

Mercer FundWatch™ Research Report

Artisan Partners

Fund	Artisan Partners Global Funds PLC - Artisan Global Discovery Fund
Category	International Equity, Global Equity - Core All Countries
Date	June 2024
Rating	★★★★★
ESG Rating	ESG2

Mercer FundWatch does not provide investment recommendations and must not be relied upon as the sole source of information concerning a decision to buy, sell or hold any investment fund. See Important Notices last page.



welcome to brighter

Mercer view

Artisan's Growth Equity team remains consistent in its approach to investing in stocks with accelerating profit cycles. We are impressed by the level of critique and communication when the team vets ideas. In addition, by analyzing the stages of a company's profit cycle, Artisan is able to mitigate the risk of entering an investment too early. Its longer-term investment horizon (3-5 years) allows the team to own a company through its profit cycle, valuing a company on its long-term growth prospects that the market may undervalue or not recognize at all. Prior to its foray into the global space, this team was focused on the small and mid-cap market in the US. At the time of the team's legacy Global Opportunities strategy launch in 2007, our concern was the lack of experience in non-US markets. Over time, the team has demonstrated an ability to find new ideas and add value in international markets and has added resources to support the global efforts.

Overview

Artisan Global Discovery is designed to capitalize on the team's 10+ years' experience investing in companies worldwide through the Global Opportunities Strategy and build on the team's 20+ years' experience in US mid-cap growth investing. The Global Discovery fund blends the above two characteristics by offering a focused and highly flexible portfolio of companies representing some of the team's best ideas across the entire global economy.

More specifically, the fund looks to invest in stocks exhibiting franchise characteristics, attractive valuations and accelerating profit cycles. The team has a differentiated perspective on portfolio construction that results in profit cycle diversity. The fund is fairly concentrated, holding 40-60 stocks, and will have a mid-cap bias.

Team summary

Key decision makers*:

Name	Primary Role	Start Year Industry	Start Year Firm
James D. Hamel	PM	1997	1997
Craig A. Cepukenas	PM	1989	1995
Jason L. White	PM	2000	2000
Matthew H. Kamm	PM	2000	2003
Jay C. Warner	PM	2002	2003
Martin Jochmann	PM	2001	2006
Aashish S. Rao	PM	2008	2014
Cindy Mu	PM	2006	2013

Staff numbers:

PMs	8
Analyst	10

*Key decision makers (KDMs) are defined as Portfolio Manager (PMs), dedicated analysts and investment committee members who are significantly involved in a specific investment fund's portfolio/decision making. These KDMs drive the investment decisions and implementation of the portfolio and are accountable for the outcomes of that fund.

Fund facts

Benchmark:

MSCI ACWI SMID Cap-ND

Assets under management in strategy:

USD 1.5 billion as at 30 Apr 2024

Assets under management in fund:

USD 404 million as at 30 Apr 2024

Fees

Fund Type: UCITS (Ireland)

Share Class: I (Accumulating), USD**

Ongoing Charges Figure (OCF): 0.98%

Management Fee: 0.90%

Date: Feb 2024

Mercer bases its rating on the share class with the largest AUM available to individual investors and its associated OCF (a measure of expense). Actual investment outcomes may be better (or worse) than reflected by the rating, if a lower-cost (or higher-cost) share class is accessed.

**Other share classes and currencies may be available, please refer to the fund factsheet (available from the asset manager) for information on share class availability.





Idea Generation

The fund benefits from an experienced research team and its sensible approach to identifying growth stocks with accelerating profit cycles in the global realm. Portfolio manager Jason White is a skilled investor and the team embraces a collaborative process that fosters critical debate of investment ideas.

- The Growth Team's senior portfolio managers each have a lengthy tenure at Artisan. Global Discovery lead manager, Jason White, has been with Artisan since 2000.
- Although the team has primarily managed US mid and small cap growth strategies, it has effectively expanded its research process to encompass the global equity universe. Over time, the team has demonstrated an ability to find new ideas and add value in international markets, and has added resources to support this effort over the past decade.
- The fund benefits from a well-resourced investment team with an intense, research-driven focus in identifying growth stocks with improving profit cycles.
- The analysis and understanding of the stages of a company's profit cycle underscores the timing of their stock purchases, and their longer-term investment horizon allows them to hold the company through its profit cycle. In this way, the philosophy is clearly integrated into the process.
- We believe the investment philosophy underpinning the fund provides a comprehensive framework for consistent identification of growth companies, across industries, with the potential to outperform over a long-term investment horizon.
- Although the portfolio management team has been stable, we have taken note of more elevated turnover at the analyst and associate levels. Although this turnover does not cause undue concern, it is an issue for continued follow-up as it has implications for team culture and consistency.



Portfolio Construction

Portfolio construction constraints are reasonable and allow for relatively broad diversification across regions and sectors. Individual positions are sized based on the attractiveness of a company's profit cycle and appear to reasonably reflect conviction.

- Portfolios demonstrate the characteristics and style exposures that we would expect from the philosophy and process.
- The team demonstrates a high level of awareness of the various profit cycle stages of holdings within its capital allocation framework. Positions are sized thoughtfully from a risk aspect based on where the team believes a company is in its profit cycle. As a result, portfolios are diversified by profit cycle, which we believe is differentiated amongst the peer group.
- In our view, the fund's formal portfolio construction guidelines strike a reasonable balance between sizing high-conviction positions for maximum risk-adjusted impact while ensuring diversification across holdings and industries.
- While not a con per se, Artisan believes in taking stock-specific risk, and the team selects securities and constructs the portfolio with little regard to benchmark weights (sector, region, market cap). Although we have a positive view on the relatively unconstrained translation of bottom-up conviction into the portfolio, clients should be aware that as a result, the fund exhibits relatively high tracking error, and consequently the potential for the fund's performance to be notably out of sync with that of the MSCI All Country World Index.
- Also contributing to the high tracking error is the portfolio's relatively high name concentration within its top-10 and top-20 weighted positions. We generally like this high conviction, thoughtful approach to position sizing; however, its potential negative impact on performance, when top holdings underperform, tends to be more profound versus more diversified peers.



Implementation

We do not believe asset size has impaired portfolio implementation or the team's ability to invest in its best ideas.

- Current assets under management are relatively low and we have few concerns over the team's ability to implement the strategy.
- The team arbitrarily excludes US stocks under \$3 billion in market capitalization in order to preserve capacity for its flagship U.S. Small and Mid-Cap Growth strategies.
- While we do not have immediate concerns with capacity management, we intend to revisit assets and implementation in future meetings should strategy assets increase substantially.



Business Management

We believe the firm is managed effectively, allowing for the preservation and enhancement of Artisan's various investment capabilities over time. Artisan is organized as a collective of portfolio management teams, each operating with complete autonomy.



Environmental, Social & Governance (ESG)

Artisan's Growth Team strategies take a structured, transparent, and comprehensive approach to sustainable investing that is well integrated into their investment process. The team undertakes proactive stewardship through engagement and proxy voting activities to help portfolio companies incrementally improve their sustainable business practices.

The Mercer FundWatch™ Rating Scale

Mercer applies the following rating scale to the investment funds we formally assess.

★★★★★	Funds assessed as having “above average” prospects of outperformance after fees
★★★★	Funds assessed as having “above average” prospects of gross outperformance, but fees may compromise outperformance over time
★★★	Funds assessed as having “average” prospects of outperformance after fees
★★	Funds assessed as having “below average” prospects of outperformance after fees
★	Funds assessed as having “significantly below average” prospects of outperformance after fees

The above definitions apply to the majority of fund categories researched by Mercer. For some fund categories, the rating scale reflects our degree of confidence in a manager’s ability to achieve a fund’s stated aims. Mercer’s assessments are not a guarantee of future performance and do not constitute investment recommendations.

Environmental, social & governance (ESG) ratings

Mercer’s ESG assessment represents Mercer’s view on the extent to which ESG factors and active ownership practices (proxy voting and engagement) are integrated into the fund manager’s strategy.

Mercer applies the following ratings scale for ESG ratings, from ESG1 (highest) to ESG4 (lowest)

ESG1	ESG factors drive idea generation and are a key part of the value-add process. Managers of these strategies tend to be acutely aware of ESG risks as well as opportunities.
ESG2	ESG factors do not drive the idea generation process but are an important part of the research analysis. There is a systematic process in place by the team which incorporates ESG factors into investment decision-making and managers have cited examples where they have chosen not to make certain investments due to ESG risks. Ownership activities are typically strong.
ESG3	Managers will typically talk broadly about ESG issues and will pay particular attention to corporate governance analysis, but there is no systematic process in place to evaluate these issues as part of the investment analysis.
ESG4	There is little to no integration of ESG and active ownership into the investment decision making process. Some element of corporate governance issues may be taken into account, but very little thought given to environmental and social issues.

Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2024 Mercer LLC. All rights reserved.

Mercer FundWatch™ is an investment fund rating service only and does not offer for sale, solicit to buy, or facilitate any trading in, the investment funds rated. Mercer's ratings do not constitute individualized investment advice, are for information purposes only and are not recommendations to buy or sell, or to forbear from buying or selling, any rated investment fund. Mercer and its affiliates do not recommend any of the investment funds rated for any particular person who uses the service; investment decisions should be made in consultation with professional advisers and in consideration of a particular investor's return objectives and tolerance for loss of investment. Investment funds fluctuate in value, and investors are subject to the risk of losing their entire investment. Past performance does not guarantee future results. Investors should read carefully the relevant offering documentation, which is not provided by Mercer or FundWatch but is available from the investment fund or its distributor, prior to making an investment.

Mercer FundWatch is not directed at any person in any jurisdiction where Mercer FundWatch cannot be lawfully made available on the basis set out herein. Where a person cannot lawfully access and use Mercer FundWatch on the basis set out herein, they must not access Mercer FundWatch. By accessing and continuing to use Mercer FundWatch, you hereby represent and warrant that the applicable laws and regulations of the jurisdiction of your place of residence allow you to access and use Mercer FundWatch.

The investment funds rated on Mercer FundWatch are limited to those managed by managers that have paid or otherwise contracted with Mercer for their funds to be rated, and therefore do not include all investment funds that may be available to, or suitable for, a particular investor. These managers can elect to have the rating in respect of their fund published on the public website www.mercerfundwatch.com.

Separate from Mercer FundWatch, Mercer and its affiliates may have significant business relationships with, and/or receive payments for services provided from, managers whose funds are rated. For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

FOR "PROFESSIONAL INVESTOR", "INSTITUTIONAL INVESTOR" AND "ACCREDITED INVESTOR"-ONLY FUNDS: Where the fund rated is open to investment only by certain sophisticated investors ("Professional Investors"), this material is not intended for the use of, nor should it be used by, persons who are not Professional Investors. By using such material, you represent and warrant that you are a Professional Investor.

The findings, ratings and/or opinions expressed on Mercer FundWatch are the intellectual property of Mercer and are subject to change without notice. Findings, ratings and opinions made in respect of investment funds on Mercer FundWatch are based on an assessment at a certain point in time. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Mercer has not conducted any operational risk assessments on the rated investment funds nor their managers. Information contained herein has been obtained from a range of third-party sources. The information contained herein is provided on an 'as is' basis and is subject to change from time to time. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third-party or any information contained on Mercer FundWatch which is based on such third-party data.

You must truthfully state your residency and investor type and must access only material intended for such residency and investor type. By accessing Mercer FundWatch and/or using this material (collectively the "MFW Materials"), you are agreeing to be bound by this disclaimer.

None of the information contained in the MFW materials constitutes an offer, or an invitation, or a solicitation of an offer to enter into an agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting securities, commodities and/or any other financial instruments or products or constitutes such offer or solicitation on behalf of any of the investment managers, their affiliates, products or strategies the information of which may be contained herein. Nothing in the MFW Materials contains or constitutes a "prospectus". The MFW Materials have not been reviewed nor endorsed by any regulatory authorities.

The MFW Materials are published by Mercer Investment Solutions (Singapore) Pte. Ltd. which is the holder of a Capital Markets Services License for Fund Management and Dealing in Capital Markets Products (Collective Investment Schemes) under the Securities and Futures Act (Chapter 289) of Singapore and is exempt from the requirement to hold a financial adviser's license to act as a financial adviser in Singapore.

Mercer Investment Solutions (Singapore) Pte. Ltd.

8 Marina View #09-08, Asia Square Tower 1

Singapore 018960

www.asean.mercer.com