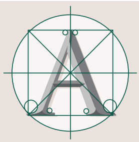


Artisan Global Value Strategy

QUARTERLY
Commentary

As of 30 June 2023

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 (% USD)

As of 30 June 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite — Gross	**6.18**	**16.79**	**20.03**	**16.11**	**7.76**	**9.09**	**8.41**
Composite — Net	**5.93**	**16.25**	**18.90**	**15.02**	**6.74**	**8.05**	**7.38**
MSCI All Country World Index	6.18	13.93	16.53	10.99	8.10	8.75	5.49
MSCI All Country World Value Index	2.98	4.25	9.95	11.82	5.16	6.18	3.47

Annual Returns (% USD) 12 months ended 30 June

	2019	2020	2021	2022	2023
Composite — Net	**4.01**	**-12.43**	**50.43**	**-14.92**	**18.90**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2007.

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.

Market Overview

Equity markets gained in Q2. Inflation remains stubbornly high, but it appears to have mostly plateaued. The debate on interest rates waxes and wanes: They will certainly go higher and stay high, or they will fall back down to pre-pandemic levels when inflation is broken. The economy will have a soft landing, or it will fall into recession. Our crystal ball is as hazy as anyone else's.

Even if we knew the direction of the macroeconomy in the short term, we don't know how much good it would do us in predicting individual share price performance. Consider this: The cost of a mortgage in the US is roughly twice what it was a year ago. If we had predicted this correctly, we probably would have been inclined to short house prices and housing stocks. But house prices are actually flat or up in most places, and home builder stocks have done well. Europe fell into a recession in Q1 and is bouncing along the recession line as we speak. Yet Heidelberg Materials, a European cyclical, is up almost 50% this year.

Share price gains were not universal. The majority of international markets saw low- to mid-single-digit gains in US dollar terms. Most currencies weakened versus the US dollar. Value stocks in general saw roughly similar gains. To a large extent, "international" is a proxy for "value" these days. There are few high-quality growth companies outside the US, at least in the sense that we now understand the term "growth" as equating to "information technology." This is a profound observation about the differences between the US economy and almost every other. Europe is economically stagnant and overregulated with policies that suppress innovation and entrepreneurialism. The same can be said for Japan, but even more so.

It's an oversimplification, but not an entirely inaccurate one, to state that the US has a monopoly on the fastest growing, most dynamic industry the world has ever seen. China has done far better than Europe and Japan in developing a tech industry, but geopolitical events are unfortunately leading to China's isolation from the West. China depends on the West for cutting-edge semiconductor technology, and the West is barring the sale of those products to China. The net result is an enormous and enduring economic competitive advantage for the US.

In our opinion, the US is more relatively advantaged than it has been since the end of WWII. As US citizens, we can be thankful as the country is also perhaps in the worst absolute condition of our lifetimes: Public finances are a disaster, demographics are a large long-term headwind, and our social and political fabric is dangerously torn. But almost all other countries are worse off.

US stocks massively outperformed international this quarter: The S&P 500® Index was up about 9% while the MSCI EAFE Index was up about 3% in US dollar terms. But gains in the US were extremely narrow, perhaps the narrowest we have seen in our careers. Seven mega-cap tech stocks accounted for two thirds of the S&P 500® Index's gain. And most of them are expensive. Stripping out those seven names renders the S&P 500® Index's performance in line with international markets. Said another way, the average stock around the world gained a few percent while US mega-cap tech crushed it. Analysis of the MSCI All Country World Index is similar. More than 2,900 companies are in the MSCI AC World Index. Those same seven stocks accounted for more than half of that index's quarterly and YTD returns. Said a slightly different way, 0.25% of the companies in that index drove 54% of its return. Wow.

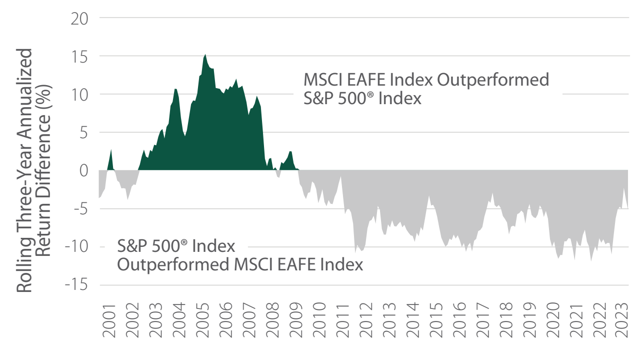
Exhibit 1: Ultra-Narrow Equity Market Leadership

	S&P 500® Index			MSCI AC World Index			
	Weight (%)	Contribution to Return (%)		Weight (%)	Contribution to Return (%)		2024 P/E
	Q2	Q2	YTD	Q2	Q2	YTD	
Apple	7.35	1.28	3.02	4.52	0.78	1.80	29.4
Microsoft	6.63	1.22	2.43	3.62	0.65	1.28	33.2
NVIDIA	2.31	1.08	2.18	1.33	0.62	1.22	61.2
Amazon	2.89	0.73	1.34	1.71	0.43	0.77	50.7
Alphabet	3.65	0.59	1.20	2.15	0.33	0.68	19.8
Meta	1.55	0.51	1.19	0.90	0.29	0.67	20.6
Tesla	1.52	0.41	1.13	0.90	0.25	0.65	61.7
Tech 7 Total	**25.91**	**5.82**	**12.49**	**15.14**	**3.35**	**7.07**	
Index Return		8.74	16.89		6.18	13.93	
Tech 7 Share of Total Index Return (%)		66.59	73.95		54.21	50.75	

Source: Bloomberg/MSCI/S&P. As of 30 Jun 2023. **Past performance does not guarantee and is not a reliable indicator of future results.**

The performance gap between US and international equity markets is notable not only for its quantum but also its duration. The US market has outperformed international since 2009. Again, this is largely due to the outperformance of growth versus value, or said another way, the outperformance of large-cap US tech over everything else.

Exhibit 2: US Stocks Have Outperformed International Stocks



Source: Artisan Partners/S&P/MSCI. US: S&P 500® Index. As of 30 Jun 2023. **Past performance does not guarantee and is not a reliable indicator of future results.**

Artificial intelligence (AI) largely explains the Q2 outperformance. It came to the forefront of investors' minds this quarter and turbocharged mega-cap tech stocks. AI is not new. Any software that engages in activities such as learning and problem-solving is AI. Machine learning is the most common form. When algorithms process large amounts of data and present it in analyzable form, that's machine learning. It can be used for real-time data analysis in a manufacturing plant or by an underwriting team at an insurance company.

Deep learning is a form of machine learning, and probably the one that propels AI into the realm of science fiction, at least as it was imagined 15 years ago. Self-driving cars use deep learning technology. This is what allows them to not only process enormous and changing inputs but also learn from and contextualize them. In this sense, machine learning takes on human characteristics.

But natural-language programming (NLP) is what really hit investor consciousness this quarter. Simplistically, these are AI programs that can interact with the human language. Chatbots, such as OpenAI's ChatGPT used by Microsoft Bing and Alphabet's Bard, are natural language programming AI. ChatGPT can create a legal brief in seconds, write a short story and draw up a contract. The potential applications of this technology are seemingly limitless, exciting and also terrifying.

Investors are clearly very enthusiastic about AI. The quarter felt very much like a hunt for which companies will emerge as winners in the era of AI. But as we pointed out, AI is not a single thing, and it is not new. Software is deeply ingrained in our economy already. Alphabet has been working on self-driving cars for about a decade. NLP has certainly jumped to the forefront of our minds, but we have had Apple's Siri on iPhones and Amazon's Alexa for years. Recent results from Nvidia, which supplies high-power semiconductors for AI applications, were stunning and focused investor attention on the growth potential. In two days, Nvidia added the market cap equivalent of McDonald's. Apple launched a virtual reality headset, and it got a lot more attention than the virtual reality headsets Meta has been selling for years.

Our point is that AI is a continuation of the trends we have been seeing for years. Computing power will increase. Software will continue to make inroads. Natural language applications will boost productivity across many industries, disrupting some while creating others. Almost all businesses will be impacted in much the same way as the Internet impacted every business.

Predictions made in Q2 2023 about the future winners and losers could be as accurate as the predictions made about the digital revolution at the peak of the Internet bubble in 1999. Remember Vodafone, the world's largest cell phone network operator? It traded at more than 100X earnings at the tech bubble's peak. It's down more than 80% since then and trades at 9X earnings. It's certainly tempting to draw comparisons between the tech bubble of the late 1990s and today.

We think some comparisons are valid and others are not. The tech bubble was driven at least in part by speculative and unproven companies. But today's tech leaders are durable, real businesses with enormous competitive advantages. Most of them are simply expensive. The more valid comparison is the narrowness of the returns. Then as now, the market was driven by one area. Most other areas were either left for dead or neglected, resulting in attractive valuations. The same can be said today. Outside tech, most stocks are not up much, if at all. And many of them trade for single-digit or low double-digit valuations, particularly outside the US. Indeed, even as the tech revolution transformed the real economy from 1999 to 2009, cheap stocks outperformed, particularly international ones. The future could rhyme with the past. Most investors and most portfolios don't seem to recognize that possibility.

We clearly see more value outside the US currently. But it must be said that our preference for international stocks does not mean a preference for exposure to international economies. International companies, in many cases, have the same geographic revenue exposures as US companies. You can just buy those exposures much more cheaply through an international-listed company than you can a US-listed company. Samsung is a Korean semiconductor and hardware manufacturer. But it derives its revenue from markets all over the world, similar to US-listed semiconductor makers. Shell is a UK-based integrated oil and gas company with operations all over the world, similar to Exxon and Chevron in the US. Shell trades at almost half the multiple of those US companies, a discount that is in no way justified by the fundamentals.

Portfolio Discussion

Our best performing stocks this quarter were Meta, Alphabet and Heidelberg Materials.

Meta was the largest contributor to performance. Its shares have almost fully recovered from last year's declines, rising 35% during the quarter and 138% YTD. During the quarter, the company reported earnings that showed a return to growth and healthy user engagement metrics. Most importantly, profitability appears to have stabilized and is poised to improve as significant cost reduction actions implemented over the past six months begin to have an impact. Separate from fundamental performance, there is excitement over AI's potential to help the company's business. While Meta's technology prowess and massively scaled media platform certainly position the company to take advantage of AI, we believe it's far too early to estimate any discrete tangible benefits. Overall, we view AI as one of several drivers that will contribute to Meta's continued growth.

The rise in Alphabet's share performance was primarily driven by the AI frenzy. Earlier this year, there were some doubts about Alphabet's ability to compete with OpenAI's ChatGPT product. This was a bit ironic since Alphabet has been using AI technology to improve its

Google search results and advertising business for years. Indeed, the technology that underpins OpenAI's ChatGPT actually came from Alphabet more than five years ago. But sometimes the market needs a reminder, and Alphabet provided tangible evidence of its capabilities. At a recent developer conference, it launched Bard, a consumer-oriented generative AI version of its search engine, as well as several other concrete examples of how AI could improve its current business. As with Meta, the long-term implications of AI on Alphabet's business model are still far from certain. But we do believe that it is a technology leader in this field and will participate in whatever direction the technology develops.

Heidelberg Materials was up 17% this quarter in dollar terms and almost 50% YTD. The company reported good results, demonstrating an ability to raise prices to offset inflation and protect profitability. This is especially important as Europe's entire cement industry faces the expiration of free CO2 credits over the next few years. The industry will have to raise prices in order to absorb the cost of CO2 credits. Given that cement is a small fraction of construction project costs, we believe higher CO2 costs will be entirely passed on to buyers and ultimately consumers.

Our worst performing stocks this quarter were Alibaba, Advanced Auto and Progressive.

Alibaba shares declined 18% as China's economic recovery from the pandemic has been slower than expected, impacting Alibaba's retail business. The company's core e-commerce business has yet to return to growth, with online shopping volumes down 5% in Q1. Despite the slow recovery, management has been proactive in implementing actions that should eventually create value for shareholders. It has meaningfully reduced spending on loss-making businesses, which has allowed it to grow profits in a weak revenue environment. Alibaba has also implemented a plan to effectively break up the company into six parts, which should force the market to recognize the value of the many businesses hidden beneath its surface. On top of this, there are signs the government is ending its regulatory attack on domestic tech companies, which should allow Alibaba to realize some of the value from its investment in Ant Financial. We estimate the underlying business is trading at around 5X unlevered earnings, which makes it one of the cheapest valuations for a high-quality business that we have seen in our careers.

Advance Auto shares declined 40% as the company continues to underperform its peer group. It also reset its growth and profitability outlook. The business now expects to have flat revenue growth and 5% margins this year. This compares to 4%–5% growth and 20% margins for its primary competitor. The company's planned turnaround has largely failed, with expected profits this year to be lower than they were when now-departing CEO Tom Greco took over in 2016. Given the poor operational performance, we exited our position during the quarter.

A brief post-mortem is appropriate. Our initial investment thesis revolved around a cheap valuation for a company operating in an attractive industry that should have been able to close its performance gap with peers. The operational improvement never happened, which means this is appropriately characterized as a mistake. However, it's worth noting that we were still able to earn a decent profit due to the margin of safety built into the investment through a cheap valuation and favorable industry backdrop.

Progressive shares declined 7% due to a period of poor underwriting that has impacted its profitability. Much of this is due to recent tort reform in Florida. The new laws will eventually be a benefit. However, in the short term, it has triggered a flood of claims as attorneys rush to file ahead of the new law. This is obviously a one-time issue. Overall, the business growth remains good, and we expect underwriting profits to normalize. The company's profits will also benefit from higher interest rates boosting its investment portfolio performance. This is a very high-quality business that remains reasonably priced on normalized underwriting earnings.

We added Heineken to the portfolio this quarter. Heineken is the world's second-largest brewer and holds the No. 1 or No. 2 market share position in 71 markets. The company's exposure to emerging markets (53% of revenue) should provide structurally above-market growth. While beer is inherently a local business, the company's premium Heineken brand, accounting for 21% of total volume, appeals to consumers in many markets and is the largest premium beer brand by value in the world. In total, premium beer represents over 40% of the company's revenue. Premium beer grows faster and has higher margins.

We also like CEO Dolf van den Brink's strategic framework. He took over in 2020 and has pivoted toward a better balance between volume growth and value growth. Historically, Heineken was focused on volume growth and footprint expansion, often via M&A. The focus now is on generating better organic growth and better returns on capital.

We believe there is some opportunity for margin expansion as inflation normalizes. Heineken buys forward many of its raw materials, and the jump in inflation, which started more than a year ago, is still working its way through its financials. More recently, there has been an acute decline in spot prices for key inputs, such as aluminum, energy and barley. These lower prices should work their way into Heineken's margins over the next 18 months. Additionally, the company has overachieved on its €2 billion cost savings plan (EverGreen) and has line of sight to meaningful incremental efficiency opportunities.

The share price has been weak due to short-term headwinds in key markets such as Vietnam, Mexico and Africa. Results in the second half of this year are likely to be poor. But we think the shares offer good value based on attractive market positions, structural and cyclical

margin opportunities, and a discounted valuation (15X–16X 2024 earnings).

Conclusion

Stocks outside the US and cyclical businesses in general remain attractively priced. Rarely have we owned so many companies trading at single digit P/E multiples. Absent a severe recession, we expect these areas of the portfolio to drive returns in the short and medium term. We appreciate your support and remain heavily invested alongside you.

ARTISAN CANVAS

Timely insights and updates from our investment teams and firm leadership

Visit www.artisancanvas.com

For more information: Visit www.artisanpartners.com

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 and less developed markets, including frontier markets. 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 securities may underperform other asset types during a given period. 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.

For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan Global Value Strategy Composite's total net assets as of as of 30 Jun 2023: Samsung Electronics Co Ltd 5.0%, Meta Platforms Inc 4.4%, Heidelberg Materials AG 4.4%, Alphabet Inc 4.2%, Shell PLC 2.7%, Alibaba Group Holding Ltd 2.6%, The Progressive Corp 2.4%, Heineken NV 1.5%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

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.

MSCI All Country World Index measures the performance of developed and emerging markets. MSCI All Country World Value Index measures the performance of companies across developed and emerging markets that exhibit value style characteristics according to MSCI. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

The S&P 500® ("Index") is a product of S&P Dow Jones Indices LLC ("S&P DJI") and/or its affiliates and has been licensed for use. Copyright © 2023 S&P Dow Jones Indices LLC, a division of S&P Global, Inc. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). None of S&P DJI, Dow Jones, their affiliates or third party licensors makes any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and none shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

The Global Industry Classification Standard (GICS®) is the exclusive intellectual property of MSCI Inc. (MSCI) and Standard & Poor's Financial Services, LLC (S&P). Neither MSCI, S&P, their affiliates, nor any of their third party providers ("GICS Parties") makes any representations or warranties, express or implied, with respect to GICS or the results to be obtained by the use thereof, and expressly disclaim all warranties, including warranties of accuracy, completeness, merchantability and fitness for a particular purpose. The GICS Parties shall not have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of such damages.

This summary represents the views of the portfolio manager as of 30 Jun 2023. 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.

Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Unlevered earnings** refers to net operating profit after tax (NOPAT), which shows how well a company performed through its core operations, net of taxes. **Margin of Safety**, a concept developed by Benjamin Graham, is the difference between the market price and the estimated intrinsic value of a business. A large margin of safety may help guard against permanent capital loss and improve the probability of capital appreciation. Margin of safety does not prevent market loss—all investments contain risk and may lose value.

This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein. In no event shall Artisan Partners have any liability for direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) losses or any other damages resulting from the use of this material.

Artisan Partners Limited Partnership (APLP) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Artisan Partners UK LLP (APUK) is authorized and regulated by the Financial Conduct Authority and is a registered investment adviser with the SEC. APEL Financial Distribution Services Limited (AP Europe) is authorized and regulated by the Central Bank of Ireland. APLP, APUK and AP Europe are collectively, with their parent company and affiliates, referred to as Artisan Partners herein. Artisan Partners is not registered, authorised or eligible for an exemption from registration in all jurisdictions. Therefore, services described herein may not be available in certain jurisdictions. This material does not constitute an offer or solicitation where such actions are not authorised or lawful, and in some cases may only be provided at the initiative of the prospect. Further limitations on the availability of products or services described herein may be imposed.

This material is only intended for investors which meet qualifications as institutional investors as defined in the applicable jurisdiction where this material is received, which includes only *Professional Clients* or *Eligible Counterparties* as defined by the Markets in Financial Instruments Directive (MiFID) where this material is issued by APUK or AP Europe. This material is not for use by retail investors and may not be reproduced or distributed without Artisan Partners' permission.

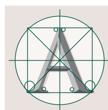
In the United Kingdom, issued by APUK, 25 St. James's St., Floor 3, London SW1A 1HA, registered in England and Wales (LLP No. OC351201). Registered office: Reading Bridge House, Floor 4, George St., Reading, Berkshire RG1 8LS. In Ireland, issued by AP Europe, Fitzwilliam Hall, Fitzwilliam Pl, Ste. 202, Dublin 2, D02 T292. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, D02 R296 (Company No. 637966).

Australia: This material is directed at wholesale clients only and is not intended for, or to be relied upon by, private individuals or retail investors. Artisan Partners Australia Pty Ltd is a representative of APLP (ARBN 153 777 292) and APUK (ARBN 603 522 649). APLP and APUK are respectively regulated under US and UK laws which differ from Australian laws and are exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 in respect to financial services provided in Australia.

Canada: This material is distributed in Canada by APLP and/or Artisan Partners Distributors LLC, which conduct activities in Canada under exemptions from the dealer, portfolio manager and investment fund manager registration requirements of applicable Canadian securities laws. This material does not constitute an offer of services in circumstances where such exemptions are not available. APLP advisory services are available only to investors that qualify as "permitted clients" under applicable Canadian securities laws.

© 2023 Artisan Partners. All rights reserved.

For Institutional Investors – Not for Onward Distribution

A R T I S A N  P A R T N E R S