



Artisan Emerging Markets Local Opportunities Strategy

QUARTERLY
Commentary

As of 30 September 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.

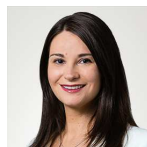
Team Overview

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 September 2023	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite—Gross	-4.25	7.37	15.77	—	—	—	9.66
Composite—Net	-4.42	6.81	14.97	—	—	—	8.90
J.P. Morgan GBI-EM Global Diversified Index (USD)	-3.26	4.28	13.10	—	—	—	6.34

Annual Returns (% USD) 12 months ended 30 September	2019	2020	2021	2022	2023
Composite — Net	—	—	—	—	14.97

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.

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 lower in Q3 as risk assets sold off and global yields rose. The portfolio trailed the J.P. Morgan GBI-EM Global Diversified Index.

Investing Environment

Inflation cooled across most of the developed world in Q3, though central bankers were quick to remark that their job was not done yet. At the Jackson Hole Symposium, Fed Chair Jerome Powell reiterated the Fed's commitment to bringing inflation down to its 2% target even if it means additional rate hikes or holding at the current restrictive level for longer. Further supporting this guidance was the US economy's unexpected resilience, specifically in the labor market where job openings continued to grow and the unemployment rate remained below 4%. Central bankers across the developed world echoed Chair Powell's message.

The developed world's higher for longer rhetoric is at odds with the monetary policy of many emerging market countries. These countries started raising rates earlier and subsequently have either already begun cutting rates or are contemplating it, specifically in Latin America and Central and Eastern Europe. This is increasing the interest rate divergence between parts of the developed and emerging worlds.

While many emerging market central banks are pausing or cutting rates, dispersion is growing. Central and Eastern Europe and Latin America are leading the charge in the rate-cutting cycle. Poland, Brazil, Chile and Ukraine all cut rates twice this quarter. Meanwhile, Indonesia, Mexico, South Africa and India voted to hold rates steady, while Russia and Turkey both hiked rates this quarter.

As investors digested the Fed's messaging, US Treasuries sold off, boosting 2- and 10-Year Treasury yields to levels not seen since before the global financial crisis. The selloff reverberated through global markets. Local currency-denominated bonds in particular faced headwinds as higher US yields contributed to a stronger US dollar.

The strengthening US dollar drove a broad selloff in emerging markets currencies throughout Q3, despite a rally in oil prices. In June 2023, OPEC+ announced it would extend crude oil production cuts through the end of 2024, which sent Brent crude oil to above \$94 per barrel. Rising oil prices have broad-based implications, the most notable being upward pressure on inflation across the globe. The impacts of higher oil prices on emerging markets are mixed. Higher oil prices are generally supportive for an oil-exporting country's currency while they can be a headwind for the currency of oil-importing countries. In Q3, higher oil prices had a relatively muted impact on currencies as moves in the US Treasury market and local political events dominated the currency market.

Local events across emerging markets continued to drive idiosyncratic performance. In July, the International Monetary Fund approved a \$3 billion Stand-By Arrangement for Pakistan, serving as a positive catalyst for Pakistani sovereign bonds. Elsewhere, Turkish bonds sold off as the Central Bank of the Republic of Turkey continued to deliver large rate hikes throughout the quarter,

bringing the benchmark rate to 30% from 15%. And a polarizing upcoming election in Poland and central bank rate cuts of 75bps put pressure on the Polish zloty during Q3.

Portfolio Positioning

The portfolio remains defensively positioned given over-arching geopolitical and inflation uncertainties that may impact local markets. Portfolio duration is modestly below the J.P. Morgan GBI-EM Global Diversified Index, specifically in Asia and in Eastern Europe, where inflation remains strong and local political uncertainty continues to dominate headlines. On the other hand, the portfolio is overweight duration in Latin American countries where inflation has stabilized or subsided, specifically Brazil and Peru. The portfolio is long currencies across regions, with the largest overweight coming from Eastern European currencies where higher rates present attractive opportunities. Throughout Q3, the portfolio increased exposure to sovereign credit in countries with improving fundamental stories, specifically in Latin America.

During Q3, the top contributing countries to returns for the J.P. Morgan GBI-EM Global Diversified Index were Egypt, South Africa and the United States. Top detracting countries were Thailand, Indonesia and Mexico.

Exhibit 1: Q3 2023 Attribution Relative to the J.P. Morgan GBI-EM Global Diversified Index

Contributors	
Underweight exposure to local rates in Turkey	
Underweight exposure to Colombia	
Underweight exposure to local rates in Chile	
Detractors	
Exposure to local Mexican rates	
Overweight to local Brazilian rates	
Exposure to the Kazakhstani tenge	

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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 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.

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 GBI-EM Global Diversified Index is an index of local-currency bonds with maturities of more than one year issued by EM governments. JPMorgan EMBI Global Diversified Index tracks returns for actively traded external debt instruments in emerging markets. 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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