Artisan International Value Strategy

QUARTERLY
Commentary

As of 31 March 2025

Investment Results (% USD)

As of 31 March 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]
			Average Annual Total Returns				
Composite — Gross	**5.32**	**5.32**	**8.31**	**10.69**	**18.61**	**8.93**	**11.65**
Composite — Net	**5.08**	**5.08**	**7.31**	**9.68**	**17.53**	**7.93**	**10.61**
MSCI EAFE Index	6.86	6.86	4.88	6.05	11.76	5.39	6.16
MSCI All Country World ex USA Index	5.23	5.23	6.09	4.48	10.91	4.97	6.36

Calendar Year Returns (% USD)

	2020	2021	2022	2023	2024
Composite — Net	**8.75**	**17.03**	**-7.00**	**23.06**	**6.78**

Source: Artisan Partners/MSCI. Returns for periods less than one year are not annualized. [1]Composite inception: 1 July 2002.

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.

The Artisan International Value Strategy rose by 5.08% during the quarter while the MSCI EAFE Index rose by 6.86% (all returns in USD unless stated otherwise). Over the last one, three and five years, the annualized returns for the Artisan International Value Strategy are 7.31%, 9.68% and 17.53%, respectively. Since the inception of the strategy in 2002, the average annual net return is 10.61%.

Investing Environment

"We were taught in Economics 101 that countries could not for long sustain large, ever-growing trade deficits. At a point, so it was claimed, the spree of the consumption-happy nation would be braked by currency-rate adjustments and by the unwillingness of creditor countries to accept an endless flow of IOUs from the big spenders. And that's the way it has indeed worked for the rest of the world, as we can see by the abrupt shutoffs of credit that many profligate nations have suffered in recent decades.

The U.S., however, enjoys special status. In effect, we can behave today as we wish because our past financial behavior was so exemplary—and because we are so rich. Neither our capacity nor our intention to pay is questioned, and we continue to have a mountain of desirable assets to trade for consumables. In other words, our national credit card allows us to charge truly breathtaking amounts. But that card's credit line is not limitless."
—Warren Buffett, November 2003 *Fortune Magazine*

In early March, the German government announced that it would tap its strong balance sheet to launch a sweeping infrastructure spending package exceeding $500 billion. While a significant portion is earmarked for defense—typically a less productive use of capital deployment—the announcement contributed to a rally of more than 7.5% in European stocks (in local terms) as measured by the MSCI EMU Index. Germany's GDP is around $4.5 trillion, marking this spending package at a massive 10% of its GDP. The GDP of the EU is a little over $20 trillion, making the package 2.5% of total EU GDP. That level of spending, combined with more modest measures from other EU countries, should support Europe's economic growth for several years. The stock market craves certainty, and investors responded accordingly.

Meanwhile, the United States is operating with a stretched balance sheet. And, as Warren Buffett reminded us more than two decades ago, the credit line is not limitless. The US has also reached its threshold for tolerating a widening trade imbalance—whether due to financial constraints, social pressures, or both. In any case, we believe the US is at its limit. The current administration has begun to rein in massive deficit spending via the efforts of the Department of Government Efficiency (DOGE) and is trying to address the trade imbalance through tariffs. If those tariffs become a meaningful source of revenue, that will also help reduce the budget deficit. This process is the opposite of stimulus. Government spending cuts typically reduce GDP, and efforts to raise revenue will create winners and losers. The identity, scale and ultimate impact of these winners and losers are all very hard to predict. The environment is now far more complex, leaving the various market prognosticators and Wall Street's passive vehicles that dominate trading volume (some characterized by double- or triple-leverage, long and short) behaving like an ill-tempered child. Unsurprisingly, US markets declined during the quarter, and volatility rose.

The MSCI Japan Index also declined 4.5% during the quarter in Japanese yen. Perhaps Japan is coming to the limits of its own fiscal flexibility.

Europe's market rally combined with a partial reversal of last year's strong dollar lifted US dollar-denominated returns in developed international markets up 6.9% as measured by the MSCI EAFE

Index. That stands in sharp contrast to the 4.6% decline of the MSCI USA Index.

As I write this letter in mid-April, the uncertainty surrounding the trajectory of the world's largest economy has dampened enthusiasm in Europe and driven US stocks into bear market territory. If the US administration is committed and effective in addressing the imbalances in its economy, we may see more volatility in the short term. But over time, we believe shrinking the budget and addressing trade deficits will be unquestionably good for the country's financial health.

Moreover, volatility can be the diligent value investor's friend, as short-term market movements are frequently driven by greed and fear, often presenting opportunities to those willing to take a longer term view. Fear will likely be the prevailing emotion as fees are imposed on those not used to paying them and government spending is taken from those accustomed to receiving it.

Contributors and Detractors

The best performing stocks during the quarter were **Alibaba Group**, **Lloyds Banking Group** and **Novartis**.

Alibaba, China's largest e-commerce company, saw its share price rise 56%. While the company continued to face headwinds from a sluggish Chinese economy and intensifying competition, a new management team has begun to revitalize its core business. The team is also more effectively using the company's advanced capabilities in artificial intelligence (AI), both within its operations and through services offered to its cloud-computing customers. These strategic shifts have caught the market's attention and contributed to the stock's strong performance.

Lloyds Banking Group, the largest retail bank in the UK, gained 36% during the quarter. Investor optimism around rising long-term interest rates in the UK drove a broader rally in bank stocks. Banks typically benefit when the spread between short- and long-term interest rates widens, which can improve lending margins and overall profitability.

Novartis is a Switzerland-based global pharmaceutical company. The company reported excellent results for the calendar year ending 2024, and the share price reacted accordingly, increasing 18% during the quarter.

Share price declines for **HCL Technologies**, **Sodexo** and **Alimentation Couche-Tard (ACT)** had meaningful negative impacts on the portfolio.

HCL Technologies is a large IT consultant located in India. The share price of HCL has increased significantly over the last several years thanks in part to the company's consistent growth, steady profitability, strong free cash flow and good capital allocation. More recently, the entire consulting sector has seen demand weakness in certain industry verticals. There is also significant debate on the deflationary impact of AI on the business of all IT consultants. The share price fell by more than 16%.

Sodexo is one of the world's largest contract catering companies. Though the company has been growing, its operating performance has been weaker than its competitors'. As a result, the share price declined by 22% during the quarter. We believe the shares are very cheap at this price. We expect some changes to leadership on the back of several years of lost market share and below-average profitability.

ACT is a Canada-based owner of gas stations and convenience stores. Its lower income customer base has been under pressure due to inflation. As a result, spending has been sluggish, which has led to decreasing sales and narrowing profit margins. The share price declined by 11% during the quarter.

New Investments

During the quarter, we took advantage of attractive valuations to initiate and build meaningful positions in two excellent businesses: **ICON** and **Diageo**.

ICON is a leading contract research organization (CRO) providing outsourced clinical trial services to pharmaceutical and biotech companies. In short, ICON manages and supports the complex series of clinical trials required to gain regulatory approval for new drugs.

The company has a long track record of profitable growth, driven by increasing biopharma R&D spending, the industry's ongoing shift toward outsourcing clinical development, ICON's steady market share gains and well-executed acquisitions. It has been consistently well managed and maintains a strong balance sheet.

In recent years, ICON and the rest of the CRO industry have faced headwinds. Large pharmaceutical companies have reshaped their R&D pipelines in response to evolving drug pricing regulations, while funding in the biotech sector has dropped sharply.

Despite these challenges, we believe biopharma industry conditions will normalize, and ICON will continue to grow earnings at an attractive rate. We began buying shares of ICON when they traded at approximately 13X estimated 2024 earnings. Today, shares trade at less than 11X.

Diageo is the largest premium spirits business in the world. The company manufactures and sells some of the most recognizable and durable brands in the industry including Johnnie Walker scotch, Guinness beer and Don Julio tequila. The company operates globally, generating 39% of revenue in North America, 24% in Europe, 19% in Asia Pacific, 9% in Latin America and the Caribbean and 9% in Africa.

Longtime investors in the International Value portfolio may recognize the company. We were previously shareholders from 2002 to 2019. Over that 17-year holding period, the company reported modest growth but a significant increase in valuation as other investors came to appreciate the quality of the business. We sold the shares in 2019 at 27.19 GBP per share. Remarkably, six years later we started buying again at 23.41 GBP per share. When we sold the stock in 2019, we felt market expectations had gotten ahead of the valuation. Today, we believe the opposite conditions exist, and the stock is again trading at an attractive valuation.

During the pandemic, alcohol volumes and prices saw a sharp uptick. It became apparent in 2023 and 2024 that much of the alcohol purchased remained in consumer homes and there was too much inventory with wholesalers and retailers. This “COVID hangover” caused revenue and profits to decline.

If a cyclical downturn were the only issue impacting alcohol consumption, ownership of Diageo would be far less complex. In fact, for the first time in many years, the secular growth of hard liquor at the expense of beer is now in question. In fact, the demand for alcohol overall is in question.

There are a number of valid factors worth addressing. First, the new class of weight loss drugs curbs the desire for alcohol. Second, the increased legalization of marijuana creates a substitute product. And perhaps the biggest factor impacting alcohol demand is a social trend away from alcohol toward non-alcoholic beverages.

We believe that Diageo’s scale and marketing capability place the company in an excellent position to drive value in a more difficult environment. Continuous investments in innovation, premiumization and marketing should drive revenue growth and market share. Diageo dominates distribution in North America, the largest and most profitable market. Volume growth outside the US is more favorable.

Diageo has relatively new leadership, including the chairman, CEO and CFO. We are especially impressed with the CFO, who we believe will help drive commercial excellence through better pricing structures, improved operating leverage, increased cash flow and improved returns.

Thank you for your support.

For more information: Visit www.artisanpartners.com

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For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Strategy. The holdings mentioned above comprised the following percentages of a representative account within the Artisan International Value Strategy Composite's total net assets as of 31 Mar 2025: Novartis AG 3.7%, HCL Technologies Ltd 2.9%, Alibaba Group Holdings Ltd 2.8%, Lloyds Banking Group PLC 2.6%, ICON PLC 1.5%, Diageo PLC 1.5%, Alimentation Couche-Tard Inc 1.4%, Sodexo SA 0.9%. Securities named in the Commentary, but not listed here are not held in the portfolio as of the date of this report.

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Net-of-fees composite returns were calculated using the highest model investment advisory fees applicable to portfolios within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. All performance results are net of commissions and transaction costs, and have been presented gross and net of investment advisory fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the Index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices.

MSCI EAFE Index measures the performance of developed markets, excluding the US and Canada. MSCI All Country World ex USA Index measures the performance of developed and emerging markets, excluding the US. The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. MSCI Japan Index measures the performance of the large- and mid-cap segments of the Japanese market. MSCI EMU Index (European Economic and Monetary Union) measures the performance of large- and mid-cap companies in 10 Developed Marked countries across the EMU (Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal and Spain). 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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