



# Artisan Global Unconstrained Strategy

## QUARTERLY Commentary

As of 31 March 2025

### 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 March 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception <sup>1</sup>
<b>Composite — Gross</b>	<b>2.92</b>	<b>2.92</b>	<b>9.59</b>	<b>10.91</b>	—	—	<b>10.91</b>
<b>Composite — Net</b>	<b>2.68</b>	<b>2.68</b>	<b>8.56</b>	<b>9.87</b>	—	—	<b>9.87</b>
ICE BofA 3-Month U.S. Treasury Bill Index	1.02	1.02	4.97	4.23	—	—	4.23

### Calendar Year Returns (% USD)

	2020	2021	2022	2023	2024
<b>Composite — Net</b>	—	—	—	<b>7.92</b>	<b>11.20</b>

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized. <sup>1</sup>Composite inception: 1 April 2022.

On January 2, 2025, the fair value methodology used to value debt held by the Artisan Global Unconstrained Strategy was changed from using bid pricing to using the midpoint between the bid and ask price. The change resulted in a one-time increase of less than 0.35% in the composite performance for Artisan Global Unconstrained Strategy.

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 higher in Q1, outperforming the ICE BofA 3-Month U.S. Treasury Bill Index for the period, and remained ahead of the index since inception.

## Investing Environment

Emerging markets (EM) debt posted strong gains at the start of 2025, outperforming US equities and US high yield. EM local bonds led the rally, rebounding from a decline in 2024 to top both sovereign and corporate debt in Q1, with all segments of EM debt posting gains during the period. Leading up to Trump's inauguration in January, markets had priced in the anticipated effects of tariffs and other economic policies, creating headwinds for emerging markets debt as Treasury yields moved higher and the dollar strengthened. However, since Trump has taken office, continued uncertainty surrounding the new administration's policies, coupled with the Fed pausing its rate cutting cycle amid elevated inflation levels, led to a decline in market sentiment. As a result, US Treasury yields declined, the US dollar weakened, credit spreads widened, and EM debt rallied during Q1.

For dollar-denominated sovereign and corporate bonds, movements in US Treasuries were the primary driver of returns during Q1, dampening the impact of credit spreads moving wider during the period. EM investment grade bonds outperformed EM high yield, a reversal of the trend that has dominated markets over the last few years. Among the top-performing sovereign credits was Suriname, which gained momentum as it advanced toward becoming a key player in the oil industry following significant offshore discoveries and developments. Many of the top-performing bonds in 2024 fell to among the worst performers in 2025 due to idiosyncratic events. Ecuador's dollar bonds, for instance, posted strong gains in 2024 following the country's second debt-for-nature swap. However, they declined in early 2025 after President Noboa failed to secure enough votes to avoid a runoff against socialist challenger Luisa Gonzalez. Meanwhile, in Argentina, President Milei's reform momentum continued, but uncertainty over the country's negotiations with the International Monetary Fund and concerns about currency sustainability weighed on bonds, pushing them lower.

Lower US rates and a weaker US dollar provided support for emerging markets currencies, boosting returns for local bonds. Currency performance varied across countries, with the strongest gains generally seen where disinflation trends persisted and fiscal balances remained well managed. As always, idiosyncratic factors also played a key role. For instance, the Russian ruble was among one of the top performers for the quarter, boosted by market expectations that the Russia/Ukraine war may be nearing a resolution. On the other hand, the Turkish lira was one of the worst performers for the period, as political uncertainty escalated following the arrest of a leading opposition figure.

Divergence across emerging markets remained prevalent as central banks continued to grapple with persistent inflation at differing levels.

Many countries held rates steady at recent policy meetings as they continue to evaluate market conditions around US tariff uncertainty and domestic data points. For instance, South Africa, Paraguay, Poland, Hungary and Chile all held rates during the quarter. Meanwhile, Uzbekistan, Kazakhstan and Brazil hiked rates while Mexico, Pakistan, Peru and Sri Lanka cut rates as the disinflation process in those countries remained robust.

Similar dynamics have unfolded across developed market central banks. The Fed held rates steady at 4.25%–4.50% at both of its meetings during Q1 and signaled forecasts for higher inflation and lower economic growth. The Bank of Japan also held rates during the quarter at 0.50%, and the Bank of England held rates at 4.50% in March after cutting by 25bps in February. In contrast, the European Central Bank cut rates by 25bps at both its January and March meetings.

Corporate and sovereign issuance saw its largest Q1 on record, with February experiencing particularly strong activity compared to historical averages. Despite widening credit spreads and deteriorating risk sentiment, many issuers moved to access the market ahead of anticipated tariff implementations. Investment grade issuance continued to dominate sovereign supply, yet high yield issuance also saw an uptick during the quarter.

While emerging markets debt has remained at the mercy of macroeconomic factors, local events across the globe continued to shape idiosyncratic returns. Rwandan bonds declined after conflict in the region picked up, with Rwandan-backed M23 rebels seizing key areas in the Democratic Republic of Congo. Senegalese bonds declined as debt dynamics in the country worsened. This follows the IMF's suspension of Senegal's program after an investigation by the current prime minister and president revealed substantial underreporting of debt and budget deficit levels by the previous administration. In Indonesia, growing concerns over President Subianto's policies and their impact on the country's fiscal position contributed to the rupiah declining to its weakest level against the dollar in over 20 years and credit spreads widening.

## Portfolio Positioning

In our view, the portfolio has remained conservatively positioned as geopolitical uncertainty continues. This investment environment, however, continues to offer unique and interesting investment opportunities that the team is seeking to take advantage of on both the long and short sides of the market. The portfolio has remained net short sovereign credit across all regions. The team continues to favor high yield issuers with strong fundamentals with spread tightening potential, while the portfolio remains short tight-spread investment grade names. The portfolio has remained net long rates in emerging markets and net short rates across developed markets. Within emerging markets, the portfolio holds long positions across Latin America, Asia and Africa, where the disinflation process remains robust, while maintaining short positions in Eastern Europe. The

portfolio has maintained a slight net long currency position, with long positions in select Central Asian and Middle Eastern countries, where strong macro fundamentals and attractive carry dynamics persist. These positions are partially offset by short positions in parts of Asia, where rising fiscal risks and the potential for increased tariffs present downside risks.

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 can 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 we believe can generally present exploitable volatility events in emerging markets debt.

**Exhibit 1: Q1 2025 Absolute Contribution to Return**

Contributors
Long Canadian equities
Long Colombian equities
Long Egypt FX
Detractors
Long Ukraine sovereign credit
Short Hungary FX
Short Georgia FX

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The ICE BofA 3-Month U.S. Treasury Bill Index is an unmanaged index that comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month. 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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