# Artisan Global Equity Fund

QUARTERLY
Commentary

Investor Class: ARTHX | Advisor Class: APDHX | Institutional Class: APHHX

As of 31 December 2024

## Investment Process

We seek to invest in companies, within our preferred themes, with sustainable growth characteristics at attractive valuations that do not fully reflect their long-term potential.

### Themes

We identify long-term secular growth trends with the objective of investing in companies that have meaningful exposure to these trends. Our fundamental analysis focuses on those industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of any structural change and/or trend.

### Sustainable Growth

We apply a fundamental approach to identifying the long-term, sustainable growth characteristics of potential investments. We seek high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team.

### Valuation

We use multiple valuation metrics to establish a target price range. We assess the relationship between our estimate of a company's sustainable growth prospects and its current valuation.

## Team Overview

Our team approach combines the benefits of strong leadership with the creative ideas of a deep and highly experienced team of research analysts. We believe this approach allows us to leverage a broad set of perspectives into dynamic portfolios.

### Portfolio Management


Mark L. Yockey, CFA
Portfolio Manager


Charles-Henri Hamker
Portfolio Manager


Andrew J. Euretig
Portfolio Manager

## Investment Results (%)

| | | | Average Annual Total Returns | | | | |
|---|---|---|---|---|---|---|---|
| As of 31 December 2024 | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
| **Investor Class: ARTHX** | **-1.34** | **16.84** | **16.84** | **1.23** | **7.12** | **8.82** | **10.55** |
| **Advisor Class: APDHX** | **-1.26** | **16.98** | **16.98** | **1.30** | **7.17** | **8.84** | **10.56** |
| **Institutional Class: APHHX** | **-1.23** | **17.21** | **17.21** | **1.51** | **7.38** | **9.06** | **10.72** |
| MSCI All Country World Index | -0.99 | 17.49 | 17.49 | 5.44 | 10.06 | 9.23 | 9.15 |

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. Class inception: Investor (29 March 2010); Advisor (5 August 2020); Institutional (15 October 2015). 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 (% Gross/Net) | ARTHX | APDHX | APHHX |
|---|---|---|---|
| Annual Report 30 Sep 2024 | 1.35/— | 2.09/1.25[1,2] | 1.09/— |
| Prospectus 30 Sep 2023[2] | 1.30/— | 1.79/1.25[1] | 1.05/— |

[1]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2026. [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.**

## Investing Environment

Global equity markets posted mixed results in local currencies during Q4. Stocks in Japan and North America ended the year on a positive note, supported by steady economic growth, favorable interest rate trends and resilient employment. However, other regions, such as Europe and the emerging markets, ended lower, influenced by geopolitical concerns and rising yields. The euro and yen weakened against the US dollar, which surged on post-election optimism and expectation of fewer rate cuts than previously anticipated.

US stocks experienced volatility, with the VIX Index—a measure of the S&P 500® Index's price fluctuations—running at elevated levels ahead of the US presidential election and spiking in December after the Fed adopted a more hawkish stance. Large-cap growth stocks, especially in the information technology sector, recorded healthy gains, while small-cap value stocks declined.

Stocks in Europe drifted lower, given ongoing political instability and the prospect of a trade war with the US. Although the euro zone's core inflation rate remained subdued and employment held steady, consumer confidence fell to its lowest level since April, reflecting uncertainty.

Japanese equities advanced, supported by improving consumer spending and business investment, as well as accommodative financial conditions. The Bank of Japan maintained a cautious approach, refraining from further rate hikes until US trade policies become clearer. In contrast, South Korean stocks faced broad selloffs as political turmoil engulfed the presidency.

## Portfolio Activity

The portfolio underperformed its benchmark, the MSCI AC World Index, in Q4. While our holdings delivered positive returns during the period, sector allocation effects and adverse currency movements weighed on performance. The negative currency impact offset otherwise positive local currency returns generated by the portfolio.

This pattern was evident across several sectors, including information technology. A below-benchmark weighting in the sector detracted from relative performance, overshadowing the strong returns from our holdings. While our selective, growth-at-a-reasonable-price approach can occasionally lead to such outcomes, our out-of-benchmark position in Shopify helped mitigate some of the impacts. Shopify's share price surged on positive Q3 earnings and upbeat guidance, partially offsetting the negative effects of our underweight position.

In industrials, the negative effects of an above-benchmark weighting diminished the positive relative performance from our holdings. The Federal Reserve's signal of fewer-than-expected rate cuts in 2025 led to a negative reaction from economically sensitive stocks, including many in this sector. Additionally, the dollar's strength against the euro this quarter created significant headwinds for our European holdings in this sector. Despite these challenges, shares of British aerospace supplier Melrose Industries and Italian defense company Leonardo outperformed their benchmark counterparts, counteracting some of these downward pressures.

In contrast, our health care holdings overcame negative allocation and boosted relative returns for the fifth consecutive quarter. Shares of genetic testing company Natera surged after exceeding Q3 revenue expectations and raising its 2024 guidance. A phase 3 clinical study demonstrated that its DNA blood test, Signatera™, improved colorectal cancer detection and survival rates, marking another significant success. Additionally, Natera improved its gross margins to 61%, up from 45% a year ago. However, we anticipate margins may stabilize in 2025 as the company invests in trials for new diagnostic tools.

Also bolstering performance, Swiss dermatology company Galderma gained following regulatory approvals to sell NEMLUVIO® in the US and EU. This prescription treatment targets specific chronic skin conditions. With a market cap of nearly $18 billion, Galderma stands out as a leader in developing best-in-class products across multiple dermatology categories.

Holdings in consumer discretionary also added value. For example, online packaged travel company TUI rose on strong booking momentum and a favorable outlook for travel volumes for the next six months, particularly for packaged holidays. Its vertically integrated platform delivers customized travel experiences, catering to global travelers seeking variety, value and exclusive experiences. We see strong potential in TUI's distinctive business model and attractive valuation—particularly given its falling debt level.

Once again, our position in Amazon.com contributed meaningfully to relative performance. The stock surged following strong Q3 earnings, which exceeded analyst estimates and included an upward revision to Q4 guidance. Amazon Web Services (AWS), the company's primary profit driver, achieved sequential revenue growth while expanding margins by 2.5 percentage points during the quarter. AWS also introduced Trainium3, its most advanced in-house artificial intelligence (AI) chip to date, offering double the speed and 40% greater efficiency than its predecessor. This innovation has the potential to reduce cloud computing costs and unlock new revenue opportunities. We continue to value management's disciplined approach to capital investment, particularly in the financially intensive race for generative AI leadership.

Holdings in financials were constructive. Our new position in LPL Financial rerated higher after reporting strong organic growth and continuing its share buyback program. As the largest independent broker-dealer in the US, we are drawn to its ability to attract new independent advisors to its network through its best-in-class technology, back-office services and remuneration. We are also encouraged that the company's new CEO is focusing on increasing operating leverage through automation, which could lead to higher earnings growth.

Finally, Visa's share price rose following stronger-than-expected revenue and earnings per share growth in Q3. For 2025, the company's guidance points to high-single-digit net revenue growth, in line with consensus estimates. However, we believe Visa can accelerate this growth rate to the low double-digits by expanding its higher margin, value-added payment and processing services beyond its core card products. Executing this growth strategy should help Visa become more competitive with MasterCard and others in the industry and capture a higher share of the evolving payments market.

## Positioning Activity

Our positioning is driven by our bottom-up assessments. In Q4, we adjusted positions mainly by taking profits from long-term winners and reinvesting capital into new opportunities.

While our health care holdings have been a source of strength this year, we exited a few of our holdings. We sold our holding in biotech company Halozyme Therapeutics to secure gains following its $2.1 billion cash offer to acquire German drug discovery firm Evotec, a deal with few synergies, in our view. Halozyme, which earns royalties on products using its proprietary drug delivery technology, has significantly contributed to the portfolio's relative returns this year.

We also sold our holding in genetic testing company firm Natera. While the stock generated nearly 150bps in relative returns during our latest holding period, it reached our target valuation. Lastly, we scaled back our position in biopharma firm UCB to capture gains. Its shares have surged this year on the success of Bimzelx®, driving a remarkable 130% return for shareholders in 2024.

In aerospace and defense, we exited our position in Melrose Industries to pursue other opportunities. Melrose designs and manufactures components for original equipment manufacturers (OEM) such as Boeing and Airbus and services equipment through lucrative long-term maintenance contracts. The company has benefited from increased demand as OEMs are under pressure to extend the lifespans of existing planes in response to industry supply constraints and growing passenger numbers. While Melrose's stock dipped in Q3 due to investor concerns over cash flow from its maintenance contracts, it recovered after management addressed these issues in October. Our patience was rewarded as the stock gained further following strong results for the July–October period.

In addition, we sold our position in BAE Systems, a UK-based developer of defense, aerospace and security systems. While our thesis centered on increased defense spending, we exited the position due to concerns over potential reductions in defense budgets in the US and UK, BAE's largest markets.

In financial services, we continued to add holdings to the portfolio that we believe can generate sustainable growth through durable fee income and diversified banking services. LPL Financial, as mentioned in the previous section, is one such company. It is outpacing its peers by leveraging its flexible affiliation business model to recruit new advisors and grow assets. In Q3, total advisory and brokerage assets increased 29% year over year to $1.6 trillion leading to a 12% increase in gross profits.

Additionally, we initiated a position in Alpha Services and Holdings, one of Greece's largest commercial banks. It offers a wide range of financial services, including corporate and retail banking, investment banking, brokerage and insurance. We are drawn to its diversified revenue streams, steady earnings growth and improving shareholder payouts. Greece's strong economy and improving asset quality should create a favorable operating environment for the bank.

We added Blue Owl Capital to the portfolio. The alternative asset management firms specializes in private debt, equity and real estate investments for institutional and private wealth clients. We think the company is well positioned to grow assets and fee income, particularly with a potential rebound in mergers and acquisitions activity in the coming year.

We also established a position in Flutter Entertainment, the world's largest online sports betting operator. The company owns leading brands such as FanDuel, Sportsbet and PokerStars™ and operates the top sports book in the US. We are particularly attracted to its expanding US margins, driven by its superior product development and risk management capabilities, as well as its recently announced $5 billion share repurchase program planned over the next three to four years.

Finally, in energy transition, we increased our position in National Grid, a British utility that generates and transmits natural gas and electricity in the UK and northeastern US. While some of its new projects have faced local opposition, the company has made significant strides in improving grid efficiencies, integrating renewables and strengthening company fundamentals. In the first half of 2024, National Grid reported a 15% increase in annual operating profit and an 8% rise in earnings per share. We value the company's unique industry position and its ability to leverage critical infrastructure to meet the growing demand for electricity.

## Outlook

Looking ahead to 2025, we remain confident that the fundamental drivers of growth are intact. Inflation has fallen in most countries, though the rate of change has slowed in some. Key interest rates have declined, reducing short-term borrowing costs and supporting production. Labor markets have remained resilient across much of the globe, including the US, Europe and Japan. However, we also acknowledge the potential for heightened volatility in 2025. Risks such as escalating trade tensions, persistently high inflation in certain sectors and stretched market valuations in others could disrupt capital flows.

We believe our approach—one focused on reasonably valued, high-quality companies with distinct competitive advantages led by talented management teams—can help mitigate some of these risks. Our experience has shown us that such companies tend to generate robust and resilient cash flows that are recognized by the market over time. Moreover, we emphasize companies aligned with long-term secular themes, which can support demand and buffer short-term market fluctuations. Taken together, we think the portfolio is well positioned to navigate the potential challenges and opportunities that 2025 may bring.

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. Growth securities may underperform other asset types during a given period. 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.**

MSCI All Country World Index measures the performance of developed and emerging markets. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. The VIX Index estimates the expected volatility of the S&P 500® Index, calculated by using the midpoint of real-time S&P 500® Index option bid/ask quotes, and is commonly used to proxy market risk and/or uncertainty. 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 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. The holdings mentioned above comprise the following percentages of the Fund's total net assets as of 31 Dec 2024: Galderma Group AG 0.9%, TUI AG 2.6%, Amazon.com Inc 2.1%, LPL Financial Holdings Inc 4.1%, Visa Inc 3.4%, UCB SA 0.4%, Alpha Services and Holdings SA 2.2%, Blue Owl Capital Inc 1.8%, Flutter Entertainment PLC 1.4%, National Grid PLC 4.9%. As of 3 Mar 2022, Russian holdings were 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.

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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**Share Buybacks** take place when a company buys its own outstanding shares on the open market in order to increase value of its remaining shares. **Operating Leverage** is a measure of how revenue growth translates into growth in operating income. **Consensus estimate** is a forecast of a public company's projected earnings based on the combined estimates of all equity analysts that cover the stock.

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