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\$170bn global manager will soon launch its first SA feeder fund

The Artisan Global Value fund is one of Artisan Partners' flagship strategies.

BY Justin Brown

Artisan Partners will officially launch its first feeder fund in South Africa in 2025 once it secures a major seed investor.

The BCI Artisan Global Value feeder fund, which was set up in August 2024, will feed into the \$5.1bn (R95.3bn) Artisan Global Value Uctis fund domiciled in Ireland.

The US-headquartered global asset manager already has seven Ireland-domiciled funds, including the Artisan Global Value fund, registered for sale in South Africa under section 65 of the Collective Investment Schemes Control Act.

'South Africa allocates a significant amount of capital globally, and there's a high level of sophistication among fund buyers in South Africa,' Artisan Partners head of Europe, Middle East and Africa distribution Andrew Marks (pictured below) told Citywire South Africa during an interview.

He declined to disclose how much money South African investors had devoted to Artisan funds. However, he said Artisan's assets under management in South Africa had grown on a compound average annual growth rate above 50% over the last five years.

Artisan manages about \$170bn (R3.2tn) in assets across 11 boutiques that cover 25 underlying strategies. The Artisan Global Value fund is one of the asset manager's flagship funds.

Marks said the fund had two benchmarks, the MSCI All Country World index and the MSCI All Country World Value index.

'We hope to beat those benchmarks and peers over a full market cycle.'

The Artisan Global Value fund's US dollar Class I has returned an annualised 9.4% since inception in March 2011 until the end of October 2024 compared with 8.8% annualised for the MSCI All Country World index and 6.6% annualised for the MSCI All Country World Value index.

High-quality, undervalued businesses

The fund invests in high-quality, undervalued businesses with the potential for superior risk and reward outcomes.

Marks said the Artisan Global Value fund selects companies based on four criteria.

Firstly, a company must trade at a significant discount to its intrinsic value before Artisan will invest in it. Marks said



Artisan looked for companies trading between 20-30% or more below their intrinsic value.

Secondly, Artisan looks for quality businesses with strong free cashflow, high or improving returns on capital and strong competitive market positions.

Marks said Artisan likes quality and growing businesses.

'This investment team emphasises the risk of the time value of money. Inflation erodes your purchasing power, which is problematic unless you're investing in businesses that have a moat around them, have quality attached to them and are growing over time.'

The third aspect Artisan looks for in the companies it invests in is financial strength. This includes strong balance sheets that reduce the potential for capital risk and allow company management to build value.

'Financial strength gives you financial flexibility to maintain and even grow market share when the industries in which that company operates are challenged. Secondly, it gives them the power to continue investing in their business, grow, improve and adapt to changing market environments,' Marks said.

Finally, the fund searches for shareholder-oriented management with a history of building shareholder value.

'If you don't have a shareholder-oriented management, then you have a fundamental problem. You must align yourself and co-invest with management teams capable of intelligent business and capital allocation strategies,' he said.

Daniel O'Keefe is the fund's lead portfolio manager, along with Michael McKinnon.

Marks said the fund has a stable leadership team, as O'Keefe joined Artisan in 2002, and he has been the fund's lead portfolio manager since its inception in March 2011.

Highly concentrated

The Artisan Global Value fund invests in about 35 stocks.

'It's highly concentrated, and we have low turnover. We have a small team that likes to go deep on a narrow number of names,' Marks said.

He added the fund's analysts cover stocks by geography rather than industry.

'The team describes themselves as having an absolute value style, and what they're trying to do is they look everywhere. Some value managers limit their funnel at the top to only looking at stocks trading below a certain price-to-earnings ratio, for example.'

However, Artisan considers the whole of the market when identifying value, he said.

Broader funnel

'What this team does particularly well is they have a broader funnel than other value managers, and that allows for them, from a performance standpoint, to avoid value traps. They're looking for great companies that are mispriced.'

Marks said Artisan might launch more feeder funds in South Africa depending on the success of the initial one.

'We are already in discussions, internally, about potentially making access available to our global mid-cap strategy, which we think is another market area that's not that well served at the moment in South Africa.'

Investment Results as of 12/31/24 (%) Artisan Global Value Fund	1 year	5 year	10 year	Inception
Class I USD—Inception: 01 Mar 2011	10.69	8.45	7.69	9.24
MSCI AC World Index (USD)	17.49	10.06	9.23	8.78
MSCI AC World Value Index (USD)	10.76	6.42	6.24	6.36

Source: Artisan Partners/MSCI.

Calendar Year Returns	2020	2021	2022	2023	2024
Class I USD	6.89	15.63	-13.44	26.68	10.69

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Dan O’Keefe is the lead portfolio manager for Artisan Global Value Fund. This article represents the views of Citywire and Dan O’Keefe as of 3 January 2025 and does not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate, and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. Artisan Partners is not affiliated with Citywire.

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