



Artisan Developing World Strategy

QUARTERLY Commentary

As of 31 December 2023



Portfolio Management
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Market Backdrop

The Artisan Developing World Strategy returned 11.82% (net) for the quarter ended December 31, 2023, versus 7.86% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since July 1, 2015, the Artisan Developing World Strategy has returned 99.70% (net) cumulatively, versus 29.14% for the MSCI Emerging Markets Index. Markets continued their summer slide into late October, as 10-year bond yields in the US exceeded 5% for the first time since the Global Financial Crisis, and financial conditions tightened. However, improved October inflation data (released in November) and signs of a less restrictive Fed punctuated by a dovish December dot plot led to a surge in bond, stock and foreign exchange markets through the balance of the year. Ten-year US Treasury yields plummeted from a 22-year high to end the year at 3.88%, as bonds posted their biggest gains in decades. The S&P 500® (+11.24%), MSCI EAFE (+10.42%), and MSCI Emerging Markets ex-China (+13.03%) indices all staged double-digit increases during the quarter. The euro (+4.41%) and yen (+5.90%) appreciated against the dollar, while the MSCI EM Currency Index increased 4.27%. Most emerging markets participated in this asset price resurgence with the notable exception of China. Poland was a standout (+38.03%) due to the election of a more centrist government. Korea (+15.26%) and Taiwan (+17.40%) followed global markets given their export and semiconductor centrality. Brazil (+17.84%) and Mexico (+18.60%) both rallied on optimism that peak US rates could benefit local monetary policy, and they also saw currency appreciation. India rose (+11.90%) on the strength of the domestic economy and the state electoral showing for Modi's party, though the rupee actually declined marginally. China's weakness (-4.22%) was notable in an emerging market and global context, as the domestic economy struggled. Oil-producing countries such as the UAE (-3.11%) and Malaysia (+4.56%) also lagged.

Contributors and Detractors

Top contributors to performance for the quarter included global payments company Adyen, cybersecurity leader CrowdStrike, social media platform Snap, Latin American marketplace MercadoLibre, and global streaming giant Netflix. Adyen rebounded after announcing business reacceleration, reduced headcount expansion plans, and clarity on its long-term financial model. CrowdStrike gained amid resilient cybersecurity spend, continued revenue growth against well-managed expenses, and traction in endpoint adjacencies. Snap benefited from signs of improved industry demand, improved customer adoption of Snap's direct response technology platform, and a new partnership with Amazon. MercadoLibre benefited from share gains in e-commerce,

resilient performance in fintech including increased credit card disbursements, and a positive presidential election outcome in Argentina. Netflix rose due to strong subscriber growth from its password-sharing crackdown, optimism about its advertising initiative, and an improving competitive landscape as reflected in favorable margin guidance.

Bottom contributors to performance for the quarter included Chinese Internet company Meituan, Chinese health care services provider Wuxi Biologics, Southeast Asian e-commerce leader Sea, biologics equipment company Sartorius, and cloud-based health care software company Veeva Systems. Meituan declined due to competitive concerns in local services, and weak volumes and unit economics in food delivery. Wuxi Biologics reduced guidance significantly reflecting industry weakness, delays in commercial-stage projects, and weak project starts. Sea was negatively impacted by rising investment spend, and TikTok's announcement of a partnership with Tokopedia which resulted in the relaunch of TikTok Shop in Indonesia. Sartorius fell due to ongoing bioprocessing inventory destocking, which has heightened revenue variability and reflects a weak biotech funding environment. Veeva declined after management modestly reduced guidance, while investors remain concerned about the dissolution of the Salesforce partnership.

Market Outlook

The market mood has shifted rapidly in anticipation of lower policy rates in the US and around the world. In the emerging markets, there is consensus that inflation is controlled due to disciplined fiscal and monetary policy, and that lower rates can lead to a virtuous cycle of currency appreciation, strong domestic consumption and persistently low inflation. However, it is increasingly likely that at least some of this optimism is reflected in emerging markets asset prices. Moreover, since imbalances (which we view through the lens of the balance of payments, net international investment positions, and fiscal deficits) have been contained in most emerging markets, there may be less elasticity to and scope for lower rates than in past cycles. Current account imbalances for 2023 are currently modest in emerging countries such as Brazil (-1.7%), South Africa (-1.8%), Thailand (+1.1%), China (+1.5%), and even India (-2.1%) and Indonesia (-0.3%). By comparison, during the market's so-called taper tantrum around 2013, current accounts for these same countries were as follows: Brazil (-3.6%), South Africa (-6.0%), Thailand (-0.9%), China (+2.3%), India (-4.9%) and Indonesia (-3.5%). A key factor for smaller imbalances this cycle: weak domestic demand trends, for which modestly lower rates are unlikely a panacea. Indeed, real per capita GDP increases have proven elusive for most emerging markets due to weak investment and capital formation. Lower rates may help cyclically but are unlikely to reverse this trend. Trade links with China and the prospects for a weaker global economy are also risk factors for developing countries in 2024.

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.

While markets are optimistic about many developing countries in light of the monetary outlook, they remain skeptical of the Chinese economy. Critics have noted the weak fiscal impetus, but in practice China has sustained significant deficit spending despite low nominal GDP growth rates, which pressure debt capacity. Instead, China has shifted investment spending away from traditional focus areas (i.e., real estate, physical infrastructure) to strategic areas consistent with the country's dual circulation policies (e.g., EVs, chips). This shift is occurring against a backdrop of deteriorating terms with Western trade partners, and Chinese domestic demand is insufficient to absorb the excess capacity. The need for China to rebalance its economy away from investment and toward consumption is therefore pressing, as a more balanced economy can stem deflationary pressures and improve economic outcomes. Meanwhile, the economic story in India continues to gain momentum, as India sits in a demographic and geopolitical sweet spot and has benefited from sound domestic policy. Public investment has supported economic growth in India in recent years and could set the stage for improved domestic and foreign investment from the private sector. Enhanced private investment is the key to job creation and income-driven consumption and creates capacity for an increased capital stock and accelerated real per capita GDP increases. In this sense, it may be appropriate to conceive of China and India in value and growth terms, respectively. We have been able to establish a more significant position in India in the last year (10.9%, up from 3.1%), while retaining value pathways in China that can benefit from China's latent domestic demand potential underscored by income levels and high savings rates.

Portfolio Positioning

We have underscored that the purpose of our risk management framework is to enhance value creation and aid in the execution and implementation of our investment program. However, this stage of risk management best manifests itself in down markets as it did in 2022. This year has been quite different since equities have broadly recovered, and our risk management focus has shifted toward establishing a level of permanence. We characterize this phase of risk management as Value Capture. Essentially, we have harvested disproportionate equity outcomes (Nvidia) and other strong performers (Passport holdings such as CrowdStrike) to fund a ~700bps increase in our India weighting (Makemytrip, Apollo Healthcare), a 235bps investment in Coca Cola (in correlation terms the real thing), and even a 114bps position in Alibaba (6.6X consensus 2023 EPS at purchase). These investments are not risk free, but they are stores of value that have the potential to enhance diversification and staying power in any market reversal. Moreover, we have marginally reduced portfolio concentration over the course of the year. Essentially, 2022 was a moment of extremely low reinvestment risk that allowed us to deemphasize China and other holdings, while concentrating around a handful of financially and strategically sound investments such as Nvidia, MercadoLibre, Airbnb and CrowdStrike. With these investments having largely

reflated, we have sought to redistribute some of this capital while retaining significant residual positions. It is our hope that these actions can enhance our ability to execute our investment program if, for example, market exuberance about monetary policy proves excessive.

Flexion is another dimension of our risk management framework. Essentially, Flexion is a tool not only for deemphasizing troubled investments but for staying the course as appropriate and avoiding the behavioral impairment of capital. In fact, three of our top contributors to performance this quarter (Netflix, Adyen and Snap) are investments we had earmarked for Flexion because of substantial fundamental deterioration. In each case, we allowed these investments to resize to lower weights, while adding marginally to our holdings. By contrast, traditional risk management approaches may have dictated full liquidation of these investments and resulted in immediate capital impairment and substantial reinvestment risk. A second behavioral pitfall is excessive confidence whereby unsuccessful investments are recipients of significant fresh capital, such that otherwise finite mistakes are compounded. Flexion is a tool for deemphasizing problematic areas while preserving the potential for positive outcomes, and it provides a window into the latent potential of several corners of our portfolio. It is a complement to our focus on disproportionate equity outcomes and companies with visible business momentum.

We thank you for your trust and confidence.

Investment Results (% USD)				Average Annual Total Returns			
As of 31 December 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception ¹
Composite — Gross	12.10	30.96	30.96	-10.76	13.32	—	9.60
Composite — Net	11.82	29.62	29.62	-11.71	12.15	—	8.47
MSCI Emerging Markets Index	7.86	9.83	9.83	-5.08	3.68	—	3.05

Annual Returns (% USD) Trailing 12 months ended 31 December	2019	2020	2021	2022	2023
Composite — Net	41.94	81.64	-9.68	-41.21	29.62

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. ¹Composite inception: 1 July 2015.

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.

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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. Such risks 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. 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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request. Diversification does not ensure a profit or protect against a loss.

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 Developing World Strategy Composite’s total net assets as of 31 Dec 2023: Adyen NV 4.2%, Crowdstrike Holdings Inc 3.6%, Snap Inc 2.3%, MercadoLibre Inc 5.6%, Netflix Inc 3.0%, Meituan 3.2%, Wuxi Biologics Inc 1.5%, Sea Ltd 4.8%, Sartorius Stedim Biotech SA 0.0%, Veeva Systems Inc 3.2%, Nvidia Corp 4.8%, MakeMyTrip Ltd 4.7%, Apollo Hospitals Enterprise Ltd 3.0%, The Coca-Cola Co 2.4%, Alibaba Group Holding Ltd 1.1%, Airbnb Inc 4.5%. As of 3 Mar 2022, Russian holdings are valued at zero. 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.

If applicable, revenue data is sourced from FactSet, is approximate and is subject to change based on the availability of company reported data.

If applicable, contribution is calculated by multiplying a security’s weight by its return daily for the period and has been derived from a holdings-based methodology that varies from the portfolio’s actual performance calculation by accounting for purchases/sales using end-of-day pricing, rather than intraday transactions. Net contribution has been calculated by 1) deducting the related Composite’s net return, which has been reduced by the highest model fee, from the greater of either of the portfolio’s gross contribution total or the Composite’s gross return, to determine a “model fee” applicable to managing the representative account’s portfolio, 2) weighting that model fee based on each investment’s average weight during the period; and then 3) deducting the weighted model fee from each investment’s corresponding gross contribution to arrive at the net result. Return attribution identifies relevant factors that contributed to the portfolio’s results, but is not exact, nor representative of actual investor returns due to several variables (e.g., security pricing, cash flows, the deduction of fees and expenses, etc.), and therefore should be examined in conjunction with performance of the portfolio or Composite during the period. Artisan will promptly provide further information on the methodology used or the performance of the account from which the individual security returns were extracted upon request.

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 Emerging Markets Index measures the performance of emerging markets. 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. MSCI Emerging Markets ex-China Index measures the performance of emerging markets, excluding Chinese equities. MSCI Emerging Markets Currency Index tracks the performance of 25 emerging market currencies relative to the US dollar. Emerging markets returns and country-specific index returns are in USD unless otherwise stated. All single country returns are net returns based on MSCI country indices. 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 31 Dec 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.

Flexion which we define as the ability to deemphasize investments while preserving value pathways, to enhance portfolio outcomes. **Earnings per Share (EPS)** is the portion of a company’s profit allocated to each outstanding share of common stock.

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