Artisan Global Value Fund

QUARTERLY
Commentary

Investor Class: ARTGX | Advisor Class: APDGX | Institutional Class: APHGX

As of 31 December 2024

Investment Process

We seek to invest in high-quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Undervaluation

Determining the intrinsic value of a business is the heart of our research process. Intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. We seek to invest at a significant discount to our estimate of the intrinsic value of a business.

Business Quality

We seek to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries.

Financial Strength

We believe that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

Shareholder-Oriented Management

Our research process attempts to identify management teams with a history of building value for shareholders.

Team Overview

Our team has worked together for many years and has implemented a consistent and disciplined investment process. Our team is organized by geographic regions, but within those regions we are generalists who look across all industries. We believe this model enables our analysts to become broad thinkers and gain critical insight across all economic sectors.

Portfolio Management

Daniel J. O'Keefe
Portfolio Manager (Lead)
Managing Director

Michael J. McKinnon, CFA
Portfolio Manager
Managing Director

Investment Results (%)

				Average Annual Total Returns			
As of 31 December 2024	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTGX	**-3.90**	**10.65**	**10.65**	**6.61**	**8.31**	**7.62**	**7.87**
Advisor Class: APDGX	**-3.83**	**10.80**	**10.80**	**6.78**	**8.47**	**7.77**	**7.96**
Institutional Class: APHGX	**-3.82**	**10.91**	**10.91**	**6.88**	**8.56**	**7.88**	**8.05**
MSCI All Country World Index	-0.99	17.49	17.49	5.44	10.06	9.23	6.29
MSCI All Country World Value Index	-4.71	10.76	10.76	4.61	6.42	6.24	4.21

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (10 December 2007); Advisor (1 April 2015); Institutional (17 July 2012). For the period prior to inception, each of Advisor Class and Institutional Class's performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Advisor or Institutional Class and each share's respective returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTGX	APDGX	APHGX
Annual Report 30 Sep 2024[1,2]	1.26	1.11	1.01
Prospectus 30 Sep 2023[2]	1.32	1.17	1.08

[1]Excludes Acquired Fund Fees and Expenses as described in the prospectus. [2]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.

Market Overview

Another quarter, another smashing outperformance for US tech stocks. The only thing we can add to what we have said ad nauseam for the past several years is this: Yes, but even more so.

The US stock market returned multiples of international market returns. The MSCI EAFE Index, a broad measure of non-US markets, gained just under 4% in US dollar terms compared to the S&P 500® Index returning 25% in 2024. For the quarter, the MSCI EAFE Index declined 8% in US dollar terms while the US market rose almost 3%. This 21-percentage point annual performance spread for 2024 is the largest since 1997 when the Asian financial crisis triggered a regional collapse in currencies and stock market values.

Part of this return differential is explained by dollar strength. The US dollar appreciated meaningfully versus just about every other major currency. Or, said another way, pretty much every currency has sunk relative to the dollar. The euro slid about 10% in the quarter and is near dollar parity, something that has happened only a few times since the euro's inception. The Brazilian real is at the lowest level versus the dollar since, well, ever. And the Japanese yen touched 160 in Q4, the weakest in more than 30 years. GDP per capita in Japan in US dollars is now less than the annual earnings of a California minimum wage worker. Note to governments everywhere: Declining populations, lack of economic dynamism and ever-rising government debt are not conducive to prosperity.

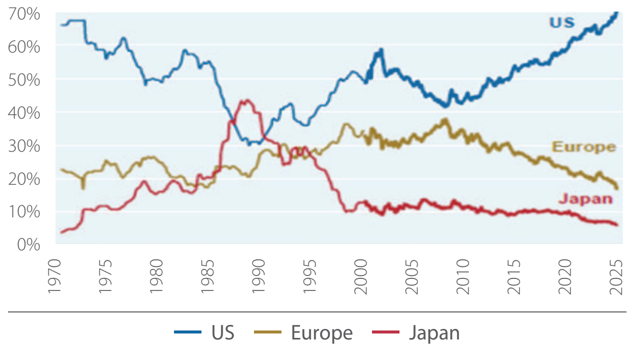
The one major currency that has not moved much versus the dollar is the Chinese renminbi (RMB). We will discuss the RMB later in the letter, so stay tuned.

Even before currency moves, however, the US market still proved dominant. The MSCI EAFE Index in local currency returned 11.3% for the year and declined 0.6% for the quarter. That's not a bad return for the year but pales in comparison to the S&P 500® Index's 24.6% gain.

Note that not a single foreign stock cracked the top 10 list of contributors to performance in the MSCI All Country World Index for the year or the quarter. In fact, of the top 30 contributors in the index for the year, only 3 were non-US companies.

The net effect of this US outperformance (currency and stock market combined) is that the US now holds a record share of global stock market capitalization, currently 70% of the MSCI World Index. It got as low as 30% in 1990 and nearly 40% in 2006. It has never been as high as now, though it came close in the 1970s. Another year of outperformance like 2024 could put the US near 90% of global market capitalization. Possible? Certainly. Probable? We wouldn't bet on it.

Exhibit 1: Regions as a Share of MSCI World Index Market Capitalization
Percent of Total Index



Source: Bloomberg/JPMAM. As of 29 Nov 2024.

Driving all of this, of course, are US tech companies. All five of the index's best performing stocks for the year and the quarter were US tech companies—Tesla, NVIDIA, Amazon, Broadcom and Apple. Among the top 10 for both the quarter and the year, US tech accounted for 8 of them. Much like the US now accounts for a record percent of the global index, US tech accounts for a record share of both the global index and the S&P 500® Index, and, of course, its returns. In 2022, 2023 and 2024, the Magnificent Seven accounted for 55% to 63% of the S&P 500® Index's total return. Stripping out the Magnificent Seven from the S&P 500® Index in 2024 leaves the return at about 10%, slightly less than the MSCI EAFE Index return in local currency terms.

Exhibit 2: Market Capitalization of Largest 7 Companies in S&P 500® Index

Source: FactSet/JPMAM. As of 30 Nov 2024.

US tech outperformance is clearly justified. The only question is how much. Growth is unmatched by any other industry, and there is no real tech industry outside the US. Artificial intelligence (AI) is likely to extend this dominance. And of course, the US economy in general is the envy of the world. US GDP has grown at a compounded annual growth rate (CAGR) of 2.3% since 2018. Japan has grown at a CAGR of 0.0%, Germany at 0.3% and the United Kingdom at 0.8%. This largely explains the US dollar's strength relative to all other currencies, especially with the high expectations now in place for the US economy after Donald Trump's election victory (more on that later).

The US growth justifies interest rates staying higher, which, all else equal, should make for a strong currency relative to weaker economies where rates are more likely to go down. But a country's economy is not the same as its stock market. Non-US listed companies may have lots of exposure to their home market or almost none. They might earn a large part or maybe even a majority of their profits in the US.

So, we know that foreign companies' share prices have lagged terribly over the past several years. How have foreign companies done from an earnings rather than a stock market perspective? Exhibit 3 shows the earnings growth of a few foreign stock indices in local currency from 2019 through 2023, according to MSCI. (2024 numbers are not yet available.)

Exhibit 3: Diluted Earnings From Continuing Operations

Index	2019	2020	2021	2022	2023	CAGR	Currency
MSCI Europe	8.1	5.6	9.1	11.6	11.8	10.03%	EUR
MSCI France	10.3	5.4	11.6	16.1	15.1	10.08%	EUR
MSCI Germany	8.2	6.1	11.5	12.8	11.3	8.38%	EUR
MSCI UK	144.6	102.8	138.4	185.1	213.6	10.23%	GBP
MSCI Japan	67.0	42.1	77.7	72.6	87.7	6.96%	JPY

Source: Bloomberg. As of 31 Dec 2023.

That's probably a lot better than you might have guessed. Low-double-digit growth per year is pretty good in Europe. Add in dividend yields for these markets, and the implied value growth per year has been attractive. The MSCI France Index currently yields 3%, the MSCI UK Index yields 3.8%, and MSCI Germany Index yields 2.7%. The S&P 500® Index yields 1.3% in comparison.

Now let's look at these same earnings growth rates and include the US as measured by the S&P 500® Index and the MSCI USA Index because, of course, US-listed companies do not just earn their profits in the US. Just like many of their foreign-listed peers, they operate and earn globally.

Exhibit 4: Diluted Earnings From Continuing Operations

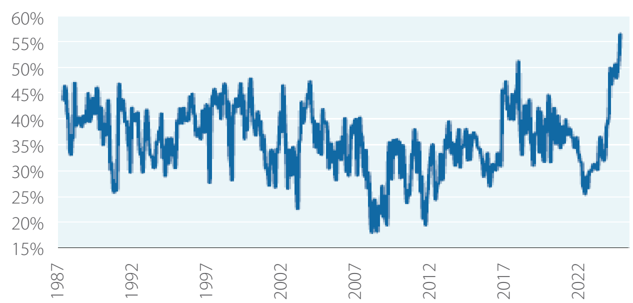
Index	2019	2020	2021	2022	2023	CAGR	Currency
MSCI Europe	8.1	5.6	9.1	11.6	11.8	10.03%	EUR
MSCI France	10.3	5.4	11.6	16.1	15.1	10.08%	EUR
MSCI Germany	8.2	6.1	11.5	12.8	11.3	8.38%	EUR
MSCI UK	144.6	102.8	138.4	185.1	213.6	10.23%	GBP
MSCI Japan	67.0	42.1	77.7	72.6	87.7	6.96%	JPY
MSCI USA	141.4	122.2	174.2	194.1	191.8	7.92%	USD
S&P 500®	152.1	130.2	183.3	209.9	207.3	8.05%	USD

Source: Bloomberg. As of 31 Dec 2023.

Are you surprised? Share price performance has been lackluster, as we know. The MSCI France Index has compounded at 10% since 2019, the MSCI Germany Index at 8%, the MSCI Europe Index at 10% and the MSCI UK Index at 10%. But earnings have grown nicely, even comparable to the S&P 500® Index earnings growth rate. Valuation, however, is miles apart. The S&P 500® Index trades pretty close to its highest valuation ever and certainly is expensive on an absolute level—roughly 24X earnings. The five best performing stocks in the MSCI All Country World Index in 2024 traded at an average of 50X earnings. But the MSCI Europe Index trades at 14X P/E, the MSCI France Index at 16X, the MSCI Germany Index at 16X and the MSCI UK Index at 13X.

Clearly, a lot of investors believe that the US stock market is headed higher from here. Indeed, the number of true believers may be at an all-time high.

Exhibit 5: Share of US Households Expecting Higher Stock Prices in 12 Months (Percent of Respondents)



Source: Conference Board/Bloomberg/JPMAM. As of 30 Nov 2024.

Perhaps this reflects a rational expectation that the economy will strengthen considerably under the new Trump administration. Or that interest rates will fall considerably. Maybe. There are certainly valid arguments to be made as to why the economy, all else being equal, should do better under Trump than Biden. But there are also reasons why, regardless of who the president is, the US and the global economy face real challenges. A few big issues come to mind: unprecedented debt levels, unsustainable deficit spending, risk of high rates from uncontrolled debt and deficits. We could go on.

Portfolio Discussion

Our best performers for the quarter were Heidelberg Materials, Charles Schwab and Alphabet.

Heidelberg's share price rose 22% in local currency and 14% in US dollar terms. Results reported during the quarter were fine. Revenue was up a little; profit was up a little. The company has managed very well through COVID-19, high energy prices in Europe and generally difficult construction markets on the continent. The company also announced an acquisition of a US cement company, which will bolster its position here in the States. The valuation looks reasonable. Heidelberg's share price has surged over the past couple of years. In our opinion, much of this is recovery from an absurd valuation. European investors seemed to believe CO2-intensive cement businesses would cease to exist as a result of a net-zero economy. It is becoming clear that net zero will not happen in our lifetimes, if ever. European investors seem to be willing to invest in cement again, judging by the revaluation of Heidelberg over the past couple of years. It also seems there is some expectation that Heidelberg might crystallize the value of its US cement and aggregates business. Were that asset trading in the US, it would probably command a multiple double that of Heidelberg's current 11X earnings multiple.

Charles Schwab's share price recovered after a weak Q3 performance. Recall that Schwab's economics have been pressured by higher interest rates, which incented account holders to move their cash off Schwab's balance sheet and into higher yielding securities. This cash exodus has been a major headwind to Schwab's earnings power. The company's most recent disclosures show that the balance sheet cash trends have stabilized, signaling that this headwind might turn into a tailwind. We believe it will.

Alphabet's stock gained 14% during the quarter. Last quarter, we wrote about how the antitrust case against Alphabet weighed on its share price. It appears that investors are less concerned about this case because it is weak (in our view) and perhaps because they view the incoming Trump administration as less hostile to Alphabet's position. At any rate, the stock probably got too cheap last quarter; its business fundamentals are strong, and the share price this quarter reflected that.

Our three worst performers this quarter were Elevance, Philips and Samsung Electronics.

Elevance took a couple of blows this quarter. First, it warned that its Medicaid earnings would come in below expectations this year. The Medicaid business has been in the spotlight as a result of COVID-19. Medicaid rolls filled up during the pandemic, but then rolls started to come down as enrollees lost eligibility when the economy began to normalize. This has made estimating the severity and health trends of the remaining population difficult. So far this year, cost trends have been much worse than expected and are out of line with Elevance's approved rate structure. Margins in the Medicaid business, therefore, will be down this year, and overall profits are likely to be flat. We believe this is a temporary situation. State Medicaid programs are legally required to pay actuarially sound rates to the providers of Medicaid services, such as Elevance. Rates are expected, therefore, to move upward over the next 12 to 18 months, restoring Elevance's margins to a more normal level.

The second issue for Elevance is investor sentiment. A mentally deranged young man murdered a top executive of UnitedHealthcare, the largest health insurer in the country. This led to an Internet frenzy of vicious, inaccurate and, frankly, deplorable criticisms of health insurance companies and their executives. Negative and controversial headlines tend to hurt share prices. This was true of Elevance's stock in the aftermath of this heinous crime. The share price has fallen to extremely attractive levels, trading currently at about 11X earnings. We added to our position during this weakness.

Philips was a negative contributor during the quarter as its shares declined 17%. The shares appreciated 19% during the year but gave back some interim gains when the company released Q3 earnings in October. While the quarterly earnings were solid, the company cut sales growth expectations due to a sharp deterioration in demand from China. China is particularly relevant in Philips' diagnosis and treatment (sales to hospitals) and personal health (sales to consumers) segments. Hospital demand has been weak for months as the government conducts an anti-corruption push among hospitals. This weakness has continued, and no rebound is in sight, despite talk of offsetting stimulus measures. In the personal health segment, sales across several key categories (such as shavers and toothbrushes) were weak during key seasonal selling days over the summer, which caused smaller retailer orders for Q4.

While China remains weak, the rest of Philips' business is doing well, with other geographies growing as China declined. Margins are also improving nicely, and the company now expects a full-year 2024 EBITA margin of 11.5%, a YoY improvement of 90bps. We believe the issues in China are transitory. The government anti-corruption purge cannot continue forever, and hospitals will need to refresh aging equipment over time. Consumer sentiment is weak but should return at some point. We have stressed our earnings estimates for continued weakness in China and still find significant value in Philips' shares, with a P/E on 2026 earnings of about 13X.

Samsung continued to be a disappointment during the quarter. The shares declined 13% in local currency but were down 23% in US dollar terms. We wrote in some detail about Samsung's issues in our Q3 letter, and, unfortunately, those issues remain largely unresolved. To briefly sum it up, the company is still not fully participating in the lucrative high-end part of the memory market where AI demand is booming.

Perhaps the most disappointing part of Samsung's performance this year is to consider what should have been. As the largest and best capitalized company in the memory semiconductor market, Samsung was perfectly positioned to be at the epicenter of the AI boom. Instead, it inexplicably failed to develop a competitive product and largely missed out on the massive demand created by AI investment.

This can only be described as a massive failure of management and governance. In November, we visited Korea to meet directly with senior management and assess the situation. We came away reassured that they are on a path to addressing the technology issues in their memory business. The company is implementing a redesign for its high bandwidth memory product that should allow it to have a similar (if not superior) product to serve the high-end AI market within the coming year. Importantly, Samsung's key customers are fully aligned to help resolve the issues, since accessing Samsung's massive manufacturing capacity will help unlock critical AI supply chain bottlenecks. In other words, Samsung's customers (including NVIDIA) want it to succeed. Recent comments from NVIDIA's CEO Jensen Huang at the Consumer Electronics Show conference support this conclusion. Like Jensen, we have confidence that Samsung will resolve these technology issues and fully participate in the AI memory market, meaningfully improving its financial performance and share price performance.

Unfortunately, simply addressing the technology issues is no longer enough. The past year's missteps revealed an unacceptable level of governance, which will still need to be addressed. We recently communicated our disappointment directly to management and the board of directors. Since these conversations, we have seen some positive developments—including changes in senior management and a buyback program. We are not alone in our prodding for the company to improve its corporate governance. The Korean government is also pushing for domestic companies to improve corporate governance practices through "Value-Up" programs. We have provided the Samsung board with ideas that should be included in their Value-Up program and look forward to them unveiling their plans in the coming months.

We added no meaningful new names to the portfolio, nor did we exit any positions. However, we did put a hedge in place to protect our exposure to the Chinese RMB.

We believe there is clear risk in the dollar to RMB exchange rate. The rate is fixed by the Chinese government, and that rate is, to some degree, a political decision. At the end of 2019 (i.e., before COVID-19), the exchange rate was about 7 RMB per dollar. Today, it is 7.3 RMB per dollar. China's economic fundamentals have deteriorated significantly since 2019. Growth has stagnated. It's had no COVID recovery. Debt is a major issue after the housing bubble collapse, which wiped out an estimated 4.3% of household net worth. China is geopolitically isolated from the West, and the incoming Trump administration has promised massive tariffs on Chinese imports. None of these developments are good for China's economy and the RMB. Were the RMB freely floated, it would be worth significantly less than where it is fixed today, in our view. This is why we decided to hedge our direct exposure to the RMB during the quarter. We are now protected on our Alibaba investment against any depreciation of the RMB versus the dollar, and we are getting paid a positive spread on our currency position because of the interest rate differential between the dollar and the RMB.

Conclusion

Unsurprisingly, after the massive outperformance of the US market over the past few years, value is most evident in our non-US holdings. Our US holdings are much closer to fairly valued, though they are generally higher quality businesses. With the incoming Trump administration, we expect significant changes to tax, immigration, trade and regulatory policy. Trump's extraordinary ascendence from the political ashes is a good reminder for those who believe they know the future. They do not. Humility, hard work and diversification are principles to stick by in any environment. We do not take for granted the trust that you, our clients, have placed in us, and we strive always to earn it.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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. 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. 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. Value securities may underperform other asset types during a given period.

MSCI All Country World Index measures the performance of developed and emerging markets. MSCI All Country World Value Index measures the performance of companies across developed and emerging markets that exhibit value style characteristics according to MSCI. MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI World Index measures the performance of developed markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The MSCI Europe Index captures large and mid-cap representation across 15 Developed Markets countries in Europe. The Dow Jones Industrial Average (DJIA), also known as the Dow 30, is a stock market index that tracks 30 large, publicly-owned blue-chip companies trading on the New York Stock Exchange and the NASDAQ. All single country returns are net returns based on MSCI country indices. Each country index is designed to measure the performance of the large- and mid-cap segments of the country's market. 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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This summary represents the views of the portfolio managers as of 31 Dec 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. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Dec 2024: Heidelberg Materials AG 5.0%, Alphabet Inc 4.9%, The Charles Schwab Corp 4.7%, Elevance Health Inc 3.7%, Koninklijke Philips NV 3.7%, Samsung Electronics Co Ltd 3.0%, Alibaba Group Holding Ltd 2.3%. 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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Price-to-Earnings (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. **Compound Annual Growth Rate (CAGR)** is the year-over-year average growth rate of an investment over a period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered. **Earnings Before Interest, Taxes and Amortization (EBITA)** is a measure of a company's operating profit. **Dividend Yield** is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Earnings power** is a figure that telegraphs a business's ability to generate profits over the long term, assuming all current operational conditions generally remain constant.

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A R T I S A N P A R T N E R S