Artisan Non-U.S. Growth Strategy

QUARTERLY
Commentary

As of 30 June 2024

Investment Process

We seek to invest in companies, within our preferred themes, with sustainable growth characteristics at attractive valuations that do not fully reflect their long-term potential.

Themes

We identify long-term secular growth trends with the objective of investing in companies that have meaningful exposure to these trends. Our fundamental analysis focuses on those industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of any structural change and/or trend.

Sustainable Growth

We apply a fundamental approach to identifying the long-term, sustainable growth characteristics of potential investments. We seek high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team.

Valuation

We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

Team Overview

Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

Portfolio Management

Mark L. Yockey, CFA
Portfolio Manager

Charles-Henri Hamker
Associate Portfolio Manager

Andrew J. Euretig
Associate Portfolio Manager

Investment Results (% USD)

			Average Annual Total Returns				
As of 30 June 2024	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**-1.11**	**8.84**	**14.58**	**1.88**	**5.93**	**5.08**	**9.45**
Composite — Net	**-1.34**	**8.35**	**13.53**	**0.95**	**4.96**	**4.12**	**8.44**
MSCI EAFE Index	-0.42	5.34	11.54	2.89	6.46	4.33	5.01
MSCI All Country World ex USA Index[2]	0.96	5.69	11.62	0.46	5.54	3.84	5.20

Annual Returns (% USD) Trailing 12 months ended 30 June

	2020	2021	2022	2023	2024
Composite — Net	**-0.11**	**24.02**	**-22.35**	**16.69**	**13.53**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 January 1996. [2]Performance represents the MSCI ACWI ex USA (Gross) Index from inception to 31 Dec 2000 and the MSCI ACWI ex USA (Net) Index from 1 Jan 2001 forward.

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.

Investing Environment

With inflation slowing in many countries, equity markets saw modest returns in Q2. Stocks in Asia ex-Japan and North America performed particularly well. Growth outperformed value stocks in most regions. The market yield on the 10-Year US Treasury ended the quarter flat.

US equity indices climbed higher. The core personal consumption expenditures price index, which excludes volatile food and energy costs, fell to 2.6% year-over-year in May, moving closer to the Fed's target rate of 2%. Concurrently, the economy grew modestly while the unemployment rate ticked up, a sign that two years of restrictive policy measures could finally be taking hold. Exuberance over artificial intelligence (AI) continued to be a catalyst for technology and media stocks.

Despite the ECB cutting its policy rate by 25bps, the market and economy in Europe showed little growth. European parliamentary elections created a risk-off environment favoring value stocks. In the euro area, the core inflation rate ticked up slightly to 2.9% year-over-year in May from April's 2.7%, a two-year low.

Japanese stocks picked up in the final weeks of the quarter. The core consumer price index rose 2.5% year-over-year in May, after a dip in April. Private consumption remained weak, however, likely due to the increase in prices. Nevertheless, as wages increase and consumers adjust to higher prices, moderate inflation could benefit an economy that has struggled with economic stagnation for the past several decades. A falling yen helped exports surge 13.5% year-over-year in May, up from an 8.3% rise in April.

Portfolio Activity

In a cooling equity market, the portfolio fell short of the MSCI EAFE Index and the MSCI All Country World ex USA Index in Q2. The negative effects of stock selection overpowered the positive impacts of sector weighting in a quarter when several of our largest holdings took a step back. In many cases, circumstantial events or changing investor sentiment weighed on their returns despite solid fundamentals. UBS, Linde, Air Liquide, Melrose Industries and Canadian Pacific Kansas City (CPKC) are top 10 holdings that fell into this category.

Holdings in industrials lowered relative performance the most. Melrose Industries, a leading supplier of commercial and defense aerospace components, began the quarter reaffirming its current year guidance but then saw its shares decline due to the exercise of a long-term incentive plan, one which is now fully paid out. Importantly, Melrose's aftermarket pricing for maintenance, parts and services remains favorable as current airline fleets remain in service for longer periods. We believe Melrose will continue to benefit from the pricing power created by an industrywide supply-demand imbalance. Also, Ryanair fell this quarter after CEO Michael O'Leary suggested that average fares in Europe might rise less than the previously predicted 5%–10%. Ryanair's load factor, or the percentage of available seats filled by passengers, dipped to 94% in April but snapped back to 95% in June, an indicator that current demand remains solid. Passenger totals continue to exceed last year's numbers. Ryanair, a leading low-cost, short-haul airline in Europe, is well positioned for growth with its new fuel-efficient fleet and experienced management. Lastly, Canada-based CPKC detracted from results as it continued talks with its rail worker union, Teamsters Canada, over safety provisions, a sticking point in the current agreement. A strike or a lockout cannot occur until the Canadian Industrial Relations Board rules on the safety implications of a stoppage. Based on history, we expect a timely resolution.

Our holdings in the materials sector detracted from relative performance, driven by weak industrial gas revenues. Air Liquide's share price ended lower after it reported a 7% year-over-year drop in sales, due mainly to lower energy prices passed through to large customers. Excluding energy prices and foreign exchange fluctuations, sales were up 2.1%. With low volume growth, the company is focusing on innovation, productivity and pricing. In addition, management said that the company plans to exit less profitable markets and increase distribution density. Greater density should help Air Liquide lower transport costs, strengthen pricing flexibility and gain valuable market share. Also, shares of Linde, another industrial gas holding, fell on a narrowing of its earnings guidance. While organic sales decreased year-over-year, higher pricing led to increased pre-tax earnings. We value both companies' focus on near-term profits and their strategic long-term investments in clean hydrogen, providing future growth potential.

Our holdings in financials also detracted from relative performance this quarter. The share price for UBS Group fell in the final week of the period after it sought clarification from Swiss regulator FINMA over the additional capital it must maintain following its acquisition of Credit Suisse. The merger was approved last year in an emergency takeover orchestrated by the Swiss government during the bank crisis. Earlier this year, FINMA declared an increase in capital requirements for all systematically important banks, including UBS, now a firm with $5 trillion in post-merger assets. While its shares have returned more than 51% over the last year, UBS' stock price has come under pressure in recent weeks due to the proposed changes. We value UBS' leading positions in asset and wealth management, businesses historically characterized by high, stable returns.

Alternatively, our investment in Amazon.com boosted relative returns in the consumer discretionary sector. Amazon's stock price rose after the company reported a 24% increase in quarterly ad revenues, driven by new ad formats and Prime Video ad placements. The company also introduced Ad Relevance, a machine-learning model that tracks consumer behavior without third-party cookies, which are being phased out by the end of the year. As digital advertisers seek new alternatives, we believe that Amazon's innovative AI services such as Ad Relevance will drive revenue, continued growth and higher returns.

Our holdings in health care also contributed to relative performance this quarter as they have all year. UCB's share price rose as prescription data for Bimzelx®, a plaque psoriasis treatment, outpaced its competitors. We believe Bimzelx® could achieve peak sales of $5 billion. UCB is also finding success with other drugs in its portfolio, including Evenity® for postmenopausal osteoporosis and Fintepla® for childhood epilepsy. These new treatments are gaining global approval, supporting further upside for the stock. Also, Novo Nordisk, a major holding in the portfolio, saw its share price rise this quarter after it published phase 3 clinical trial data for Ozempic®, its type 2 diabetes drug. The study showed Ozempic® reduced chronic kidney disease (CKD) and cardiovascular events with fewer adverse reactions compared to a placebo. We believe these results will lead to US Food and Drug Administration (FDA) approval for Ozempic's use in diabetic patients with CKD and/or heart disease, solidifying Novo Nordisk's leading position in the obesity/type 2 diabetes market. Lastly, Argenx, a global immunology biotech company, saw its share price surge after the FDA approved VYVGART® Hytrulo for treating chronic inflammatory demyelinating polyneuropathy (CIDP). The drug showed clinical improvements in 69% of treated patients. VYVGART® Hytrulo is already approved for treating generalized myasthenia gravis, another autoimmune disease. Argenx's success in developing multiple drugs from a single body of research has resulted in sustainable growth for its shareholders.

Finally, our holdings in Japan produced positive relative returns. Resona Holdings, the fifth-largest banking group in Japan, rose on the prospect of another Bank of Japan interest rate hike this summer as the central bank pursues its 2% inflation target. Resona's stock price is sensitive to interest rate changes because a high percentage of its loans are tied to the short-term prime rate. Higher policy rates would likely have a positive effect on Resona's net interest income, the income it generates from lending and deposit activities. Additionally, we value the bank's plan to reduce its cross-holdings from ¥1 trillion to ¥300 billion over the next six years. Another contributor, Daiichi Sankyo, saw its stock appreciate this quarter on the release of new phase 3 data for its Enhertu® antibody drug conjugate for breast cancer. The trial showed Enhertu® outperformed standard chemotherapy in slowing the progression of certain HER2 breast cancers, supporting its use earlier in the treatment cycle and for a broader patient population, potentially adding $2 billion in revenues. The data helps further establish Enhertu® as the standard of care for certain kinds of breast cancer. Overall, we view Japan as a favorable investment destination due to improvements in profit growth and governance, two characteristics that we believe will provide positive momentum for the economy and investors.

Positioning Activity

We continued to reduce our weighting in our demographics/consumer trends theme, choosing to invest in higher growth sectors of the economy. We exited Seven & i Holdings, a Japanese holding company for Seven-Eleven Japan, Denny's Japan and other international retail properties. Guidance for the global retail conglomerate was slightly lower than expected due to stronger competition from Japanese specialty stores, slower US sales and weak Japanese personal consumption. We also continued trimming our position in Nestle given sluggish sales growth, particularly in North America. Food inflation over the last two years has increased consumer price sensitivity, which has capped growth for many in the industry.

In our environment theme, we scaled back our holding in Mitsubishi Electric, a diversified industrials company with expertise in power generation and control, after it lowered some of its 2025 financial targets. The company aims to increase shareholder value by selling off non-core businesses and improving profitability.

We exited several health care positions and increased others. We sold Ascendis Pharma to invest in other opportunities. The Copenhagen-based biopharma company creates new therapies with a technology that optimizes how drugs are released into the body. We also exited our position in Alcon, a leader in lens care solutions, intraocular lenses and surgical equipment used during cataract surgery. The stock price had reached our target. In addition, we sold our position in drug development services provider Lonza after it successfully acquired a new biologics manufacturing site from Roche, one of the world's largest biotech companies. In the short- to medium-term, we think the acquisition will flatten Lonza's organic growth trajectory as it transitions away from legacy customers to ramping up new business. Lastly, we leaned into higher conviction holdings by adding to our positions in Argenx and UCB, two European biopharmaceutical companies aiming to address unmet medical needs for patients with severe and chronic diseases. As mentioned in the Portfolio Activity section, they have built pipelines of innovative new treatments that are now coming to market and are finding success.

We reduced our weighting in financial services, a theme where we seek to invest in competitively advantaged companies benefiting from economic and monetary tailwinds. We sold BNP Paribas, a diversified multinational bank, and trimmed global insurer and asset manager AXA to take gains. We also sold our position in Aon, the second-largest insurance broker globally, due to plateauing organic growth and moderating inflation. Inflation can be an important tailwind for insurance brokers like Aon that gain pricing power by helping clients place insurance to protect against rising costs. In addition, we think the company's margins may weaken as it digests its recent acquisition of insurance and benefits provider NFP. Lastly, we pared back our position in Resona Holdings to better align position size with our level of conviction.

In technology, we continued to back companies that are able to move beyond buzzwords and actually capitalize on the data, foundation models and talent they possess to improve their competitive positions. International Data Corporation recently estimated that global spending on AI solutions will exceed $150 billion by 2027. In this vein, we initiated a position in Shopify, a company that enables small- and medium-sized businesses to conduct e-commerce across multiple channels, including websites, social media platforms and physical stores. We think the company has a compelling value proposition, a highly defensible business model and strong growth prospects, particularly upmarket and outside the US. In addition, its new AI assistant, Sidekick, is designed to help Shopify's entrepreneurial customers be more productive and achieve their goals. Our weighting in Amazon.com increased. As mentioned in the Portfolio Activity section, Amazon has made headway in a post-cookies digital advertising world, providing more support for advertisers to tap into its ever-growing ecosystem. Using signals from browsing, shopping and viewing behaviors, Amazon can help advertisers better target ads, leading to higher engagement and conversion rates. Many believe Amazon's move away from dependency on traditional identifiers, such as third-party cookies, is a critical step in the right direction.

Outlook

Slowing inflation, a reasonably healthy labor market, loosening monetary policy and an ongoing expansion might be the right ingredients to extend this late-cycle market. Even so, we remain mindful of the geopolitical and economic risks and their potential effects on our holdings. When the environment does change, we'll be confident in our ability to move the portfolio toward new opportunities, such as those that are part of the travel boom, growing global defense spending, the latest health care innovations or emerging AI productivity tools. That's because our investment approach centers on identifying secular trends and capitalizing on the high-quality companies with reasonable valuations and sustainable growth characteristics that emerge from them. Consequently, we remain optimistic about our ability to create long-term value for our investors and help them meet their financial goals, even during times of change.

For more information: Visit www.artisanpartners.com

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. Growth 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 Non-U.S. Growth Strategy Composite's total net assets as of 30 Jun 2024: UBS Group AG 5.8%, Linde PLC 4.6%, Air Liquide SA 4.3%, Melrose Industries PLC 3.1%, Canadian Pacific Kansas City Ltd 2.6%, Ryanair Holdings PLC 1.7%, Amazon.com Inc 5.5%, UCB SA 3.5%, Novo Nordisk A/S 6.1%, Argenx SE 3.5%, Resona Holdings Inc 1.3%, Daiichi Sankyo Co Ltd 1.6%, Mitsubishi Electric Corp 0.2%, AXA SA 1.2%, Shopify Inc 1.0%, Nestle SA 1.2%. As of 3 Mar 2022, Russian holdings were 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.

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.

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Personal Consumption Expenditures Price Index (PCE) is a measurement of consumer spending in the prices of goods and services purchased in the United States. **Core Consumer Price Index** is a measure of consumer spending in Japan that excludes fresh food but includes fuel costs. **Swiss Financial Market Supervisory Authority (FINMA)** is Switzerland's independent financial markets regulator. **Long-Term Incentive Plan** is a strategic compensation plan, often stock based, that rewards managers for behaviors that lead to increased shareholder value. **Organic Sales Growth** is the revenue and earnings growth a company achieves as a result of its own operations and resources rather than those attributable to mergers and acquisitions. **Cross-Holding** involves one publicly traded company holding a significant number of shares of another company, often for strategic purposes or to insulating both companies from stock market fluctuations.

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