

News

A \$33 Billion Manager Who Bought at Low Shifts to Cash

- ▶ David Samra says it's hard to find cheap stocks to buy
- ▶ Artisan Partners fund manager is seeking changes at Samsung

David Samra, the award-winning stock picker, is boosting cash holdings close to their limit in a market he sees as lacking buying opportunities.

Samra, who oversees about \$33 billion for Artisan Partners, says he increased cash to about 13 percent of his international fund, near the 15 percent maximum, as equities around the world extend rallies after Donald Trump's election. While he's been selling companies that he sees as reaching their true worth, he's found it harder to find stocks to replace them.

The value investor makes no claim to being able to time the market, but his views on valuations can sometimes provide clues on its direction. In February, days before global equity markets ended a sharp downturn, Samra said he was buying again. These days, he's spending more time seeking out ways to help improve the companies he already owns, such as Samsung Electronics Co. and UBS Group AG.



David Samra. Source: Artisan Partners LP

"When stock-market rallies are broad-based like they are now, it makes it more difficult to find significantly undervalued securities,"

Global Stocks Rebound Recovering from year-low in February



Samra said in an interview in San Francisco, where he's based. Valuations in the portfolio will often "give us a rough reflection of the opportunity set that exists out in the market place."

The MSCI All-Country World Index of global shares has jumped about 20 percent since a low on Feb. 11. It traded last week at the most expensive level in almost seven years, when measured by price to estimated earnings. U.S. equities advanced to records in the wake of Trump's victory, with the Dow Jones Industrial Average climbing to within 40 points of 20,000.

Faced with a shortage of stocks to buy, Samra is spending more time on those already in his portfolio.

He's calling on Samsung, his biggest holding, to put at least three "international C-suite executives" on its board, and said he met with representatives of the company that day in San Francisco. Artisan Partners has a stake of about \$2.1 billion in the company, according to data compiled by Bloomberg.

Issues like the Galaxy Note 7 battery fires, which led Samsung to kill off the smartphone, might have been avoided if the company was better run, Samra says, while noting that he

also wants increased shareholder returns and for Samsung to list American depository receipts.

Samra said last month that it's looking at a plan to turn itself into a holding company, an idea that was presented as a way to improve shareholder value and address calls from Elliott Management Corp. for more responsive management. Such a move would also have benefits for Samsung and the founding Lee family.

"We are willing to work with the company if they modernize their corporate governance," Samra said. If they don't, "they won't get our vote."

Samra says he also added to holdings after the Brexit vote sent markets tumbling in June, but he missed the opportunity to buy after what he saw as a "naive" selloff in Asia following Trump's election. Republican control of the House, Senate and presidency is good for commerce, he says.

The Artisan Global Value Team looks for beaten-down stocks with strong balance sheets. The Artisan International Value Fund, with \$11.7 billion in assets, has returned an annualized 11 percent over the past five years,

beating 91 percent of peers, according to data compiled by Bloomberg. It counts Samsung, Compass Group Plc and UBS as its largest holdings.

UBS BET

On UBS, Samra says valuations are so low that shareholders basically get the investment banking unit for free. The wealth management business, he says, is “in our view by far the best in the world,” and investors are lumping the bank in with more fragile European peers. UBS shares have fallen 15 percent this year in Switzerland.

“I think people are still fighting the last fight,” he said. “They’re still worried about the finan-

cial crisis. They’re worried about increasing regulation. The regulatory structures are yet to be settled. It’s in the category of a European bank. There’s a lot of negative news about large European banks like Deutsche Bank and what’s happening in the Italian banking system, most of which has very little directly to do with UBS.”

One of Samra’s recent stock picks is Richemont, the Swiss maker of watches and other luxury goods. The owner of brands including Cartier and Van Cleef & Arpels saw its stock fall 38 percent from a peak in November through a low in June, battered by a corruption campaign that scared Chinese people off ostentatious shows of wealth and the November 2015 terror attacks in Paris, a key shopping

market for such products. Its price-to-earnings ratio tumbled in June to the lowest since 2013. Since June 27, the stock has risen 25 percent.

It’s “far too cheap for brands of this caliber, in our view,” Samra said.

Samra, along with Daniel O’Keefe, ranked in the top percentile with a 31 percent gain when they won Morningstar Inc.’s U.S. fund manager of the year award for international stocks in 2013, according to the fund-ranking firm. They took top honors in the same segment in 2008 when the Artisan International Value Fund lost 30 percent.

By Tom Redmond

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Clarification:

- (1) Artisan Partners Global Value Team manages assets with approximately \$1.2 billion invested in Samsung Electronics as of 30 Sep 2016.

N. David Samra is the lead portfolio manager for Artisan International Value Fund. This article represents the views of Tom Redmond of Bloomberg Business and N. David Samra as of the date of publication and those views and opinions presented are their own. Artisan Partners is not responsible for and cannot guarantee the accuracy or completeness of any statement in the discussion. This material does not constitute investment advice or a solicitation of any specific investment product or service. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. Prospective investors should consult their financial and tax adviser before making investments in order to determine whether an investment will be suitable for them.

Average annual total returns for the fund and benchmark as of 30 Sep 2016:

Artisan International Value Fund – ARTKX (Inception 23 Sep 2002): 9.02% (1YR), 3.44% (3YR), 12.21% (5YR), 6.53% (10YR), 12.94% (Since Inception). MSCI EAFE Index: 6.52% (1YR), 0.48% (3YR), 7.39% (5YR), 1.82% (10YR), 7.54% (Since Inception). For the fiscal year ended 30 Sep 2015, the Fund's expense ratio is 1.21%.
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Average annual total returns for the fund and benchmark as of 31 Dec 2016:

Artisan International Value Fund – ARTKX (Inception 23 Sep 2002): 5.50% (1YR), 1.00% (3YR), 10.55% (5YR), 5.39% (10YR), 12.67% (Since Inception). MSCI EAFE Index: 1.00% (1YR), -1.60% (3YR), 6.53% (5YR), 0.75% (10YR), 7.35% (Since Inception). For the fiscal year ended 30 Sep 2015, the Fund's expense ratio is 1.21%.

Lipper Category Percentile <i>As of 31 Dec 2016</i>	1 YR	5 YR	10 YR	Since Inception
Artisan International Value Fund – ARTKX <i>Lipper International Multi-Cap Core Category¹</i>	11%	3%	2%	2%

Source: Artisan Partners/MSCI/Lipper. ¹Category contains 446 funds (1 YR), 288 funds (5 YR), 168 funds (10 YR) and 94 funds (Since Inception). Lipper rankings are based on total return of a fund's stated share class, are historical and do not represent future results. The highest percentile rank is 1 and the lowest is 100. The number of funds in the category may include several share classes of the same mutual fund which may have a material impact on the fund's ranking within the category.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.

Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by visiting www.artisanfunds.com. Read carefully before investing.

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 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.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Artisan International Value Fund's total net assets as of 30 Sep 2016: UBS Group AG 4.3%; Compass Group PLC 4.8%; Samsung Electronics Co Ltd 5.2%; Cie Financiere Richemont SA 1.9%. Securities named but not listed here are not held in the Fund as of the date noted. The portfolio holdings mentioned are subject to change and the Fund disclaims any obligation to advise investors of such changes.

The MSCI EAFE Index is an index of companies in developed markets, excluding the U.S. and Canada. MSCI All Country World Index measures the performance of developed and emerging markets. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The indexes are an unmanaged, market-weighted index whose returns include net reinvested dividends 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. An investment cannot be made directly into an index.

Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings.

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David Samra and Dan O'Keefe of the Artisan Global Value team were named Morningstar's International-Stock Fund Manager of the Year for management of Artisan International Value Fund in 2008 and Artisan International Value Fund and Artisan Global Value Fund in 2013.

Established in 1988, the Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with shareholders'. Beginning in 2012, nominated funds must be Morningstar Medalists—a fund that has garnered a Morningstar Analyst Rating™ of Gold, Silver, or Bronze. The Fund Manager of the Year award winners are chosen based on Morningstar's proprietary research and in-depth qualitative evaluation by its fund analysts.

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