



Portfolio Management  
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### Market Backdrop

The Artisan Developing World Strategy returned 11.12% (net) for the quarter ended March 31, 2024, versus 2.37% for the MSCI Emerging Markets Index (all returns in USD unless stated otherwise). Since July 1, 2015, the Artisan Developing World Strategy has returned 121.91% (net) cumulatively, versus 32.20% for the MSCI Emerging Markets Index. There were few outsized movers in emerging markets despite expectations for rate cuts entering the year. Notably, potentially concerning signals from employment and inflation data were largely offset by Federal Reserve commentary regarding labor supply. Emerging currencies declined during the quarter (-0.92%) as rate cut expectations were pushed out. Taiwan was a standout emerging market during the quarter, as TSM (+31.24%) was increasingly viewed as an artificial intelligence (AI) beneficiary and investors reevaluated the geopolitical significance of semiconductor assets. India (+6.07%) continued its ascent ahead of national elections in April, despite increased Reserve Bank of India scrutiny of consumer unsecured loans and small-cap equities. Turkey performed well (+14.57%) as investors contemplated a return to orthodox monetary policy in the country and the potential for inflation to moderate. Indonesia (+2.1%) performed relatively in line with emerging market equities as a successful electoral outcome for Prabowo and likely policy continuity was largely priced in. Korea (+1.62%) also performed relatively in line with emerging markets despite semiconductor strength, as investors seemed relatively unimpressed by government efforts to support share prices through the “Value-Up” program. Weak performers were not outsized and included Thailand (-8.21%), Brazil (-7.36%), and South Africa (-6.84%). China continued to lag (-2.19%) as the country’s industrial policies created overcapacity at home and complicated relations with key trading partners abroad.

### Contributors and Detractors

Top contributors to performance for the quarter included graphics semiconductor company Nvidia, Indian online travel company MakeMyTrip, Southeast Asian e-commerce and gaming platform Sea, Latin American online bank Nu Holdings (Nubank), and global payments leader Adyen. Nvidia rose due to strong earnings, continued growth in AI investments around the world, and the announcement of next-generation products to be launched later this year. MakeMyTrip benefited from strong travel demand during the peak travel season, contributions from each of its three key businesses (air, hotel, bus), and a benign competitive environment. Sea benefited from narrowing losses, signs of a stabilizing competitive environment in Indonesia, and guidance for a return to profitability later this year. Nubank rose on continued share gains in

Brazil, accelerating momentum in Mexico, and substantial operating leverage. Adyen continued to rebound due to 2H23 results that showed improving quarterly volume trends, an easing competitive backdrop, and better cost controls.

Bottom contributors to performance for the quarter included 3D design company Unity, social media platform Snap, Chinese health care services company Wuxi Biologics, Chinese online pharmacy leader JD Health, and Indian banking and financial services company HDFC Bank. Unity fell due to the announcement of a complicated restructuring that is expected to negatively impact revenue and earnings growth in 2024. Snap declined after reporting underwhelming revenue growth and providing guidance that continues to suggest a very gradual recovery compared to peers. Wuxi Biologics declined after introduction of the BIOSECURE Act, which aims to block foreign adversary biotech companies from US federal contracts. JD Health fell due to business normalization post COVID and the possibility that the company is considering investments in the offline pharmacy sector. HDFC Bank fell amid continued net interest margin headwinds and expectations that lending growth will slow as the bank rebuilds its liquidity coverage ratio, though deposit growth remained healthy.

### Market Outlook

While the outlook for monetary policy is a key input into the direction of emerging markets asset prices over shorter periods, changes in the price of money should not materially improve the trajectory of capital formation. Since capital formation is perhaps the key input in middle class expansion, cyclical factors are thus unlikely to meaningfully alter the long-term trajectory for the asset class. Indeed, the classic emerging market story rests on a flawed assumption: that emerging markets will see widening economic participation over time. In fact, real per capita GDP (which we use as a proxy for growth in the middle class) has not increased in most emerging countries over time. Moreover, countries that have transcended this limitation, such as India and Indonesia, are doing so at relatively low levels of per capita GDP, such that demand for basic goods and services is only materializing gradually. We believe we are well positioned to accelerate the value creation process by focusing on revenue velocity in these countries. For example, in India our investment in MakeMyTrip would theoretically struggle to support a large market capitalization given low levels of affordability in India, since many Indian consumers cannot afford air travel. However, since MakeMyTrip is also able to monetize relationships through hotel and bus travel, it is able to accelerate the value creation process against relatively fixed customer acquisition costs. In this way, we have been able to create some potential for disproportionate equity outcomes in a country like India that is experiencing growth in real per capita GDP but that remains constrained by affordability. In other emerging countries that have attained higher levels of wealth but are struggling to expand the middle class, we are focused on demand fulfillment for aspirational products and foundational technologies. For example,

**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.

Nubank has been able to disrupt established bank profit pools in Brazil with a superior consumer offering, thereby unlocking higher income revenue streams in Brazilian cards even though improved economic participation has been relatively elusive in the country. We believe disproportionate equity outcomes are possible in emerging markets despite limited capital formation and narrow economic participation, and need not be captive to the whims of monetary policy. It is also worth reiterating that most emerging markets central banks have limited scope for interest rate cuts, since weak domestic demand has resulted in relatively low levels of real rates in most emerging countries, with the notable exception of Brazil.

If improved capital formation is the key to better economic participation in the emerging markets, it is worth contemplating where this might come from. Domestically, many businesses either lack access to capital or do not have the confidence to invest at home. For example, even in India where the government has rapidly accelerated public expenditures and created the conditions for economic multipliers, private capital formation remains subdued. In the West, China Plus One strategies have emerged that offer the promise of improved capital formation for perceived allies including India, the Philippines, and Mexico. However, the West is concurrently seeking supply chain redundancy through domestic investment, which may crowd out capital flows abroad. For example, the United States and Europe have both embarked upon substantial investment in domestic semiconductor production. Meanwhile, China's domestic economy remains weak as a shift from property investment to new industry depresses domestic demand and creates deflationary pressures. However, this shift has also helped to cultivate new trading partners in the so-called Global South, where increased diplomatic engagement from China is creating investment opportunities for Chinese companies. In some countries, such efforts are unlikely to be matched by Western investment. However, "non-aligned" emerging countries could find themselves benefiting from inbound Western and Chinese investment. Indonesia is an example of a country that could benefit from simultaneous Western and Chinese capital flows, helping to unlock accelerated capital formation. Alternatively, emerging countries could find themselves benefiting from improved access to world-class products and services at lower prices, even if real per capita GDP increases remain elusive.

### Portfolio Positioning

While 2022 was a difficult year for the portfolio, it resulted in a unique moment of low reinvestment risk to address our significant allocation to China. In 2023, the fruits of these efforts manifested themselves in the strong performance of many of our Passport Company holdings, notably those based in the United States, such as Nvidia and CrowdStrike. We have in turn executed our investment program by taking capital back from these holdings while retaining residual positions, a process we call Value Capture. Since December 2022, we estimate that we have taken back 2022bps of capital from our Passport holdings in the United States

and Europe and reinvested 1327bps into companies based in emerging markets, such as Nubank, MakeMyTrip, Apollo Hospitals, Paytm, and Grab.\* Our weighting in India has increased from 3.12% to 12.52% over this period. We have made new investments in companies based in the United States, such as Coke and Cadence, which we think offer some potential to establish a level of permanence from disproportionate equity outcomes achieved in other holdings. Even with these new US-based holdings, our economic exposure to the US by revenue now stands at 20.0% (MSCI Emerging Markets Index: 11.7%). We remain focused on disproportionate equity outcomes in the emerging markets, and we believe the portfolio is better structured to achieve these outcomes in companies all over the world, including those based in emerging markets. Notably, MakeMyTrip and Nubank have already contributed 363bps and 340bps to performance since inception, despite being relatively recent investments.

It is also worth discussing the role that developed market-based companies have played in our investment framework over time. Unilever was one of our first investments based in a developed market but economically tied to an emerging region (notably Latin America and India). This investment was rooted in risk management: we sought to mitigate volatility and establish the staying power and stability to execute our investment program in an asset class fraught with geopolitical, currency, and other risks. We also invested in LVMH as a way to express optimism about the Chinese consumer. Similarly, we made an investment in Visa, which was benefiting from the movement to card payments in many emerging markets. While these early investments were grounded in capital preservation and stability, our opportunity set also included companies we believed were conducive to disproportionate equity outcomes, with Facebook (which had a large base of emerging markets users) an early such investment. In subsequent years, we began to formalize our focus on borderless capabilities, foundational technologies, and aspirational products through the concept of Passport Companies. We identified Nvidia as a company that could benefit from the buildout of Chinese data centers, and we have since seen AI evolve into a sovereign asset (including in the emerging markets) as governments look to establish data security and develop their own large language models (LLMs). Whereas most emerging portfolios remain heavily represented in TSM and Samsung, we have benefited from companies like Nvidia and ASML with similar geographic profiles but potentially superior value creation profiles. Over time, we believe we have achieved a healthy balance in our Passport Company holdings of investments designed to help protect capital (such as Coke, Visa, and LVMH) with those conducive to disproportionate equity outcomes.

We thank you for your trust and confidence.

## Investment Process

We seek to build, preserve and enhance a stream of compounded business value. We define this emphasis as follows:

**Build:** Pair low penetration domestic demand with scalable and enduring businesses that are able to drive value creation and disproportionate outcomes.

**Preserve:** Preserve value creation and establish a forward-looking construct for managing risk.

**Enhance:** Leverage value pathways to enhance long-term value creation.

## Investment Results (% USD)

As of 31 March 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception <sup>1</sup>
<b>Composite — Gross</b>	<b>11.40</b>	<b>11.40</b>	<b>18.74</b>	<b>-6.79</b>	<b>11.05</b>	—	<b>10.68</b>
<b>Composite — Net</b>	<b>11.12</b>	<b>11.12</b>	<b>17.51</b>	<b>-7.77</b>	<b>9.90</b>	—	<b>9.53</b>
MSCI Emerging Markets Index	2.37	2.37	8.15	-5.05	2.22	—	3.24

## Annual Returns (% USD) Trailing 12 months ended 31 March

	2020	2021	2022	2023	2024
<b>Composite — Net</b>	<b>6.15</b>	<b>92.61</b>	<b>-25.06</b>	<b>-10.92</b>	<b>17.51</b>

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</sup>Composite 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.

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 Mar 2024: MakeMyTrip Ltd 5.5%, Nvidia Corp 5.5%, Sea Ltd 5.4%, Visa Inc 4.6%, Adyen NV 4.6%, NU Holdings Ltd 4.4%, CrowdStrike Holdings Inc 4.3%, HDFC Bank Ltd 3.4%, The Coca-Cola Co 3.3%, LVMH Moët Hennessy Louis Vuitton SE 3.1%, ASML Holding NV 2.9%, Grab Holdings Ltd 2.7%, Cadence Design Systems Inc 2.5%, JD Health International Inc 1.9%, Apollo Hospitals Enterprise Ltd 2.9%, One 97 Communications Ltd 0.7%. 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. 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 Mar 2024. 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.

\*Source: FactSet/Developing World team estimates for the period 31 Dec 2022 through 26 Mar 2024. Based on a representative account within the Artisan Developing World Strategy Composite. **Past performance does not guarantee and is not a reliable indicator of future results.**

**Net interest margin** measures the difference between interest income earned and paid out by financial institutions. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. **China Plus One** refers to a strategy by manufacturers in which companies avoid investing only in China and diversify their business to alternative destinations. **Liquidity Coverage Ratio** refers to the proportion of high-quality liquid assets held by financial institutions relative to their near-term total projected net cash flow (commonly a 30-day period). **Value Capture** refers to the process of selling of shares in appreciating securities but maintaining a residual position in the appreciated securities and reallocating the harvested capital to other positions with potential value creation and/or to positions that have a unique correlation profile. **Global South** refers to various countries around the world that are sometimes described as "developing," "less developed" or "underdeveloped."

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