Artisan Emerging Markets Local Opportunities Strategy

QUARTERLY
Commentary

As of 31 December 2024

For Institutional Investors—Not for Onward Distribution

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 countries' 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.

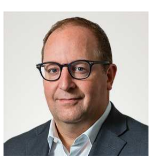
Portfolio Implementation

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.

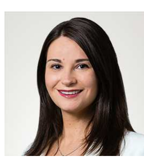
Team Overview

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 (% USD)

As of 31 December 2024	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite—Gross	**-5.55**	**1.05**	**1.05**	—	—	—	**8.48**
Composite—Net	**-5.72**	**0.34**	**0.34**	—	—	—	**7.73**
J.P. Morgan GBI-EM Global Diversified Index (USD)	-6.98	-2.38	-2.38	—	—	—	5.32

Calendar Year Returns (% USD)

	2020	2021	2022	2023	2024
Composite — Net	—	—	—	**15.36**	**0.34**

Source: Artisan Partners/J.P. Morgan. Returns for periods less than one year are not annualized. [1]Composite inception: 1 August 2022.

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.

Performance Discussion

The portfolio trended lower for the quarter but outperformed the J.P. Morgan GBI-EM Global Diversified Index for the period and remains ahead of the index for calendar year 2024 and since inception.

Investing Environment

Emerging markets (EM) debt experienced a decline in Q4, primarily driven by a selloff in US Treasurys. 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.

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. The team reduced the portfolio's duration during Q4 given stalls in the disinflation process. However, the portfolio's duration remains slightly overweight relative to the J.P. Morgan GBI-EM Global Diversified Index. The overweight is primarily coming from Latin America, where the disinflation process remains robust and many central banks in the region continue to cut rates. Meanwhile, the portfolio remains underweight local rates in Asia and Eastern Europe. During the quarter, the team reduced the portfolio's currency exposure but remains overweight relative to the index. The team reduced positions in countries where geopolitical risks are growing, such as those in Asia and the Middle East, or where carry has fallen below attractive levels, such as Eastern Europe. Meanwhile, the team increased positions in countries where carry remains attractive. Sovereign credit positioning increased throughout Q4 as the team identified several new opportunities with strong fundamentals and attractive valuations, particularly in the lower rated segment of the high yield market.

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 generally 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 emerging markets debt 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 1: Q4 2024 Attribution—Relative to the J.P. Morgan GBI-EM Global Diversified Index

Contributors
Overweight to Turkish lira
Underweight to South African rand
Overweight to Nigerian naira
Detractors
Overweight to Brazilian real
Overweight to Indonesian local rates
Overweight to Kazakhstani tenge

For more information: Visit www.artisanpartners.com

Investment Risks: 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. 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. These risks, among others, are further described in Artisan Partners' Form ADV, which is available upon request. This is a marketing communication.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

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.

J.P. Morgan GBI-EM Global Diversified Index is an index of local-currency bonds with maturities of more than one year issued by EM governments. 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 manager as of 31 Dec 2024. Those views and portfolio holdings are subject to change and Artisan Partners disclaims any obligation to advise investors of such changes. The discussion of portfolio holdings does not constitute a recommendation of any individual security.

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.

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