

Nominees for International-Stock Fund Manager of the Year

Familiar, highly deserving names.

Fund Spy | 01-07-14 | by Gregg Wolper

In Monday's column, we unveiled the nominees for Morningstar's Domestic-Stock Fund Manager of the Year. Next up are the nominees for International-Stock Fund Manager of the Year.

(The Fixed-Income Fund Manager of the Year nominees will be posted Wednesday, followed by the Allocation and Alternatives categories on Thursday and Friday, respectively. All winners will be announced on Jan. 15.)

As with the awards for the other categories, these nominations reflect more than performance and portfolio decisions in 2013. We also emphasize long-term records. After all, we want to reward managers who not only had topnotch returns in a single year, but who have demonstrated their abilities over time as well. In addition, we consider not just the managers' most prominent fund but others that they run, when applicable.

There are five nominees for 2013 International-Stock Fund Manager of the Year. All but one of them have won International-Stock Fund Manager of the Year in the past, but none has won since 2008. There's a Manager of the Decade in the mix, too.

In alphabetical order, the nominees are:

**Dodge & Cox International Investment Policy Committee*,
Dodge & Cox International Stock (DODFX)**

2013 Return: 26.3%

Morningstar Category Rank (Percentile): 8 (Note: All but one of the funds listed here are in the foreign large-blend category.)

This nine-person group makes the decisions for Dodge & Cox International Stock, with some managers serving on the committees for other funds at that venerable firm, too. They are highly experienced. And like so many at that shop, once at Dodge & Cox, they tend to stay there: The average tenure on the international-stock fund's committee is 23 years, and the newest arrival has been there 11 years. These

managers tend to be patient in their investing, with low turnover rates and a willingness to wait for troubled companies to turn things around.

That paid off in 2013 with two companies in particular. The managers have had to defend their ownership of Hewlett-Packard (HPQ) and Nokia (NOK) for years as those companies suffered numerous travails and their stock prices sank. The managers stuck with them and even added to their stakes at lower prices. They (and fund shareholders) were rewarded when both stocks roughly doubled in value last year. Equally noteworthy was the managers' willingness to make South African Internet company Naspers their top holding, with 4% of assets entering 2013. Naspers rose more than 100% in 2013 after a 50% gain in 2012.

This group won Morningstar's International-Stock Fund Manager of the Year for 2004.

**Harry Hartford, Sarah Ketterer, and Team, Causeway
International Value (CIVVX)**

2013 Return: 23.9%

Morningstar Category Rank (Percentile): 15

In the past 12 years, this fund has landed in the bottom quartile of the foreign large-blend category only once. This long-term consistency is an impressive feat, because the managers generally steer away from emerging markets and small caps, both of which would have benefited returns over most of that stretch.

True, in 2013, a lack of emerging markets (save for South Korea, which the managers consider developed) was a boon, allowing the fund to skirt some of the year's minefields. But in other ways, the fund's portfolio weightings should have hurt it last year. It had fewer assets in Japan, last year's star market, than either the MSCI EAFE Index or the category average, and had more than most peers in the struggling basic materials and energy sectors. Savvy stock choices explain the pleasant overall result: A fourth-straight year in the top quartile.

David Herro and Rob Taylor, Oakmark International (OAKIX)
2013 Return: 29.3%

Morningstar Category Rank (Percentile): 3

Herro is no stranger to internationally minded investors. He won the 2006 Morningstar International-Stock Fund Manager of the Year award and also received Morningstar's Manager of the Decade prize for international funds in 2010. Herro has been running this fund, on his own and with comanagers, since its 1992 inception, and its long-term record is certainly attention-getting. It hasn't slowed down, either: Oakmark International has ranked in the top 3% of its category in four of the past five calendar years. Not surprisingly, money has poured in, and the fund now has \$28 billion in assets.

In 2013, the fund's longstanding devotion to stocks in Japan, where Herro and Taylor found plenty of opportunities for patient value plays while most other money managers saw little of interest, meshed with investor sentiment in the wake of productive reforms by a new prime minister. The fund benefited from some huge gains in Japan stocks, but the managers didn't sit back as prices climbed; around midyear, they pared back those Japan holdings markedly, and what was once a vast overweighting became a slight underweighting.

Taylor hasn't been on this fund as long as Herro, but he's been an important contributor: After joining advisor Harris Associates in 1994, he became director of international research in 2004 and comanager on this fund in 2008. Oakmark International is now closed to some investors, but several other funds run by these managers with other comanagers remain open.

David Samra and Daniel O'Keefe, Artisan International Value (ARTKX) and Artisan Global Value (ARTGX)

2013 Returns: 30.5% and 31.1%

Morningstar Category Ranks (Percentile): 1 and 16 (world-stock category)

This duo won Morningstar's International-Stock Fund Manager of the Year award for 2008, when markets tumbled and their cautious value approach held this fund's loss far below those of all but a few rivals. In 2013, the opposite conditions prevailed, as most markets enjoyed strong rallies. Yet these managers again posted some of the best results around. A duo that can restrain losses during 2008's savage bear market, perform a similar feat in 2011's downturn, and then rack up standout gains with markets soaring in 2012 and 2013 is a rare find indeed.

The core of Samra and O'Keefe's strategy is to search for companies with relatively modest debt loads, management they can trust, and reliable business models. And Samra and O'Keefe want to buy them on the cheap. They don't trade too much, and they're willing to let the cash stake rise if they can't find enough worthy stocks. In fact, this fund had a double-digit cash stake acting as a drag on returns throughout 2013, which makes its chart-topping gain even more impressive. Two advantages were a complete lack of exposure to the hard-hit basic materials sector and a lighter-than-average stake in the weak energy sector. But these managers aren't asset allocators; their stock selections determine their sector and country weightings, and a wide variety of their holdings posted huge gains last year.

Artisan International Value is currently closed to new investors, but Artisan Global Value, a world-stock fund that Samra and O'Keefe also manage, is open (though if inflows continue, that one could close as well).

(Disclosure: O'Keefe was a fund analyst at Morningstar for several years in the 1990s.)

Mark Yockey, Artisan International (ARTIX)

2013 Return: 25.2%

Morningstar Category Rank (Percentile): 10

Yockey is the fourth of this year's five nominees to have collected this award before. His award came earlier than the others, and in a vastly different market climate: 1998. Unlike the value-oriented Samra and O'Keefe—whose team, though also under the Artisan umbrella, is completely separate—Yockey uses a growth-oriented approach. That paid off in the late 1990s when growth was king. But Yockey's growth style is moderate, and he has flourished in many different environments.

In fact, Artisan International landed in the 3rd percentile of its category in 2011 when the MSCI EAFE Index finished deep in negative territory, and then followed that down-market performance with impressive showings in the sharp rallies of both 2012 and 2013. This past year, the fund had a big overweighting in consumer defensive stocks, and with cautious optimism about global growth a key theme for investors, those stocks generally were not the market's favorites. Indeed, some top-10 holdings in this group, such as Unilever and Nestle, posted only meager gains. But big returns from other picks in a disparate array of sectors, such as top holding Baidu (BIDU), Deutsche Post, and Toyota Motor (TM), took up the slack.

*The Dodge & Cox International Investment Policy Committee consists of: Richard Callister, Bryan Cameron, Mario DiPrisco, John Gunn, Keiko Horkan, Roger Kuo, Charles Pohl, Gregory Serrurier, and Diana Strandberg.

**The Causeway team also includes James Doyle, Kevin Durkin, Jonathan Eng, and Conor Muldoon. vast overweighting became a slight underweighting.

Gregg Wolper is a senior fund analyst on the active funds research team at Morningstar.

Rankings are based on historical total returns and do not represent future results. The Morningstar Foreign Large-Blend category contained 204 funds that were ranked for 2013. Artisan International Fund was ranked 12 out of 187 funds that were ranked in the Morningstar Foreign Large-Blend category for 2011.

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Average annual total returns for the fund and benchmark as of 31 Dec 2013:

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| Artisan Global Value Fund – ARTGX (Inception 10 Dec 2007): 31.12% (1YR), 16.55% (3YR), 19.66% (5YR), 8.85% (Since Inception). MSCI All Country World Index: 22.80% (1YR), 9.73% (3YR), 14.92% (5YR), 1.94% (Since Inception). |
| Artisan International Value Fund – ARTKX (Inception 23 Sep 2002): 30.49% (1YR), 14.17% (3YR), 18.75% (5YR), 12.37% (10YR), 16.00% (Since Inception). MSCI EAFE Index: 22.78% (1YR), 8.17% (3YR), 12.44% (5YR), 6.91% (10YR), 9.86% (Since Inception). MSCI EAFE Value Index: 22.95% (1YR), 8.32% (3YR), 11.99% (5YR), 6.77% (10YR), 10.15% (Since Inception). |
| Artisan International Fund – ARTIX (Inception 28 Dec 1995): 25.18% (1YR), 13.33% (3YR), 16.60% (5YR), 8.93% (10YR), 10.64% (Since Inception). MSCI EAFE Index: 22.78% (1YR), 8.17% (3YR), 12.44% (5YR), 6.91% (10YR), 5.27% (Since Inception). MSCI All Country World ex-U.S. Index: 15.29% (1YR), 5.14% (3YR), 12.81% (5YR), 7.57% (10YR), 5.80% (Since Inception). |
| Expense Ratios are for the fiscal year ended 30 Sep 2012. Artisan Global Value Fund's gross expense ratio is 1.53%. The Fund's net expense ratio is 1.52%. Artisan Partners has contractually agreed to reimburse the Fund for any ordinary operating expenses in excess of 1.50% through 1 Feb 2014, at which time the contract may be renewed, revised or discontinued. Artisan International Value Fund's expense ratio is 1.22%. The direct operating expenses are 1.17% which are reflected in the Fund's Financial Highlights in the prospectus and financial statements. The Expense Ratio noted above includes indirect expenses the Fund may incur from investing in an investment company (Acquired Fund Fees and Expenses); such indirect expenses are not paid from the Fund's assets but are reflected in the Fund's return realized by its investment in the acquired funds. Artisan International Fund's expense ratio is 1.19%. |

Source: Artisan Partners/FactSet/MSCI.

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. Artisan Global Value Fund's performance information reflects Artisan Partners' agreement to limit the Fund's expenses and has had a material impact on the Fund's performance, which would have been lower in its absence.

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.

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Established in 1988, the Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with

shareholders'. Beginning in 2012, nominated funds must be Morningstar Medalists—a fund that has garnered a Morningstar Analyst Rating™ of Gold, Silver, or Bronze. The Fund Manager of the Year award winners are chosen based on Morningstar's proprietary research and in-depth qualitative evaluation by its fund analysts.

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