

Mercer FundWatch™ Research Report

Artisan Partners

Fund	Artisan Partners Global Funds plc – Artisan Global Value Fund
Category	International Equity, Global Equity - Core All Countries
Date	September 2024
Rating	★★★★★
ESG Rating	ESG3

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welcome to brighter

Mercer view

Artisan's Global Value Equity team benefits from portfolio managers with keen insights into the criteria for a good investment. The team has developed a disciplined approach to finding companies that should outperform the market and strictly adheres to the investment process and invests with conviction. The team has seen some adjustments when, in late 2018, they split into two autonomous groups, one running International Value, the other Global Value. The current Global Value team is led by Artisan veteran and respected value investor Daniel O'Keefe, who is the key to the fund.

Overview

The Artisan Global Value team attempts to identify high-quality, undervalued business with the potential for superior investment outcomes. The investment team uses fundamental, bottom-up research to build a benchmark-agnostic concentrated portfolio of between 30 and 50 stocks. It can hold up to 15% in cash if stock valuations are not compelling.

Team summary

Key decision makers*:			
Name	Primary Role	Start Year Industry	Start Year Firm
Daniel J. O'Keefe	PM	1993	2002
Michael J. McKinnon	PM	2003	2010

Staff numbers:	
PMs	2
Analysts	4

*Key decision makers (KDMs) are defined as Portfolio Manager (PMs), dedicated analysts and investment committee members who are significantly involved in a specific investment fund's portfolio/decision making. These KDMs drive the investment decisions and implementation of the portfolio and are accountable for the outcomes of that fund.

Fund facts

Benchmark:
MSCI ACWI

Assets under management in strategy:
USD 28.0 billion as at 31 Jul 2024

Assets under management in fund:
USD 4.8 billion as at 31 Jul 2024

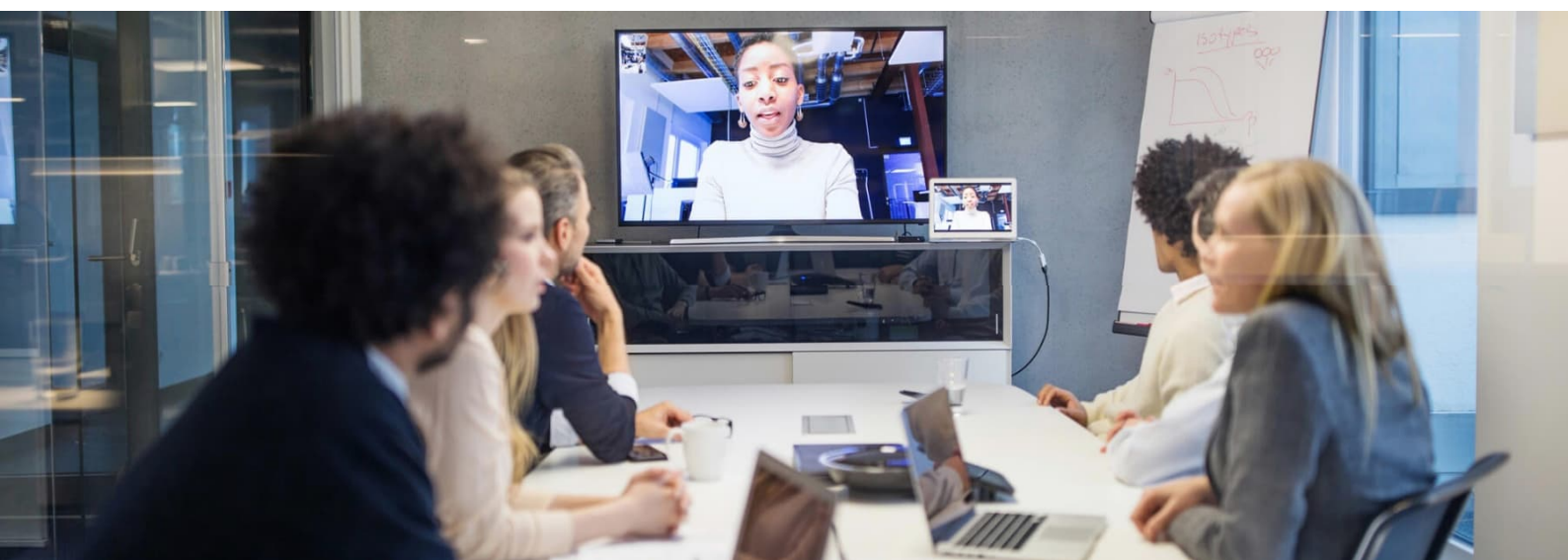
Fees

Fund Type: UCITS (Ireland)
Share Class: I, USD**

Ongoing Charges Figure (OCF): 0.94%
Management Fee: 0.90%
Date: Feb 2024

Mercer bases its rating on the share class with the largest AUM available to individual investors and its associated OCF (a measure of expense). Actual investment outcomes may be better (or worse) than reflected by the rating, if a lower-cost (or higher-cost) share class is accessed.

**Other share classes and currencies may be available, please refer to the fund factsheet (available from the asset manager) for information on share class availability.





Idea Generation

While the team is small, it follows a transparent and disciplined approach to evaluating companies. Since the fund's inception, O'Keefe has developed insights into what makes for a strong investment. Over the years, the team has struggled with analyst turnover.

- O'Keefe is an experienced value manager with a keen insight into promising value companies. O'Keefe is a thought leader in value investing, and we base much of our rating on his abilities.
- While the team is small, we believe that the concentrated portfolio, low turnover, and the screening process reduces the workload to a manageable level.
- Fundamental research is well-structured. The fund's four key investment characteristics are specific and well-articulated. Artisan has built an effective framework for identifying attractive investment ideas.
- Despite McKinnon's elevation to co-portfolio manager, our conviction in the fund rests primarily with O'Keefe. We would review our rating if he were no longer the lead.
- Historically, the analyst team has seen relatively high turnover. The splitting of the Global and International Value teams in 2018 was partly driven to give up-and-coming analysts more clear promotion avenues.
- The 2018 splitting of resources between the Global and International Value teams, as well as the limited tenure of the remaining analysts, heightens our sensitivity of team stability.



Portfolio Construction

The portfolio fully reflects the team's conviction, and Artisan understands the risks taken when the portfolio deviates from the index. The team can hold up to 15% in cash when they believe the market is overvalued.

- Given the portfolio's focus on quality and low volatility stocks, we anticipate that the fund would protect in the event of a market downturn.
- O'Keefe is an experienced portfolio manager and pays close attention to ensuring that positions in the portfolio are adequately diversified.
- The team uses several risk management tools to understand the risks inherent in the portfolio. They place explicit emphasis on limiting the build-up of exposure to unintended risks.
- With flexibility in portfolio construction, and country and sector weights the result of the bottom-up stock selection, the fund may significantly deviate from the benchmark for prolonged periods.
- The fund may not perform well in a recovering economic environment in which more economically-sensitive companies lead the broader market as the manager is often underweight those sectors.



Implementation

Assets are presently at manageable levels, and Artisan has shown a willingness to close the fund before asset flows impede the ability to implement.

- Artisan has historically been thoughtful in capacity management, closing strategies well before liquidity becomes an issue.
- The team has dedicated traders to ensure efficient execution.
- The separation of the International and Global teams should slowly reduce their mutual holdings in international stocks and reduce the possibility that they will trade the same names, reducing the potential for any liquidity issues.
- Artisan does not maintain strict targets for capacity, preferring to limit its cash flows based on the velocity of the flows.



Business Management

We believe the firm is managed effectively, allowing for the preservation and enhancement of Artisan's various investment capabilities over time. Artisan is organized as a collective of portfolio management teams, each operating with complete autonomy.



Environmental, Social & Governance (ESG)

Artisan does not explicitly screen on ESG factors, but it does consider them as part of the research process. Many ESG issues serve as red flags when determining the quality of management and materiality to the company's economics, though Governance stands out as a major focus. O'Keefe and McKinnon vote all proxies themselves, and engagement with management is frequent.

The Mercer FundWatch™ Rating Scale

Mercer applies the following rating scale to the investment funds we formally assess.

★★★★★	Funds assessed as having “above average” prospects of outperformance after fees
★★★★	Funds assessed as having “above average” prospects of gross outperformance, but fees may compromise outperformance over time
★★★	Funds assessed as having “average” prospects of outperformance after fees
★★	Funds assessed as having “below average” prospects of outperformance after fees
★	Funds assessed as having “significantly below average” prospects of outperformance after fees

The above definitions apply to the majority of fund categories researched by Mercer. For some fund categories, the rating scale reflects our degree of confidence in a manager’s ability to achieve a fund’s stated aims. Mercer’s assessments are not a guarantee of future performance and do not constitute investment recommendations.

Environmental, social & governance (ESG) ratings

Mercer’s ESG assessment represents Mercer’s view on the extent to which ESG factors and active ownership practices (proxy voting and engagement) are integrated into the fund manager’s strategy.

Mercer applies the following ratings scale for ESG ratings, from ESG1 (highest) to ESG4 (lowest)

ESG1	ESG factors drive idea generation and are a key part of the value-add process. Managers of these strategies tend to be acutely aware of ESG risks as well as opportunities.
ESG2	ESG factors do not drive the idea generation process but are an important part of the research analysis. There is a systematic process in place by the team which incorporates ESG factors into investment decision-making and managers have cited examples where they have chosen not to make certain investments due to ESG risks. Ownership activities are typically strong.
ESG3	Managers will typically talk broadly about ESG issues and will pay particular attention to corporate governance analysis, but there is no systematic process in place to evaluate these issues as part of the investment analysis.
ESG4	There is little to no integration of ESG and active ownership into the investment decision making process. Some element of corporate governance issues may be taken into account, but very little thought given to environmental and social issues.

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