Artisan Global Unconstrained Strategy

QUARTERLY
Commentary

As of 30 June 2023

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. 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 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite — Gross	**2.93**	**5.79**	**15.21**	—	—	—	**11.58**
Composite — Net	**2.69**	**5.30**	**14.13**	—	—	—	**10.54**
ICE BofA 3-Month U.S. Treasury Bill Index	1.17	2.25	3.59	—	—	—	2.95

Annual Returns (% USD) 12 months ended 30 June

	2019	2020	2021	2022	2023
Composite — Net	—	—	—	—	**14.13**

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized. [1]Composite inception: 1 April 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.

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 trended higher in Q2 and outperformed the Bloomberg US Treasury Index, the ICE BofA 3-month Treasury Bill Index and the Bloomberg Global-Aggregate Total Return Index.

Investing Environment

Inflation has been the watchword of the last few quarters. But while the developed world still has work to do on the inflation front—namely, the Bank of Japan, the Bank of England and the European Central Bank—many emerging markets countries, which overall started raising rates sooner than much of the developed world, seem to be reining in or at least moderating prices. This is particularly the case in Latin America, where some central banks are beginning to contemplate rate cuts, including Brazil, Mexico and Peru. The Dominican Republic and Uruguay have already cut rates by 75bps apiece this year.

In contrast, inflation remains high in Central and Eastern Europe, compounded by high wage inflation and, in some cases (like Hungary and Croatia especially), food inflation. Rates are consequently much higher there, and real rates are still steeply negative. Nevertheless, Hungary cut rates during Q2—a move that seems premature in our view, though rates do remain quite high.

Turkey finally raised rates sharply following its presidential election, in which President Erdogan won a third term and his party secured a meaningful parliamentary majority. Though ostensibly a move intended to signal the central bank's intention to begin normalizing monetary policy, it remains to be seen whether anything substantive changes on the political or monetary fronts in the near term.

Other emerging markets central banks raised rates during the quarter, including China (10bps) and Thailand (25bps), and, given the macroeconomic environment in Africa, some other countries there may also need to raise rates—but overall, the trend is certainly toward pausing, if not loosening.

The contrast in inflationary environments across the developed and emerging markets has likely contributed to high flows into emerging markets local currency bonds, as inflation there falls and interest rates remain high relative to US assets. The US dollar has also weakened against many major emerging markets currencies, offering high rates of return. As a result, emerging markets local yields have rallied well in 2023 to date, and foreign exchange returns have also been positive.

Also of note in Q2 was Nigeria's decision to suspend its currency peg, allowing the naira to float freely against the US dollar, precipitating a significant drop relative to the US dollar. Combined with the suspension of fuel subsidies, the measures mark a notable shift following President Tinubu's inauguration and could be the beginning of meaningful policy changes.

Meanwhile, the geopolitical outlook remains cloudy. The Russia–Ukraine war is ongoing and creating ample uncertainty—highlighted by the recent news about a potential Russian coup. Sabers are rattling elsewhere, too, with Brazil's new repeat president Lula traveling to China to meet with President Xi and commenting on the need to strengthen ties with China to balance the world geopolitically and end US dollar trade dominance, among other comments. China continues struggling following its Q1 reopening as the anticipated economic bounce has largely failed to materialize and investors continue trying to shift away from their heavy reliance on Chinese supply chains.

Portfolio Positioning

Overall, we are invested in opportunities where we believe prices are not fully reflecting improving fundamentals, but we remain cautious. For example, we are long EM rates and currencies but have pared our risk exposures over the course of Q2. Conversely, we are short where we believe prices have overcompensated for idiosyncratic risks—including developed markets rates, given central banks have yet to react sufficiently to inflation.

From a portfolio positioning perspective, we are long sovereign credit in countries where spreads are attractive and short where spreads are tight given fundamentals and macro factors. We like rates in Latin America, Indonesia and Serbia—while we are short Eastern European countries where real rates remain negative (Hungary, Poland and the Czech Republic), as well as Malaysia and Thailand. On the currencies front, we are long Eastern and Western Europe as well as Latin America.

For more information: Visit www.artisanpartners.com

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 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.

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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.

The ICE BofA 3-Month U.S. Treasury Bill Index is an unmanaged index that comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month. The Bloomberg Global-Aggregate Total Return Index Value Unhedged USD measures global investment grade debt from 24 local currency markets in both developed and emerging markets, including treasury, government-related, corporate and securitized fixed-rate bonds. The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. 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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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.

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