Artisan Non-U.S. Growth Strategy

QUARTERLY
Commentary

As of 30 September 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
Associate Portfolio Manager

Andrew J. Euretig
Associate Portfolio Manager

Investment Results (% USD)

As of 30 September 2024	QTD	YTD	Average Annual Total Returns: 1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
Composite — Gross	**5.99**	**15.36**	**26.72**	**3.81**	**7.01**	**6.17**	**9.58**
Composite — Net	**5.75**	**14.57**	**25.57**	**2.85**	**6.03**	**5.21**	**8.57**
MSCI EAFE Index	7.26	12.99	24.77	5.48	8.19	5.70	5.23
MSCI All Country World ex USA Index[2]	8.06	14.21	25.35	4.13	7.58	5.21	5.44

Annual Returns (% USD) Trailing 12 months ended 30 September

	2020	2021	2022	2023	2024
Composite — Net	**6.56**	**15.63**	**-28.74**	**21.61**	**25.57**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 January 1996. [2]Performance represents the MSCI ACWI ex USA (Gross) Index from inception to 31 Dec 2000 and the MSCI ACWI ex USA (Net) Index from 1 Jan 2001 forward.

Past performance does not guarantee and is not a reliable indicator of future results. Current performance may be lower or higher than the performance shown. Composite performance has been presented in both gross and net of investment management fees.

Investment Risks: Investments will rise and fall with market fluctuations and investor capital is at risk. Investors investing in strategies denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. These risks, among others, are further described near the back of this document, which should be read in conjunction with this material.

Investing Environment

Softer-than-expected US employment data led to market volatility in Q3, as recession worries gripped investors for several weeks. However, stock prices rebounded on resilient earnings and the Fed's half-point rate cut. Small-cap and value stocks surged.

In Europe, a slowdown in hiring hastened the European Central Bank to lower its deposit facility rate from 3.75% to 3.50%. Outside of the euro area, strength in the UK's services sector contributed to GDP growth. However, core inflation in the UK also ticked up to 3.6% in August, the highest rate in four months.

In Japan, the central bank raised interest rates to 0.25% in July, just before the early August selloff. Japanese equities fell as well. Concerns over the economy and an unwinding of the yen carry trade, a strategy predicated on low Japanese interest rates, further weighed on equity prices. Stock prices then partially recovered helped by the Bank of Japan's pause in September and its positive economic outlook. While a weak yen supports exporters, it undermines Japanese consumers who must import most household goods. Reinvigorating consumer spending is an important focal point for the central bank's plans for growing the economy.

Portfolio Activity

A handful of our larger holdings lost ground in the final days of the period, which tipped the portfolio's Q3 performance below that of its benchmarks, the MSCI EAFE Index and the MSCI AC World ex USA Index. Sharply negative currency effects overwhelmed positive sector weightings and drove relative performance lower.

In industrials, stock selection and currency headwinds weighed on relative returns. Aerospace manufacturer Melrose Industries reported strong operating profits for the first half of the year and reaffirmed its 2024 guidance. Nevertheless, its stock price declined due to industrywide supply chain constraints and uncertainty regarding the cash flow potential of its long-term maintenance contracts. Melrose designs and manufactures components and systems for original equipment manufacturers, including Boeing and Airbus, across both commercial and defense sectors. In accordance with industry accounting standards, the company recognizes most of its profits from long-term maintenance contracts when selling parts to customers. The company contends that the value of these aftermarket contracts has appreciated, driven by increased demand for servicing existing fleets during the current supply shortage. Essentially, airlines are willing to pay more to extend the lifespan of their planes while waiting for new orders. Although some analysts have questioned these valuations and accrued cash flows, we remain confident in both. We also believe Melrose is well positioned to grow its earnings further, given the aerospace industry's ongoing supply-demand imbalances.

Wizz Airlines' shares fell in July after the company reported a 44% drop in operating profits caused by ongoing defects in Pratt & Whitney engines that power the majority of its Airbus A320neo fleet. By June, 46 planes were grounded while both companies worked to fix the defects. In addition, the Hungary-based discount carrier faces delays in receiving new Airbus plane orders given an industrywide parts and labor shortage. However, by mid-September, shares began to recover after Wizz announced that it expects a 15%–20% increase in passengers next year due, in part, to an increase in its fleet. The new planes are anticipated to nearly double the airline's current capacity, reduce employee costs per mile and lower fuel consumption by 10% compared to its current fleet. We believe the airline will also benefit from secular growth in air travel driven by favorable demographics.

In consumer staples, stock selection and an underweight position lowered relative returns. This sector has seen its share of challenges as have our holdings. Since last year, companies have had to find ways to maintain margins given decelerating sales volumes and rising input costs. While our below-benchmark weighting hurt us this quarter, on a year-to-date basis, it has been constructive.

Our holdings in financials slightly underperformed the benchmark. Deutsche Bank reported its first quarterly loss in four years. The bank set aside $1.4 billion as a provision for a long-simmering lawsuit related to its Postbank acquisition in 2010. Adding to the stock's weakness, Germany's economy showed further signs of stagnation. Given these headwinds, we sold the position.

Shares of Sumitomo Mitsui Financial Group, Japan's second-largest bank, ended down. Its shares fell in early August along with the broader market and followed the modest rebound. However, bank stocks, including Sumitomo Mitsui, did not recover as strongly and underperformed the broader market during the quarter. However, Sumitomo Mitsui reported a 25% year-over-year increase in net interest income for Q2 and a 49% increase in before-tax income, aided by rising interest rates in Japan. We think the bank will continue to gain from the BOJ's tighter monetary policy. In addition, the company aims to significantly reduce its cross-holdings, which may lead to an increase in share buybacks.

On a positive note, the strength of our holdings overcame currency headwinds in several sectors to increase relative performance. Health care was one of these sectors and has been our best performing one this year. Shares of biotech firm UCB spiked after the FDA approved Bimzelx® for psoriatic arthritis, a painful joint condition affecting 30% of psoriasis patients. Bimzelx® has become the leading treatment for psoriasis, a $13.4 billion market expected to grow to $35 billion by 2032. It has helped more than double UCB's stock price this year. We project Bimzelx® could reach $5 billion in peak sales in total.

Our top-performing holding this year, Argenx, reported a 16% quarterly revenue increase. The global biopharma company has developed a collaborative ecosystem of scientists and antibody engineers to create innovative treatments for severe autoimmune diseases, including myasthenia gravis (gMG) and chronic inflammatory demyelinating polyneuropathy (CIDP). Recent data from two major competitors in gMG further boosted Argenx's stock. The findings indicated that neither drug poses a competitive threat to Argenx's VYVGART® in terms of efficacy, safety or convenience. VYVGART® and its subcutaneous formulation, VYVGART® Hytrulo, exemplify the company's ability to develop multiple treatments from a single body of research, driving sustained growth for investors. We project peak sales of approximately $8 billion for the VYVGART® franchise across all patient segments.

Lastly, Japanese pharmaceutical and medical equipment company Otsuka Holdings also added to the sector's outperformance this quarter. Last year, the company received FDA approval for its Paradise Ultrasound Renal Denervation System, a medical device that harnesses ultrasound energy to treat uncontrolled hypertension. It has already been approved in Europe and Japan. We think this product can achieve $3 billion in peak sales with the right distribution partnerships. Like many of our health care holdings, Otsuka has a robust product pipeline that we think will help it grow revenues faster than consensus estimates, particularly outside its home market of Japan.

The materials sector also positively impacted our portfolio's performance. After some volatility, Air Liquide ended the period with strong gains. In the first half of the year, the global industrial gas producer surpassed consensus earnings estimates and expanded its operating margin, despite lower sales volumes. By benchmarking to its rival Linde in earnings per employee and aligning its pricing strategy with global price movements, management is confident in its ability to deliver recurring net profit growth over the long term. Given Air Liquide's structural advantages and take-or-pay contracts, we are confident in the company's ability to achieve its outlook.

Nippon Sanso, another industrial gas holding, also reported results that beat consensus estimates and helped drive its share price higher. The company, like others in the industry, is addressing slowing sales volumes by decreasing costs and increasing prices. Even with strong cash flows this year, the stock continues to trade at a significant discount compared to peers. We think Nippon Sanso will steadily improve productivity and boost earnings growth. Both Air Liquide and Nippon Sanso have shown pricing power, solid cash flow and defensive earnings despite soft volumes.

Finally, our sector weightings, which are primarily an outcome of our bottom-up investment process, positively affected relative performance this quarter. The portfolio currently lacks exposure to the energy sector, which was a benefit this quarter given the decline in energy prices. Cooling economic growth across the world, particularly in China, has dampened demand for oil and has pressured energy sector stock prices. Also, our below-benchmark weighing in information technology was constructive this quarter. Within the benchmark, semiconductor companies, in particular, fell sharply as recession fears triggered a selloff of some of the most expensive stocks. Within the MSCI EAFE Index, the semiconductor and semiconductor equipment industry tumbled more than 22% in Q3.

Positioning Activity

The weightings of our investment themes within the portfolio remained relatively stable. Financial services, infrastructure and demographics/health care remained the largest weights.

In our financial services theme, we focus on companies with competitive advantages that can capitalize on economic and monetary policy tailwinds. We recently added Japan Post Bank to our portfolio, where net interest income accounts for 90% of total revenue. With rising interest rates in Japan, we expect the bank's net interest income will more than double, from ¥716 billion to ¥1,596 billion over the long term. Adjusted for lower capital gains, we anticipate net profits could also more than double. On the other hand, as mentioned in the Portfolio Activity section, we exited Deutsche Bank given its legal challenges. We also greatly reduced our position in Resona Holdings, another Japanese bank.

In our infrastructure theme, the team seeks structurally advantaged companies with hard-to-replicate assets. This quarter, we reduced our weighting in aerospace. Notably, we trimmed our position in AerCap Holdings, a leader in aviation leasing, as it approached our target price. AerCap owns over 1,700 aircraft, including some of the most sought-after aircraft, which it leases and then sells to airlines. As lead times for new aircraft orders extend, AerCap's inventory becomes more valuable, generating larger profits for the firm. We also exited our position in Airbus after the company lowered its target for 2024 aircraft deliveries from 800 to 770 and pushed back the A320 delivery date from 2026 to 2027. Supply chain challenges, including a shortage of engines, have impeded manufacturers' ability to convert order backlogs into earnings, prompting Airbus to cut its near-term profit guidance.

We reduced our weighting in the demographics/health care innovation theme in which we target companies with strong balance sheets, innovative treatment approaches and promising pipelines. We exited our position in the Japanese biotech company Daiichi Sankyo after it presented disappointing phase 3 survival data for Dato-DXd, an antibody-drug conjugate (ADC) for advanced lung cancer. ADCs deliver chemotherapy directly to cancer cells, enhancing effectiveness while minimizing damage to healthy cells. The survival results were less convincing than what many expected, decreasing the likelihood of FDA approval, in our opinion. However, we believe these results will not significantly impact its partner, AstraZeneca, another portfolio holding. It has a large, diverse product portfolio to help stabilize its stock price.

In our environment theme, we look for companies leading the energy transition. This quarter, we purchased shares of National Grid, a British utility that generates and transmits natural gas and electricity in the UK and the US. It recently launched a renewables group to better integrate clean energy into current systems. This year, National Grid announced a £60 billion investment over five years to upgrade, expand, digitize and decarbonize the electric grid. As an example of its forward-thinking investments, the company uses artificial intelligence (AI) in combination with autonomous drones to predict electrical grid failures before they happen, reducing downtime and maintenance costs. We appreciate National Grid's unique position in the industry and the essential assets it owns that supplies our growing demand for power. We also initiated a position in Engie, a global energy company that designs, builds and operates low-carbon power plants. Like National Grid, it is also a pioneer in using AI to deliver power to customers. It uses large language models to better predict renewable power supply and demand, making energy grids more efficient. We see upside in Engie's earnings given rising energy prices and a growing demand for renewable energy over the long term.

In technology, we sold Temenos, a Swiss financial services software provider specializing in cloud banking solutions. The company is reorganizing and streamlining its core business to achieve better earnings growth. In addition, we trimmed our position in

Amazon.com on slowing retail demand. Second quarter's gross merchandise value grew 10% on a year-over-year basis, missing consensus estimates by 1%. Nevertheless, we remain confident in its cloud computing business, which grew 19% last quarter. Lastly, we sold our position in semiconductor equipment maker ASML Holding due to lower growth expectations for 2024 outside of AI and a bearish outlook for memory sales in China. The company attributed its reduced outlook for its customers' capital spending to sluggish demand for PCs and smartphones, negatively affecting sales of its extreme ultraviolet technology.

Finally, we look for companies that own leading brands with pricing power in our demographics/consumer trends investment theme. Accordingly, we bought shares of Accor, a company that manages hotels, resorts and vacation rentals. We believe the market underestimates the value of Accor's unique branded properties, many located in underserved destinations in Europe and the Middle East. We think the company will increase its share buybacks and dividends, potentially returning a third of its market cap to investors over the next four years. We like the stock's large upside potential given its current valuation. Furthermore, we added Pernod Richard and Heineken back to the portfolio. While most consumer goods companies have experienced slowing sales for more than a year, we think low inventory levels, increased promotions and lower financing rates for wholesalers in the US could be catalysts for sales growth in the coming months. Premiumization trends, particularly for Gen Z consumers, still provide a tailwind for these companies' top brands.

Outlook

Declining inflation and interest rates should contribute to a supportive backdrop for growth stocks in the coming months, even as economies slow. Further, a rebound in China could help lift Europe's manufacturing sector. With continued earnings growth across industries underpinning our investments, we remain optimistic that the final months of the year will offer ample opportunities for us to uncover high-quality companies generating sustainable growth at compelling valuations.

For more information: Visit www.artisanpartners.com

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For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan Non-U.S. Growth Strategy Composite's total net assets as of 30 Sep 2024: Melrose Industries PLC 3.5%, Wizz Air Holdings Plc 0.9%, Sumitomo Mitsui Financial Group Inc 1.2%, UCB SA 4.0%, Argenx SE 4.0%, Otsuka Holdings Co Ltd 1.3%, Air Liquide SA 4.7%, Nippon Sanso Holdings Corp 1.4%, Japan Post Bank Co Ltd 0.5%, AerCap Holdings NV 0.6%, AstraZeneca PLC 0.8%, National Grid PLC 2.4%, Engie SA 1.5%, Amazon.com Inc 4.2%, Accor SA 0.6%, Pernod Ricard SA 0.7%, Heineken NV 0.5%, Linde PLC 4.4%, Resona Holdings Inc 0.6%. 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 portfolio as of the date of this report.

Securities referenced may not be representative of all portfolio holdings. Securities of the same issuer are aggregated to determine a holding's portfolio weight. Portfolio statistics calculations exclude outlier data and certain securities which lack applicable attributes, such as private securities. Artisan Partners may substitute information from a related security if unavailable for a particular security. This material is as of the date indicated and is subject to change without notice. Totals may not sum due to rounding.

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.

Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US.

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Deposit Facility Rate is the interest rate that banks receive when they deposit money with the ECB overnight. **Yen Carry Trade** is a trade that involves borrowing Japanese yen—historically known for its low interest rates—and investing in higher yielding assets such as US Treasurys or stocks. **Cross-Shareholding/Cross-Holding** involves one publicly traded company holding a significant number of shares of another company, often for strategic purposes or to insulating both companies from stock market fluctuations. **Operating Margin** is a measure of profitability equal to operating income divided by revenue. **Net Interest Income** is the difference between a financial institution's revenues and expenses associated with lending and deposit taking activities. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Gross Merchandise Volume** is the total value of merchandise sold by merchants to consumers on an e-commerce platform over a given period. **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.

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