

Markets

World-Beating EM Fund Warns of Rough Decade for Emerging Markets

by [Jaqueline Ting Quesada](#)
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- ▶ Kaufman's fund has returned 116% since its 2015 inception
- ▶ The money manager favors stocks in China and the U.S.

Investors in Lewis Kaufman's emerging-market equity fund have quadrupled the returns of the benchmark index over the past half decade. That doesn't mean the man behind it is optimistic about the asset class.

Kaufman, who oversees the \$5.2 billion Artisan Developing World Fund, said people who take the traditional approach of investing in less industrialized nations will be disappointed by their returns. China, hit early by the Covid-19 pandemic and now recovering faster than many Western nations, is an exception. The world's second-largest economy has developed a reliable ecosystem for innovation and is home to some attractive stocks, he said.

"I think most emerging markets will struggle over a five- to 10-year basis," Kaufman, 44, said in an interview. "A disproportionate amount of value is in relatively few countries and companies."

Since its inception in June 2015, his developing-nation fund has returned 116%, trouncing the MSCI Emerging Markets Index's 29% return, according to data compiled by Bloomberg. Rallies for e-commerce companies including Sea Ltd. in Singapore and MercadoLibre Inc. in Buenos Aires have helped boost Kaufman's performance in 2020.

The San Francisco-based money manager attributes his success to focusing on concentrated bets rather than dwelling on benchmark weightings.

"If I don't think South Africa or Mexico or India or Brazil are places that will be good homes for capital, then I believe I don't necessarily



Motorcyclists and cyclists travel past the Chhatrapati Shivaji Maharaj Terminus railway station in Mumbai.
Photographer: Dhiraj Singh/Bloomberg

need to invest there at all," he said.

Almost 36% of his fund is invested in China, while another 26% is dedicated to U.S. companies including Visa Inc. that do business in developing nations, according to the fund's filings as of March 31. His other top country weights include the Netherlands, India and Argentina, the filings show.

Kaufman said Chinese stocks benefit from skilled labor and high savings rates. The

Shanghai Composite Index has jumped by 20% in dollar terms this past month as parts of the country emerged from lockdowns. Meantime, other developing-nation economies could suffer declines in potential output due to a lack of investment in human capital, he said.

"The emergence of a services-oriented economy in China -- that's not occurring anywhere else in the world," Kaufman said.

— *With assistance by Jennifer Surane*

Lewis Kaufman is the portfolio manager of the Artisan Developing World Fund as of the date of publication and those views and opinions presented are his own. Artisan Partners is not responsible for and cannot guarantee the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Investment Results as of 30 Jun 2020 (%)					Expense Ratios
Artisan Developing World Fund	1YR	3YR	5YR	ITD	Prospectus 30 Sep 2019
Investor Class: ARTYX	37.55	18.96	14.89	14.98	1.36
Advisor Class: APDYX	37.82	19.16	15.11	15.19	1.18
Institutional Class: APHYX	37.93	19.25	15.21	15.30	1.09
MSCI Emerging Markets Index	-3.39	1.90	2.86	3.14	
Lipper Percentile Ranking	1 st	1 st	1 st	1 st	

Source: Artisan Partners/MSCI. Returns less than one year are not annualized. Fund inception: 29 Jun 2015.

Rankings are based on total return for the Fund's Investor Class, are historical and do not represent future results. The Fund is ranked within Lipper Inc.'s Emerging Markets Category. 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. The fund is ranked 3rd out of 785 funds for the 1YR period, 3rd out of 679 funds for the 3YR period, 3rd out of 574 funds for the 5YR period and 3rd out of 572 funds for the since inception period.

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 800.399.1770 for current to most recent month-end performance.

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MSCI Emerging Markets Index measures the performance of emerging markets. Shanghai Stock Exchange Composite Index is an index of all stocks traded at the Shanghai Stock Exchange. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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