomberg Commodity Index.

Many central banks around the world continue to tighten monetary policy as a means of curbing inflation. In September, the US Federal Reserve raised interest rates by 75 basis points for the third consecutive time, bringing the Fed funds rate to a range of 3% to 3.25% and to the highest level since before the 2008 financial crisis. Ultimately, the Fed forecasts rates will reach 4.6% in 2023. Recent Fed action is taking place against the backdrop of tightening monetary policy by other central banks in developed and emerging markets, including the ECB, which raised rates again in September to 0.75%. In the UK, the BOE announced it will conduct temporary purchases of long-dated government bonds as a means of counteracting the widening of gilt real yields. Several EM central banks were particularly hawkish, including Hungary, Indonesia and the Philippines.

Portfolio Positioning

We believe higher prices, rising rates, fractured supply chains, COVID-19 and geopolitical risks are tilting global economies toward slowdowns, including the US and Europe. In July, the International Monetary Fund lowered its 2022 outlook for global economic growth to 3.2%, compared with a 6.1% expansion in 2021. A surging US dollar, which reached its highest levels since 2002, also creates downside risks for many emerging markets and some developing markets, as it tightens financial conditions and pressures central banks for rate hikes to prevent drops in their own currencies. Against a backdrop of volatile 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. Local yield curves in a number of countries have started to price in rate cuts, such as Brazil and Chile, while others in countries which have been more dovish recently, South Africa, Thailand, Malaysia and others, are pricing in future hikes.

In the portfolio, we are overweight currency exposure in Latin America and Eastern Europe, as well as in Central Asia where central

banks have acted sooner to fight inflation, while underweight Asia. The portfolio is overweight rates in Latin America, while underweight in Asia and CEEMEA where central banks have not acted with as much vigor as necessary, in our opinion. As a result of economic headwinds, we remain cautious in our portfolio positioning.

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Investment Risks: 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. 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, and 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 yield 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. Use of derivatives may create investment leverage and increase the likelihood of volatility and involve risks different from, or greater than, the risks associated with investing in more traditional investments, including 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.

J.P. Morgan GB-EM Global Diversified Index is an index of local-currency bonds with maturities of more than one year issued by EM governments. 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 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 Sep 2022. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes. The discussion of portfolio holdings does not constitute a recommendation of any individual security.

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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