



Artisan Emerging Markets Debt Opportunities Fund

QUARTERLY
Commentary

Investor Class: APFOX | Advisor Class: APDOX | Institutional Class: APHOX

As of 30 September 2024

Investment Process

We employ in-depth fundamental research and robust operational capabilities across a broad opportunity set to uncover knowledge gaps that can lead to idiosyncratic opportunities with compelling risk-adjusted return potential.

Organizational Structure

We have a flat and collaborative organization where portfolio managers and analysts communicate daily and share the responsibility of idea generation. Portfolio managers and analysts determine their own focus areas and pursue them from an idea generation perspective. Trading and implementation is embedded within the investment team, as trading capabilities and infrastructure are considered important components of our investment process.

Idea Generation Through Broad Investment Universe

Our team covers a broad spectrum of global markets comprising investable assets across more than 100 countries. We constantly perform fundamental country research and monitor financial markets in order to understand each countries' policy environments and how important policy moments may alter their investment environment. Our corporate analysis includes decomposing yields and examining corporate liquidity and solvency risks. We integrate environmental, social and governance (ESG) analysis at the country and corporate levels.

Portfolio Implementation

We analyze investment opportunities from a risk factor perspective—the forces that drive securities and instruments prices. The investment team and trading and implementation team work together to consider which instruments may provide optimal risk-adjusted returns. The trading and implementation team expands our investment universe by understanding and overcoming investment barriers.

Team Overview

We are a seasoned investment team with strong continuity across decision makers. Our investment team's core has been together for over 15 years, and our leadership has been investing in emerging markets since 2005. Our coverage areas are generally defined geographically, with some PM/Analysts and research associates focused on corporates.

Portfolio Management



Michael A. Cirami, CFA
Portfolio Manager



Sarah C. Orvin, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: APFOX	5.21	8.66	14.60	—	—	—	11.38
Advisor Class: APDOX	5.24	8.74	14.61	—	—	—	11.45
Institutional Class: APHOX	5.25	8.78	14.68	—	—	—	11.58
J.P. Morgan EMB Hard Currency / Local Currency 50/50	7.14	6.77	14.99	—	—	—	5.15

Source: Artisan Partners/J.P. Morgan. Returns for periods less than one year are not annualized. Class inception: Investor (7 April 2022); Advisor (7 April 2022); Institutional (7 April 2022).

Expense Ratios (% Gross/Net)	APFOX	APDOX	APHOX
Semi-Annual Report 31 Mar 2024 ^{1,2,3,4}	3.17/1.28	1.74/1.18	1.50/1.13
Prospectus 30 Sep 2023 ^{3,4}	8.05/1.31	2.99/1.20	1.97/1.13

¹Unaudited, annualized for the six-month period. ²Includes interest expense and dividend payments for securities sold short. ³Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. ⁴See prospectus for further details.

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. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held by an investor for 90 days or less and, if reflected, the fee would reduce the performance quoted.



Performance Discussion

The portfolio trended higher for Q3 but trailed the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index for the period. The portfolio remains ahead of the index year to date.

Exhibit 1: Total Benchmark Returns

	Q3 2024	YTD 2024
J.P. Morgan EMBI Global Diversified Index	6.15%	8.64%
J.P. Morgan GBI-EM Global Diversified Index	8.99%	4.95%
J.P. Morgan CEMBI Broad Diversified Index	4.48%	8.50%
J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index	7.14%	6.77%

Source: Artisan Partners/J.P. Morgan. As of 30 Sep 2024. Past performance does not guarantee and is not a reliable indicator of future results.

Investing Environment

Emerging markets (EM) debt rallied in Q3, primarily driven by movements in US interest rates. Continued cooling of US inflation and a sharper-than-expected slowdown in the labor market prompted the 10-year US Treasury yield to fall by approximately 80bps from early July through mid-September. This decline was driven by growing expectations of a soft landing, culminating in a 50bps rate cut by the Fed in September—its first rate cut in more than four years. In response, the US dollar weakened, the yield curve steepened, credit spreads tightened, and risk assets, particularly emerging markets debt, rallied. Local debt led the emerging markets rally in Q3, with emerging markets currencies mostly strengthening against a weakening US dollar. However, on a year-to-date basis, local debt continues to lag hard currency sovereign and corporate debt, which have benefited from favorable changes in US interest rates throughout the year.

The Fed's September decision to cut interest rates marks a convergence among the developed world central banks. In Q3, the Fed, ECB, BOE, Bank of Canada and Swiss National Bank all implemented rate cuts, with several having done so in Q2 as well. In contrast, the Bank of Japan remains an outlier raising interest rates by 15bps during the quarter to 0.25%, setting off a global unwinding of the popular yen carry trade where investors short the yen and invest in higher yielding currencies.

Emerging markets central banks are increasingly aligning their monetary policies to developed market policy; however, notable differences in policies and rates remain and continue to present differentiated opportunities. Several central banks cut rates during Q3, such as Hungary, Czech Republic, Uzbekistan, Peru, Mexico, South Africa and Chile. Elsewhere, Nigeria raised its rates by 100bps to 27.25%, while Turkey maintained its interest rate at 50.00%. Meanwhile, due to rising inflation and stronger-than-expected economic activity, Brazil reversed its monetary policy direction in September, raising rates by 0.25% after cutting them in the previous seven meetings.

Movements in sovereign spreads throughout the quarter were muted by changes in interest rates. Spreads for sovereign indices that include defaulted countries tightened, while those excluding defaulted countries and corporate credit spreads widened moderately. The high yield segment of the sovereign market experienced the most volatility, particularly in early August. A much sharper slowdown in hiring than expected revived fears of a hard landing, leading to wider credit spreads and declines in equities. This uncertainty was further intensified by the Bank of Japan's raising rates, prompting investors to quickly unwind the yen carry trade. However, credit spreads tightened almost as quickly as they widened, and Fed Chair Powell's dovish speech at Jackson Hole helped stabilize markets.

The US dollar weakened throughout Q3 due to expectations of a Fed rate cut, which ultimately materialized. This contributed to a broad strengthening of emerging markets currencies, lifting emerging markets local bonds. Several Asian currencies, including the Malaysian ringgit, Thai baht, Indonesian rupiah and Japanese yen, were among the top performers for the quarter, boosted by strong growth prospects and restrictive policies prompting the unwinding of carry trades. The Mexican peso was among one of the worst performers for the quarter, declining in response to controversial judicial reforms that were proposed by outgoing President Andrés Manuel López Obrador and supported by incoming President Claudia Sheinbaum.

While emerging markets debt remains at the mercy of an increasingly uncertain global macroeconomic backdrop, local events across the globe continue to shape idiosyncratic returns. Venezuelan sovereign bonds declined following the August presidential elections, where pre-election polls showed a significant discrepancy from the official results. The market interpreted this gap as a potential indication of fraudulent activity by the incumbent, President Maduro, leading to protests and increased political uncertainty. In contrast, Argentina's fiscal consolidation, a key focus of President Milei's administration, continued to boost the country's sovereign bonds throughout Q3. Meanwhile, Ukrainian sovereign bonds rallied after the country reached an agreement with creditors on its debt restructuring. This restructuring agreement involves two series of bonds, one of which includes a contingent feature. Sri Lanka also made progress on its debt restructuring toward the end of the quarter, overcoming several obstacles encountered in previous negotiations with creditors following its default in 2022. The country reached an agreement in principle with bondholders just two days before the presidential elections, where left-leaning politician Dissanayake emerged victorious. Additionally, the Ethiopian government floated its currency at the end of July, a policy shift aimed at alleviating foreign currency shortages, attracting foreign investment and securing funding from the International Monetary Fund and World Bank.

Portfolio Positioning

In our view, the portfolio remains conservatively positioned as geopolitical uncertainty persists. However, throughout Q3, the team capitalized on opportunities across various risk factors as they arose. The portfolio remains overweight duration in emerging markets and underweight duration in developed markets relative to the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index, translating to an overall underweight duration positioning relative to the index. Throughout Q3, the team reduced the portfolio's currency exposure but remains overweight relative to the index. The reduction mostly came from Eastern European currencies where carry has fallen below attractive levels and political uncertainty in certain countries is increasing. The team added to currency positions in Asia where strong growth prospects and restrictive monetary policies kept currency valuations attractive. Overall, sovereign credit positioning was flat during Q3 and remains overweight compared to the index. The team has adjusted its positioning within the sector to account for shifting risk profiles, valuations and outlooks based on on-the-ground research.

The EMSights Capital Group continues to search for countries with improving storylines where market prices are not fully reflecting fundamentals. The team continues to seek out idiosyncratic events in the corporate and sovereign space that shape the market landscape and drive divergence between the regions and countries. The global economy continues to face challenges, many of which are serving as tailwinds that keep the emerging markets debt outlook strong. With one of the busiest election cycles on record, growing geopolitical tensions and fiscal consolidation continue to present exploitable volatility events.

Exhibit 2: Q3 2024 Attribution—Relative to the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index

Contributors

Overweight to local Mexican rates and underweight to Mexican peso

Overweight to Peruvian local rates

Overweight to Bahamian sovereign credit

Detractors

Underweight to US rates

Underweight to Malaysian ringgit

Underweight to Thai baht

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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 calling 800.344.1770. Read carefully before investing.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. Non-diversified portfolios may invest larger portions of assets in securities of a smaller number of issuers and performance of a single issuer may have a greater impact to the portfolio's returns. 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, and 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. Fixed income securities carry interest rate risk and credit risk for both the issuer and counterparty and investors may lose principal value. In general, when interest rates rise, fixed income values fall. High yield securities (junk bonds) are speculative, experience greater price volatility and have a higher degree of credit and liquidity risk than bonds with a higher credit rating. Use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested.

The J.P. Morgan (JPM) EMB Hard Currency/Local currency 50-50 is an unmanaged, blended index consisting of 50% JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD), an index of local-currency bonds with maturities of more than one year issued by EM governments; 25% JPM Emerging Markets Bond Index-Global Diversified (EMBIGD), an index of USD-denominated bonds with maturities of more than one year issued by EM governments; and 25% JPM Corporate Emerging Market Bond Index-Broad Diversified (CEMBIBD), an index of USD-denominated EM corporate bonds. 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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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.

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