



Artisan International Value Strategy

QUARTERLY Commentary

As of 30 September 2023

Investment Results (% USD)

As of 30 September 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite — Gross	-2.43	12.22	33.22	14.98	8.74	7.72	11.32
Composite — Net	-2.66	11.46	32.02	13.93	7.74	6.73	10.29
MSCI EAFE Index	-4.11	7.08	25.65	5.75	3.24	3.82	5.59
MSCI All Country World ex USA Index	-3.77	5.34	20.39	3.74	2.58	3.35	5.83

Annual Returns (% USD) 12 months ended 30 September

	2019	2020	2021	2022	2023
Composite — Net	0.65	-2.44	36.87	-18.16	32.02

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Composite inception: 1 July 2002.

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.

The Artisan International Value Strategy decreased by 2.66% (net) during the quarter as compared to the MSCI EAFE Index that declined by 4.11% (all returns in USD unless stated otherwise). Over the last 1, 3 and 5 years, the annualized returns for the Artisan International Value Strategy are 32.02%, 13.93% and 7.74% (net), respectively.

Investing Environment

Global equity markets declined during the quarter, and for dollar-based investors, the loss was compounded by the US dollar's renewed strength. In the US, the S&P 500® Index declined 3.2%. In comparison, the MSCI EAFE Index declined 1.3% in local currency terms but 4.1% in US dollar terms as the euro, British pound and Japanese yen all declined roughly 3.5%. Emerging markets fell by 1.4% in local currency but 2.9% in US dollars.

Why is the dollar so strong? Well, the US economy continues to boom despite short- and long-term interest rates rising to levels not seen since just before the 2009 global financial crisis (GFC). With inflation easing, US real interest rates are also higher, which increases the appeal of investing in dollars relative to most currencies.

But the dollar's appeal isn't purely a function of higher US interest rates. Take these notable and instructive currency moves in Argentina, Russia and Poland. The Argentine peso plunged 27% during the quarter and 58% over the last 12 months. Due to years of economic mismanagement by a radical left-wing government, inflation in Argentina is running over 100%. Serious economic changes will be required to repair the damage whether the population likes it or not. For now, a populist message is resonating in the coming presidential election, and it is spooking investors. The leading candidate is a libertarian economist who vows to "burn down the central bank."

The Russian ruble devalued 8% during the quarter as years of financial discipline have been surrendered to the war with Ukraine. Economic sanctions, lower oil prices, budget deficits driven by defense spending and high inflation have hurt the Russian economy.

In Poland, the zloty declined 7% this quarter, but it is still up 13% against the dollar over the past year. Poland's economy is benefiting from the war in Ukraine, and as a result of strong growth and economic pressure, short-term rates there hit a peak of over 7.5% in October 2022. Amid the current election period, the central bank has decided to reduce rates despite a strong economy and elevated inflation.

I used the word "instructive" above simply to note that central bank and fiscal policy are key to the credibility of paper currencies. A currency's value is nothing more than a psychological and legal construct centered around the sanctity of governing institutions.

The world is struggling with a real cost of money (higher interest rates). Most countries, businesses and consumers got used to cheap money, a characteristic of the world since the GFC. Thirteen years (rates really started to tick up in 2022) is long enough to create accepted psychological paradigms, economic structures and ingrained behavior. Those hoping for a quick reversal of rising rates have been disappointed, which is likely the reason for the decline in the stock market this quarter.

The truth is the economic environment has changed, and today that demands higher rates. As long as rates stay high, more money will go from borrowers to savers. And those borrowers will have to seek resources elsewhere—or change behavior (i.e., live with less). Some of the larger challenges relate to overpriced homes, leveraged companies and consumers, and of course, government

budget deficits. Politicians spending other people's money will have a circus-like process adjusting to this new paradigm, and those adjustments will have a serious impact on society.

Portfolio Discussion

The best performing stocks during the quarter were UBS, Suncor Energy and Arch Capital.

UBS is the world's largest wealth manager. As a long-term shareholder, we appreciate the quality of the company's wealth management business, its strong balance sheet and its conservative culture. Earlier this year, UBS executed a distressed purchase of its Swiss wealth management rival, Credit Suisse. In our [Q1 2023 letter](#), we expressed our view that this transaction was a great deal. Consequently, we significantly increased our estimate of UBS' intrinsic value. It took the market a while to figure it out. This quarter the share price increased 22%.

The share price of Suncor Energy increased by 19% during the quarter, likely on the back of higher oil prices.

The share price of Arch Capital, a Bermuda-based insurance company, increased by 6.5% during the quarter. The company continues to perform well on the back of a strong property and casualty insurance price cycle.

The worst performing stocks during the quarter were Richemont (down 26%), Samsung Electronics (down 8%) and Compass Group PLC (down 13%). There is no clear fundamental relationship among these companies as they are in very different businesses. Richemont sells luxury goods, Samsung sells mostly memory semiconductors, and Compass Group is a corporate caterer. We suspect the significant run-up in these stocks and cyclical concerns impacted sentiment. Over the last 12 months, the share price of Richemont is still up 35%, Samsung is up 37%, and Compass Group is up 25%.

Portfolio Changes

Shares of Cap Gemini were purchased during the quarter. Cap Gemini is a France-based global information technology (IT) consultant. We are familiar with the IT consulting industry given the portfolio's previous ownership of market leader Accenture and the portfolio's current holding of India-based HCL. Generally speaking, IT consulting is a good business. Little capital is required to run these businesses, while the constant innovation in enterprise technology and the cost benefits associated with offshore labor creates demand for strategic planning, implementation and cost reduction. Demand for IT services boomed during the pandemic, pulling forward demand. Now the industry is experiencing a slowdown in certain segments. As a result, the share prices and valuations of many companies in the industry have moderated. Cap Gemini has a 28.5 billion euro market cap and trades at a reasonable 15X our estimated 2023 earnings and free cash flow. We forecast both revenue and margin growth over the next couple of years that put shares at a more normalized 12X earnings. This is a

good company that we believe should trade at a much higher multiple.

Cap Gemini's particular strength in Europe attracted our attention. Historically, IT consulting has been a lower margin business in continental Europe as language barriers and labor conditions have impeded penetration by offshore IT services companies. However, the combination of COVID-induced changes to acceptable work habits and economic stagnation resulting from a spike in energy prices has created a paradigm shift. Enterprises have become used to remote work, while entrenched high prices for energy have necessitated cost savings. Cap Gemini's expanded mix of business, near-shore and offshore capabilities, and strong market position in Europe leave it well positioned to benefit from this trend.

The Power of Artificial Intelligence

*In markets vast where fortunes rise and fall,
Where greed and fear in endless cycles play,
A prudent mind, in wisdom's hallowed thrall,
Finds solace in the value's steady sway.*

*Amidst the tumult, where the reckless trade,
And frenzied hearts in haste their wealth expend,
The value investor, with calm charade,
Seeks treasures that with time, to greatness tend.*

*Not swayed by fleeting trends or market cries,
They analyze with care, with thoughtful eye,
In balance sheets and earnings, truth belies,
A wealth of knowledge that will never die.*

*For in the stocks where value lies concealed,
In businesses with fundamentals sound,
The patient soul, to great heights revealed,
Shall harvest riches from the fertile ground.*

*With diligence and prudence, they explore,
The assets, debts, and earnings, line by line,
Intrinsic worth they keenly do implore,
A timeless art, where fortunes intertwine.*

*Through storms of volatility, they steer,
With steadfast faith in fundamentals true,
The value investor, wise and clear,
Defies the tides, the markets they subdue.*

*In Iambic Pentameter, their creed is writ,
To buy when others falter, sell when high,
In value's dance, they find the perfect fit,
And in their choices, wealth shall never die.*

*So let the traders chase the fleeting gusts,
And heedless, follow where the masses run,
The value investor in wisdom trusts,
And in their steady hands, the wealth is won.*

Chat GPT – Search Request: Please write a poem on value investing
in iambic pentameter

"I have nothing to add."—Charles T. Munger, Vice Chairman
Berkshire Hathaway

Thank you for your support.

N. David Samra

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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 International Value Strategy Composite's total net assets as of 30 Sep 2023: Samsung Electronics Co Ltd 6.0%, Arch Capital Group Ltd 5.0%, UBS Group AG 4.6%, HCL Technologies 3.2%, Compass Group PLC 3.1%, Cie Financiere Richemont SA 1.9%, Suncor Energy Inc 1.9%, Capgemini SE 1.4%. 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 EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. MSCI Emerging Markets Index measures the performance of 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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This summary represents the views of the portfolio manager as of 30 Sep 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) ex-Cash is a valuation ratio of a company's current share price excluding cash holdings compared to its per-share earnings.

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