

# This winning fund puts a spin on emerging markets investing with bets from Nvidia to Chinese spirits

By Yun Li  
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The Artisan Developing World Fund (ARTYX) is crushing the market this year by tilting the traditional investing principles in emerging markets.

The fund, which has \$3.1 billion in assets under management, has gained 19% this year, outpacing its benchmark MSCI emerging markets index by about 16 percentage points, according to FactSet. Its stellar 2023 performance puts it in the first percentile among its peers, according to Morningstar. The fund has an expense ratio of 1.28%.

Lewis Kaufman, the portfolio manager who has been overseeing this fund since its inception in 2015 said his secret ingredient for outperformance is so-called “passport companies.”

## Artisan Developing World Fund



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“These are companies that are based in developed markets but economically tied to emerging markets,” Kaufman said in an interview. “We like them not just for their revenue velocity, but because they sell aspirational products and services.”

By domicile, Artisan Developing World Fund has just 43% of its portfolio in emerging markets. However, the emerging markets exposure should rise to 70% when looking at the economic exposure by revenue, Kaufman said.

The San Francisco-based manager said Estee Lauder is an example as the cosmetics business is highly correlated with aspirational consumer demand, outbound tourism and duty-free opportunity in China and around the world.

Nvidia, the fund’s biggest holding with a 6.7% weighting, is also a passport company as the chipmaker generates a significant amount of sales from China and other developing markets.

The chip giant has been at the heart of this year’s stock market obsession around artificial intelligence, and Nvidia is now on the cusp of a \$1 trillion market capitalization after it made a shockingly strong forecast of future demand.

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### Artisan Developing World Fund's top holdings

Company	% of total portfolio as of 4/30
Nvidia (United States)	6.7%
MercadoLibre (Argentina)	6.5%
Airbnb (United States)	6.3%
Sea Ltd (Singapore)	6.1%
Visa (United States)	5.0%
Adyen NV (Netherlands)	4.7%
CrowdStrike (United States)	4.5%
Meituan (China)	3.6%
HDFC Bank Ltd (India)	3.2%
ASML Holding NV (Netherlands)	3.2%

Source: Company website



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“I will always seek to retain residual positions and companies... I think Nvidia has been a source of funds for us,” Kaufman said.

The manager, who earned a master’s degree in business administration from Duke University, oversaw a Thornburg Investment Management fund with a similar portfolio for six years before joining Artisan Partners in 2015.

Other than those passport companies, the fund also invests in a slew of companies domiciled in emerging markets. For instance, online marketplace MercadoLibre in Argentina, tech conglomerate Sea Ltd. of Singapore and Chinese food delivery giant Meituan.

Kaufman said he also invested in Kweichow Moutai, a Chinese high-end spirits company that’s partially publicly traded and partially state owned. The manager said the company has a market cap of more than \$300 billion. In comparison, Diageo, whose brands include Johnnie Walker, Smirnoff and Guinness, has a market cap of roughly \$97 billion.

“I think that speaks to the inherent scalability of the Chinese market itself,” Kaufman said.

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Investment Results as of 31 March 2023 (%)	QTD	1YR	3YR	5YR	ITD	Expense Ratios Prospectus 30 Sep 2022
<b>Artisan Developing World Fund</b>						
Investor Class: ARTYX	22.64	-10.78	8.56	6.92	8.32	1.28%
Advisor Class: APDYX	22.68	-10.63	8.74	7.10	8.51	1.11%
MSCI Emerging Markets Index	3.96	-10.70	7.83	-0.91	2.80	

Source: Artisan Partners/MSCI Emerging Markets. Returns less than one year are not annualized. Investor and Advisor Class inception: 29 June 2015.

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 800.399.1770 for current to most recent month-end performance.

*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 visiting [www.artisanfunds.com](http://www.artisanfunds.com). Read carefully before investing.*

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. 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. Such risks 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. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods.

The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Artisan Developing World Fund's total net assets as of 31 March 2023: The Estee Lauder Cos Inc 3.1%, Kweichow Moutai Co Ltd 2.9%. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. Securities named but not listed here or in the top holdings chart are not held in the Fund as of the date noted. The portfolio holdings mentioned are subject to change and the Fund disclaims any obligation to advise investors of such changes.

**Morningstar rankings are based on total return and are historical and do not represent future results.** The Fund is ranked within the Morningstar Diversified Emerging Markets Category. Morningstar rank is the fund's total return percentile rank relative to all funds that have the same Morningstar Category for a specific time period. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1. The number of funds in the category may include several share classes of the same mutual fund which may have a material impact on the fund's ranking within the category. As of 30 April 2023, the fund is ranked 22% out of 833 funds for the 1YR period, 73% out of 740 funds for the 3YR period, 1% out of 653 funds for the 5YR period and 1% out of 514 funds for the Inception-to-date period.

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