



# Artisan Sustainable Emerging Markets Fund

QUARTERLY  
Commentary

Investor Class: ARTZX | Advisor Class: APDEX | Institutional Class: APHEX

As of 30 September 2024

## Investment Process

We seek to invest in companies that are uniquely positioned to benefit from the growth potential in emerging markets and that possess a sustainable global competitive advantage.

### Sustainable Earnings

We believe over the long term a stock's price is directly related to the company's ability to deliver sustainable earnings. We determine a company's sustainable earnings based upon financial and strategic analyses. Our financial analysis focuses on identifying historical drivers of return on equity, and our strategic analysis examines a company's competitive advantages and financial strength.

### Sustainability Assessment

We believe a company's long-term direction and degree of change across multiple environmental, social and governance ("ESG") metrics are important indicators of a company's sustainable growth potential. Our sustainability assessment has incident-based and empirical components to evaluate a company's historical, current and future potential behavior. We use a proprietary scoring system for the incident-based and empirical components of the assessment, which informs the team's view of a company's target price.

### Risk Analysis

We believe a disciplined risk framework allows greater focus on fundamental stock selection. We incorporate our assessment of company-specific, sustainability and country-appropriate macroeconomic risk factors into our valuation analysis.

### Valuation

We believe that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. We value a business and develop a price target based on its sustainable earnings and our risk analysis.

## Team Overview

Team experience, continuity and a rigorous investment process are the characteristics that we believe differentiate our team from other emerging markets investment managers. Research analysts have autonomy and ownership of their regions and accountability for the success of their ideas. Our team members bring deep experience and uncommon insight to their respective areas of responsibility.

### Investment Team



Maria Negrete-Gruson, CFA  
Portfolio Manager



Meagan Nace, CFA  
Analyst



Chen Gu, CFA  
Analyst



Nicolas Rodriguez-Brizuela  
Analyst



Gurpreet Pal  
Analyst



Jessica Lin, CFA  
Analyst



Javier Cervantes  
Analyst

## Investment Results (%)

As of 30 September 2024	Average Annual Total Returns							
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception <sup>1</sup>	Inception <sup>2</sup>
<b>Investor Class: ARTZX</b>	<b>7.56</b>	<b>14.62</b>	<b>23.70</b>	<b>-0.56</b>	<b>5.19</b>	<b>4.91</b>	<b>1.26</b>	<b>—</b>
<b>Advisor Class: APDEX</b>	<b>7.63</b>	<b>14.77</b>	<b>23.83</b>	<b>-0.50</b>	<b>5.23</b>	<b>4.93</b>	<b>1.28</b>	<b>—</b>
<b>Institutional Class: APHEX</b>	<b>7.60</b>	<b>14.81</b>	<b>23.86</b>	<b>-0.44</b>	<b>5.33</b>	<b>5.01</b>	<b>—</b>	<b>4.65</b>
MSCI Emerging Markets Index	8.72	16.86	26.05	0.40	5.75	4.02	2.28	5.36

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. <sup>1</sup>Investor Class inception: 2 June 2008. Advisor Class inception: 27 April 2022. For the period prior to inception, Advisor Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor Class and the share class's returns during that period would be different if such expenses were reflected. <sup>2</sup>Institutional Class inception: 26 June 2006.

Expense Ratios (% Gross/Net)	ARTZX	APDEX	APHEX
Semi-Annual Report 31 Mar 2024 <sup>1,2,3</sup>	1.65/1.15	1.22/1.05	1.10/1.00
Prospectus 30 Sep 2023 <sup>2,3</sup>	1.75/1.16	1.34/1.06	1.27/1.01

<sup>1</sup>Unaudited, annualized for the six-month period. <sup>2</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. <sup>3</sup>See 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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect.



### Portfolio Discussion

Emerging markets (EM) equities climbed higher in Q3, adding to a positive year for the asset class. The ability to perform amid an eventful macroeconomic environment, characterized by government changes, geopolitical tensions and monetary policy shifts, demonstrated EM resilience. Furthermore, global markets have reacted favorably to US and local central bank decisions to lower interest rates. In addition, China announced a package of economic measures to stimulate economic growth, spurring Chinese equity market gains. China and India were the main contributors to the MSCI Emerging Markets Index, while Korea was the primary detractor in Q3. Our portfolio slightly lagged the benchmark for the quarter.

Our main leading relative detractors for the quarter included Samsung Electronics, Cosmax and Kaspi. Samsung Electronics is one of the world's leading producers of memory semiconductors, mobile handsets and other digital convergence products. The company's stock struggled this quarter amid production setbacks for its high-bandwidth memory (HBM) chips, an essential component of artificial intelligence (AI) processors. As a result, investors are growing uncertain of the company's competitive edge in HBM technology. As the market for AI continues to evolve, we remain vigilant in monitoring our position in the company.

Cosmax is a Korean cosmetics manufacturer and global leader in the original development and design manufacturing (ODM) space. It offers design, material sourcing, manufacturing, product management and branding services to independent cosmetic and skincare brands. Shares of Cosmax declined recently due to concerns about weak consumer demand in China, stemming from the country's broad economic slowdown. Despite weakened demand, we believe China's economic stimulus plan has the potential to boost consumer spending if the right measures are implemented. We remain constructive about Cosmax's global growth prospects and uphold our belief in its competitive advantage in the ODM market.

Kaspi is a leading Kazakhstani banking-fintech company offering a differentiated platform that integrates an online marketplace, consumer-to-business payment system and banking services in a single app. Kaspi's ability to seamlessly integrate financial services and e-commerce has enabled it to monetize this synergy well, and we believe its breadth to be valuable. However, the company's stock sold off in September following a report published by an activist investor. Company management denied the report's claims, and the stock has partially recovered. Kaspi's positive momentum in past periods of market volatility gives us confidence that the management team can successfully navigate this challenge.

Top relative contributors for the quarter included MercadoLibre, Samsung Biologics and E Ink Holdings. MercadoLibre is the leading e-commerce platform in Latin America. We have long believed in the company's diversified growth strategy, and we view the company's expansion of services beyond e-commerce as indicative of its success.

The company continues to make strategic investments in its infrastructure, including the expansion of its Mercado Pago and Mercado Crédito platforms. We believe the company's expansion into the credit market will provide the stock with new upside potential and that it is well positioned for future growth as its fintech and e-commerce services become more integrated.

Samsung Biologics is a leading Korean biopharmaceutical company. The stock performed well this quarter, buoyed by significant milestones, including two major FDA approvals for new drugs. The company has successfully established partnerships with many top global pharmaceutical companies, enhancing its client relationships and paving the way for greater visibility. Additionally, the company has made notable progress in securing large-scale manufacturing agreements with prominent drugmakers. We believe Samsung Biologics is gaining significant momentum and is well positioned to capitalize on emerging opportunities in the biopharmaceutical market.

E Ink is a Taiwan-based producer of e-paper technology used in e-readers, such as Amazon's Kindle, and electronic shelf label (ESL) systems used to display pricing on retail shelves. The company's stock was supported by the implementation of its ESL systems in retail stores. Additionally, the company's shift in focus to digital signage, catering to both indoor and outdoor usage, has expanded the applications of its e-paper technology and presents a new market for its products. We are confident in the company's future growth prospects, particularly due to its strong moat and unique position in the industry. We believe in the widespread adoption of e-paper technology and recognize the critical role E Ink plays in this process.

### Portfolio Activity

During the quarter, we exited our positions in Chilean winemaker Vina Concha Y Toro and Chilean wireless operator Entel. We also closed our position in Gold Fields, a South African mining company. We believe in the value of gold as a hedge against the macroeconomic risk posed by the developed markets' stretched monetary and fiscal policies. However, Gold Fields has not consistently met its operating guidance, eroding our confidence in its ability to deliver. Recurring health and safety incidents in the company's mines further contributed to our decision to exit the position.

By exiting these positions, we were able to initiate positions in BIM Birllesik Magazalar and Kia. BIM is the largest supermarket chain in Turkey. Having long tracked Turkey's economic development, we view BIM as a compelling opportunity to invest in the country's growing economy. The company leads Turkey's discount supermarket segment, with most of its products sold under private-label brands. This business model yields strong economics and an attractive return on equity. We believe in the company's ability to outperform as Turkey continues to adopt more orthodox economic policies.

Kia, a Korean automaker, is a company previously held in our portfolio. We found the company to be a compelling investment once again due to its successful repositioning as a more sophisticated car manufacturer. Through its significant investments in research and development, the company has made great strides in producing electric vehicles and hybrids as well as incorporating AI technology into its new models. We believe Kia is on track to build even stronger brand equity. In addition, we see positive changes in its corporate governance, which gives us greater confidence as minority shareholders.

### Perspective

As we approach the end of the year, we remain cautiously optimistic about the EM asset class. Central banks in many EM countries were exemplary in managing inflation and have started easing monetary policy. A lower rate environment will allow companies to take advantage of growth opportunities and boost investor sentiment toward the asset class.

China remains a focal point, with the government implementing a stimulus package at the end of Q3 aimed at stabilizing its weakening economy. In our team's travel to China, we have seen its economic slowdown firsthand and believe the government's efforts to be necessary. While these measures are considerable, the key challenge remains restoring consumer confidence. It is still too early to know how effectively these policies will restore consumer confidence and generate a sustained economic recovery.

We expect a volatile market environment through the end of 2024. Geopolitical tensions, including two wars, continue to weigh on the overall risk environment. These violent conflicts have impacted millions of lives and disrupted global value chains. In addition, the outcome of the upcoming US presidential election will have meaningful implications for global markets and likely further contribute to volatility in EM.

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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. 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. 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. Investments in which the team has determined to have sustainable growth characteristics may underperform other securities and may not achieve their sustainable growth potential. 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. Such risks 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. 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.

MSCI Emerging Markets Index measures the performance of emerging markets. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This summary represents the views of the portfolio managers as of 30 Sep 2024. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprised the following percentages of the Fund's total net assets as of 30 Sep 2024: Samsung Electronics Co Ltd 5.4%; Cosmax Inc 1.2%; Kaspik Z JSC 1.7%; MercadoLibre Inc 3.6%; Samsung Biologics Co Ltd 2.3%; E Ink Holdings Inc 3.7%; BIM Birlesik Magazalar AS 0.5%; Kia Corp 1.2%. As of 3 Mar 2022, Russian holdings are valued at zero. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. This material does not constitute investment advice.

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**Return on Equity (ROE)** is a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity.

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