



# Artisan Emerging Markets Debt Opportunities Fund

QUARTERLY  
Commentary

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

As of 31 December 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 country's 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 31 December 2024	Average Annual Total Returns						
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
<b>Investor Class: APFOX</b>	<b>0.55</b>	<b>9.25</b>	<b>9.25</b>	—	—	—	<b>10.50</b>
<b>Advisor Class: APDOX</b>	<b>0.57</b>	<b>9.36</b>	<b>9.36</b>	—	—	—	<b>10.57</b>
<b>Institutional Class: APHOX</b>	<b>0.59</b>	<b>9.42</b>	<b>9.42</b>	—	—	—	<b>10.70</b>
J.P. Morgan EMB Hard Currency / Local Currency 50/50	-4.20	2.28	2.28	—	—	—	3.03

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
Annual Report 30 Sep 2024 <sup>1,2,3</sup>	3.22/1.28	1.85/1.18	1.64/1.13
Prospectus 30 Sep 2023 <sup>2,3</sup>	8.05/1.31	2.99/1.20	1.97/1.13

<sup>1</sup>Includes interest expense and dividend payments for securities sold short. <sup>2</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2026. <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. 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 Q4 and outperformed the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index for the period, calendar year and since inception.

#### Exhibit 1: Total Benchmark Returns

	Q4 2024	2024
J.P. Morgan EMBI Global Diversified Index	-1.94%	6.54%
J.P. Morgan GBI-EM Global Diversified Index	-6.98%	-2.38%
J.P. Morgan CEMBI Broad Diversified Index	-0.80%	7.63%
J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index	-4.20%	2.28%

Source: J.P. Morgan. As of 31 Dec 2024. Past performance does not guarantee and is not a reliable indicator of future results.

### Investing Environment

Emerging markets (EM) debt experienced a decline in Q4, primarily driven by a selloff in US Treasuries. Following Trump's election victory in November, Treasury yields rose and the dollar strengthened as markets anticipated prolonged inflation driven by his proposed policies. This increase was further supported by a robust labor market and a slowdown in the disinflation process. Despite the Federal Reserve implementing 50bps of rate cuts during the period, US Treasury yields climbed 70bps. Consequently, EM debt faced pressure, with EM local debt leading the decline as many emerging markets currencies weakened against the stronger dollar. Corporate debt outperformed sovereign and local debt during the period, but all three sectors ended in negative territory. Despite the Q4 decline, corporate and sovereign debt managed to deliver positive returns for 2024, whereas local debt posted a loss.

Disruptions in the disinflation process have forced some emerging markets central banks to reevaluate monetary policy, creating increased divergence within the asset class. The disinflation trend is holding strong in countries like Peru, Pakistan and Sri Lanka. However, persistently high inflation is prompting greater caution in some countries. For example, Hungary, Serbia and Czechia have either paused or signaled an impending pause in their rate-cutting cycles, while Brazil reversed course in Q3 and continued to hike rates throughout Q4.

Similar dynamics are unfolding in developed markets. The Fed cut rates by 25bps in both November and December to a range of 4.25%–4.50% but signaled fewer cuts are likely in 2025. The Bank of England kept rates steady at 4.75% in December, citing a slowing economy and rising inflationary pressures. Meanwhile, the European Central Bank, Bank of Canada and Swiss National Bank all continued to reduce rates during the quarter.

A modest tightening of credit spreads in Q4 helped mitigate the impact of rising US Treasury yields on EM sovereign and corporate bonds. The high yield segment saw the most spread compression, particularly lower rated names. For example, Argentina's sovereign bonds were the top performers of the quarter, driven by improved

investor sentiment as President Milei's transformative policies spurred growth and curbed inflation. Ukrainian bonds also delivered strong returns as the war is expected to enter a new phase, precipitated by Trump's attempts to jumpstart ceasefire negotiations.

Corporate and sovereign issuance in 2024 reached its highest levels since 2021, as several countries capitalized on narrower spreads and improved market conditions compared to the past couple of years. New issuance was led by investment grade sovereigns and corporates, but there was a notable resurgence in high yield names.

EM currencies mostly weakened during the quarter against a stronger US dollar. The Brazilian real was among the largest underperformers during the period due to investor's growing concerns over the government's commitment to fiscal discipline and unanchored inflation expectations. The South Korean won also suffered a decline during Q4 after President Yoon declared martial law, throwing the country into a political crisis and ultimately resulting in his impeachment. On the other hand, the Ghanaian cedi appreciated during the quarter as Ghana emerged from default following two years of debt restructuring, demonstrated improved economic fundamentals and successfully issued new debt.

While emerging markets debt remain at the mercy of macroeconomic factors, local events across the globe continue to shape idiosyncratic returns. For instance, El Salvador's sovereign bonds rallied after the country reached a staff-level agreement with the International Monetary Fund for an Extended Fund Facility (EFF) program after years of negotiations. In Romania, political uncertainty following the cancellation of presidential elections, coupled with fiscal instability, triggered a selloff in assets. Violent protests broke out in Mozambique following FRELIMO's victory in the October general elections, leading to a widening of spreads. Mass protests also ignited in Georgia after the prime minister announced pausing the EU accession process until 2028. Meanwhile, Sri Lanka's bonds rallied after the government reached an agreement with creditors to restructure its international bonds, marking a significant milestone in the country's efforts to emerge from an extended default.

### Portfolio Positioning

In our view, the portfolio remains conservatively positioned as geopolitical uncertainty is increasing. This investment environment, however, continues to offer unique and interesting investment opportunities that the team is taking advantage of. During the quarter, the team reduced the portfolio's duration exposure across both emerging and developed markets due to stalls in the disinflation process. The portfolio maintains an underweight duration position relative to the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index, with the majority of the underweight coming from developed market positioning. The portfolio ended Q4 modestly underweight currency relative to the index, decreasing the position throughout the period. The team reduced currency positions in countries where geopolitical risks are growing, such as those in Asia and the Middle

East. Meanwhile, the team increased positions in countries where carry remains attractive. Overall, the portfolio's allocation to sovereign credit was flat during Q4 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 team added to positions in lower rated names where they anticipate spread tightening, while decreasing positions in certain investment grade names.

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, leading to growing geopolitical tensions that present exploitable volatility events in emerging markets debt.

As we step into 2025, there are many unknowns. The incoming Trump administration introduces the possibility of unexpected policy shifts. Meanwhile, the Fed's rate-cutting cycle appears to be more limited than previously anticipated. Geopolitical risks are intensifying, raising more questions than answers. Credit spreads continue to grind tighter, and valuations remain full. Our outlook for EMD has turned even more cautious, as we enter the period of the great unknown. We believe select opportunities within the high yield sovereign and corporate segments remain the most attractive, as well as select EM currencies that have weakened to more attractive levels.

**Exhibit 2: Q4 2024 Attribution—Relative to the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index**

<b>Contributors</b>
Underweight US rates
Overweight Turkish lira
Overweight Bahamian sovereign credit
<b>Detractors</b>
Overweight Kazakhstani tenge
Overweight Indonesian local rates and rupiah
Underweight Argentine sovereign credit

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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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Notional value adjusts for derivatives' exposures to the market value of a contract's underlying security, rather than the market value of the contract itself, and represents an approximation of the portfolio's economic and risk exposures at a point in time. Delta measures the sensitivity of a derivative contract to changes in price of its underlying security; the derivatives contract's value may be overstated or understated without delta-adjustment.

**Credit spread** is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Investment Grade** indicates above-average credit quality and lower default risk and is defined as a rating of BBB or higher by Standard and Poor's and Fitch rating services and Baa or higher by Moody's ratings service. **Duration** estimates the sensitivity of underlying fixed income securities to changes in interest rates—the longer the duration, the greater the sensitivity to changes in interest rates.

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