Artisan Emerging Markets Debt Opportunities Fund

QUARTERLY
Commentary

Investor Class: APFOX | Advisor Class: APDOX | Institutional Class: APHOX

As of 31 December 2023

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 group's core has been together for more than 10 years prior to its evolution at Artisan Partners, and our group's 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 (%)

As of 31 December 2023	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: APFOX	**5.47**	**12.88**	**12.88**	—	—	—	**11.22**
Advisor Class: APDOX	**5.40**	**12.91**	**12.91**	—	—	—	**11.28**
Institutional Class: APHOX	**5.42**	**13.16**	**13.16**	—	—	—	**11.44**
J.P. Morgan EMB Hard Currency / Local Currency 50/50	7.71	11.43	11.43	—	—	—	3.47

Source: Artisan Partners/J.P. Morgan. Returns for periods less than one year are not annualized. Class inception: Investor (7 April 2022); Advisor (7 April 2022); Institutional (7 April 2022).

Expense Ratios (% Gross/Net)	APFOX	APDOX	APHOX
Annual Report 30 Sep 2023[1,2,3]	8.04/1.30	2.99/1.20	1.97/1.13
Prospectus 30 Sep 2022[2,3,4]	4.40/1.26	1.98/1.16	1.33/1.11

[1]Includes interest expense and dividend payments for securities sold short. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2025. [3]See prospectus for further details. [4]Includes estimated expenses for the current fiscal year.

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. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held by an investor for 90 days or less and, if reflected, the fee would reduce the performance quoted.

Performance Discussion

The portfolio trended higher in Q4 as US Treasury yields sold off and risk assets, including emerging markets debt, rallied. The portfolio trailed the J.P. Morgan EMB Hard Currency/Local Currency 50/50 Index, J.P. Morgan EMBI Global Diversified Index, J.P. Morgan GBI-EM Global Diversified Index and J.P. Morgan CEMBI Broad Diversified Index for the quarter but ended calendar year 2023 ahead of all those indices. The portfolio's underweight to developed market duration was the largest detractor from relative performance in Q4, as the 10-year US Treasury yield fell by more than 100bps during the reporting period.

Investing Environment

After two consecutive years of negative fixed income returns, 2023 was stacking up to be a positive, but lackluster, year until Q4. Signs of moderation in the labor market and favorable inflation prints drove a departure from the higher-for-longer outlook on rates in the final two months of the year. The possibility of a soft landing came back into view, and the market began pricing in expectations for rate cuts in 2024. The 10-year US Treasury yields dropped by more than 100bps—coincidentally ending the year only a few basis points from where they started it—after briefly touching 5% in October. Against this backdrop, credit spreads tightened, the US dollar weakened, and risk assets, including emerging markets debt, soared.

Inflation continued to ease throughout the quarter, which prompted developed market central banks to hold rates steady, and many have indicated they are at or near the end of their rate hiking cycles. The Fed branched off from its peers when it delivered a more dovish outlook for rates at its December meeting, which included forecasting multiple rate cuts in 2024. This is at odds with its counterparts across the Atlantic, who remain reticent to declare victory against inflation. The ECB and BOE continue to push back against rate-cutting speculation and are stern that their work is not done yet. The Bank of Japan is the clear outlier, only just beginning its tightening cycle.

At the other end of the spectrum, many emerging markets central banks are well into their rate-cutting cycles, though dispersion within the cohort persists. Emerging markets countries reacted quickly to the spike in inflation following the COVID-19 pandemic and employed tight monetary and fiscal policy to keep inflation contained. Latin American and Eastern European countries led the pack with Brazil, Peru, Chile, Hungary and the Czech Republic all delivering rate cuts during the quarter. Inflation in many of these countries has even returned to its targeted range. In contrast, Angola, Kenya and Turkey all raised rates throughout the quarter. Indonesia unexpectedly hiked rates after foreign currency reserves declined at a historic pace.

US Treasurys provided a strong backdrop for risk assets in Q4, but local events across the globe continued to drive idiosyncratic returns. Argentina sovereign bonds had their best performance in years after the country elected Javier Milei to be its next president. His unorthodox policies, which include slashing public spending and eliminating the central bank, bring hope for the seemingly irreparable economy. After securing a Stand-By Arrangement from the International Monetary Fund in July, Pakistan made significant reforms that reduce the risk of default in 2024 and in response lifted its sovereign bonds. Suriname made advances in its quest to restructure debt, finalizing an agreement with its private creditors, and Venezuela received partial sanction relief from the US but has a long way to go in its restructuring process. On the losing side, Bolivia's sovereign bonds suffered losses during Q4 as declining exports, limited liquid international reserves and high fiscal deficits prompted a ratings downgrade. Ecuador saw the collapse of a reform-minded president and the beginning of a new and extended political cycle driving down the value of its bonds. Zambia printed strong returns in October on the heels of news that creditors have reached an agreement with bondholders under the Common Framework; however, most of that performance reverted in November when the agreement later fell through.

Currency performance for the quarter was generally positive as expectations for Fed rate cuts led to a weaker US dollar and stronger emerging markets currencies. In Colombia, high interest rates, declining imports and strong tourism supported the peso, which ended the year up by more than 25% in 2023. Elsewhere, certain currencies stumbled in response to local policy changes and macro pressures. The Argentine peso was devalued by 54% as President Milei's proposals included dollarizing the economy. After winning re-election earlier in the year, President Erdogan of Turkey shifted to more orthodox monetary policies and aggressively raised rates, resulting in a weakening Turkish lira. The Nigerian naira slumped further after the central bank failed to clear a backlog of matured foreign exchange contracts.

Emerging markets assets were at the mercy of movements in US Treasury yields for most of the year but remained resilient despite the uncertain macro environment. The outbreak of war in Israel at the beginning of Q4 added to the already precarious geopolitical environment. The EMsights team expects this landscape of elevated volatility and geopolitical uncertainty to continue into 2024, creating an environment that is ripe for active management and favors fundamental research.

Portfolio Positioning

The portfolio continues to be conservatively positioned given repricing events during Q4 and the uncertain geopolitical environment. The portfolio remains underweight developed market duration relative to the J.P. Morgan Blended Index and continues to favor emerging markets duration. The team is overweight local rates in Eastern Europe and Latin America where the disinflation process remains robust and yields continue to decline, specifically in Serbia and Peru. Currency exposure increased throughout the quarter as valuations remain attractive and the Fed has indicated it is nearing the end of the hiking cycle. Meanwhile, sovereign credit exposure was reduced throughout the quarter but remains overweight relative to the index. Reductions took place across the board but most notably in Eastern Europe and Asia as spreads tightened, particularly investment grade spreads.

The team continues to search for countries with improving storylines where market prices are not fully reflecting fundamentals. The global economy will face challenges in 2024, but there are several tailwinds that are likely to keep the emerging markets debt outlook strong. Expectations for declining inflation and fiscal consolidation in emerging markets will support the asset class, as well as monetary support from the official and private sectors. Sovereign defaults remain an ever-present risk and geopolitical tensions will create exploitable volatility events. Additionally, the upcoming year will be one of the largest election years on record, presenting ample opportunities for reforms to be made across the developed and emerging worlds.

The EMsights team currently sees the best opportunities in sovereign and corporate credit, specifically the high yield segment of sovereign credit. Corporate credit also remains an attractive part of the market. The team is neutral on the opportunity set within emerging markets local debt but is seeking to take advantage of numerous dislocations that occurred in the currency market in 2023.

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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. 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.

The J.P. Morgan (JPM) EMB Hard Currency/Local currency 50-50 is an unmanaged, blended index consisting of 50% JPM Government Bond Index-Emerging Market Global Diversified (GBIEMGD), an index of local-currency bonds with maturities of more than one year issued by EM governments; 25% JPM Emerging Markets Bond Index-Global Diversified (EMBIGD), an index of USD-denominated bonds with maturities of more than one year issued by EM governments; and 25% JPM Corporate Emerging Market Bond Index-Broad Diversified (CEMBIBD), an index of USD-denominated EM corporate bonds. 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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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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Notional value represents the portfolio's exposures based on the economic value of investments by adjusting for derivatives exposure to the market value of the contract's underlying security and accounts for the sensitivity to changes in price of the underlying security. In comparison, measuring the exposure of a derivative contract at market value or notional value can understate or overstate, respectively, the economic exposure and risk. This estimate of portfolio exposure is only an approximation of the portfolio at a point in time.

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