



Artisan Global Unconstrained 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 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 September 2023	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite — Gross	1.19	7.05	12.66	—	—	—	10.43
Composite — Net	0.95	6.29	11.61	—	—	—	9.38
ICE BofA 3-Month U.S. Treasury Bill Index	1.31	3.60	4.47	—	—	—	3.35

Annual Returns (% USD) 12 months ended 30 September

	2019	2020	2021	2022	2023
Composite — Net	—	—	—	—	11.61

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized. ¹Composite 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 Q3 on an absolute basis; however, it lagged the ICE BofA 3-Month Treasury Bill Index. During the reporting period, the US 10-year Treasury yield sold off by more than 70bps, and 10-year German Bund yields sold off by more than 40bps.

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.

Against this backdrop, the Fed maintained its hawkish tone even as it left the fed funds rate unchanged in September at a range of 5.25%–5.50%. The Bank of England hiked by 25bps in August before surprising markets with a pause in September, leaving its policy rate at 5.25%. The ECB hiked by 25bps at both its August and September meetings, bringing the policy rate to 4.00%.

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. This was evident in the August US consumer price index, which posted the

largest monthly increase in over a year, while the Fed's preferred inflation measure, which excludes food and energy, came in lower than expected. 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. However, the currency impact was most pronounced for countries whose economies rely heavily on importing or exporting oil. Angola, Gabon and Kazakhstan benefited while Mozambique, Senegal and Zambia were the biggest losers.

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. In Africa, Gabon joined the growing list of coups in the region, sending Gabon dollar debt plunging. 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.

As we enter the final quarter of the year, geopolitical uncertainties continue to grow. The Russia-Ukraine war endures, China-Taiwan tensions are mounting, and coups continue to arise in Africa. While the US managed to raise the debt ceiling last quarter and avoided a government shutdown at the end of this quarter, changing leadership in the House of Representatives exposes the government to further uncertainty.

Portfolio Positioning

Repricing events across global markets during Q3 are presenting ample investment opportunities; however, the team continues to tread carefully given persistent, yet subsiding, inflation and an unstable geopolitical background. The portfolio ended the quarter net short duration overall but is long emerging market rates, specifically in regions where inflation has stabilized or subsided such as Brazil and Peru. The portfolio reduced its currency exposure in Q3, specifically its exposure to currency in Kazakhstan, and added exposure to currencies where higher rates present attractive opportunities. The portfolio increased sovereign credit exposure in countries with improving fundamentals like Peru and reduced exposure to others.

The team continues to search for countries with improving storylines where market prices are not fully reflecting fundamentals. However, the team remains cautious against the backdrop of sticky inflation, increased tensions with China, resurfacing geopolitical conflict across the world and an upcoming presidential election in the US.

Exhibit 1: Q3 2023 Contribution to Absolute Return

Contributors

Corporate credit holdings in Colombia

Exposure to Icelandic krona

Equity holdings in Georgia

Detractors

Exposure to local rates in Mexico

Short exposure to Turkish sovereign credit

Exposure to Kazakhstani tenge

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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 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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