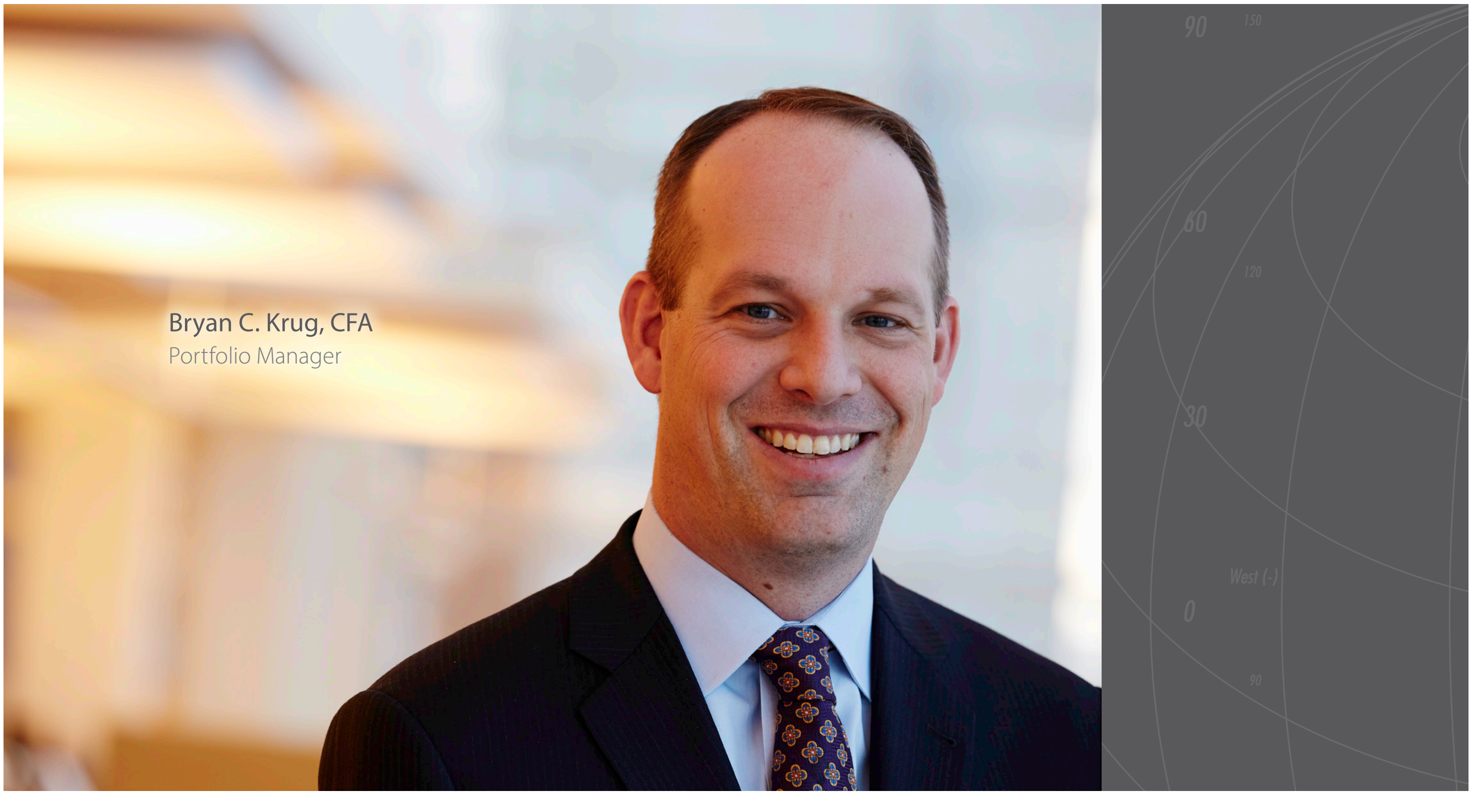
Artisan Partners Credit Team

Investment Philosophy and Process

Artisan High Income Fund
Artisan Floating Rate Fund

A R T I S A N P A R T N E R S



Artisan Partners Credit Team

Our Investment Team

Our investment team has been built with one simple goal—to bring together a group of experienced investment professionals who excel at performing deep, fundamental credit work. Our team is headed by Portfolio Manager Bryan Krug, who is supported by senior analysts, a data scientist, dedicated fixed income traders and a Chief Operating Officer. All members are dedicated solely to one investment philosophy and process. In addition to conducting his own research on certain names, Bryan is responsible for portfolio management and allocation. While the process is a collaborative effort that allows the team to leverage internal resources and expertise, final decision-making ability lies with Bryan. As a small and nimble team, we maintain a generalist research approach with sector tendencies. We believe our broader perspective is beneficial—avoiding strict sector designations helps eliminate blind spots and missed opportunities.

Our Investment Philosophy

We have developed foundational beliefs about the non-investment grade credit market as a result of our many years investing in the asset class. Honed over up and down markets, these tenets form the core of our investment philosophy.

First, we believe that the non-investment grade market has cyclical, industry and company-specific dislocations which we can exploit through a portfolio of idiosyncratic investment ideas. Cyclical dislocations are typically driven by the credit cycle. Industry dislocations stem from the profit cycle of a specific industry. Company-specific dislocations are those in which we have an out-of-consensus view about a company's trajectory from which we believe we can profit.

Second, we believe we can find the best risk-adjusted return opportunities through fundamental credit analysis and value identification across the capital structure. We believe the market is innately complex and securities are frequently mispriced, which benefits investors who are willing to perform detailed, bottom-up analysis.

Finally, we believe attractive risk-adjusted returns can be achieved over a full credit cycle with a repeatable, high-conviction investment process. We are not looking to achieve index-like returns. Our goal is to use the investment freedom we have to build a focused portfolio of non-investment grade securities that have the potential to add value over the long term by taking advantage of the illiquidity premium and asymmetric risk profile in credit investments.

Our Investment Process

Our goal is to invest in issuers with high-quality business models that have compelling risk-adjusted return characteristics. As active managers with high degrees of freedom, we believe the disciplined execution of our process will enable us to build a portfolio of securities that can perform well regardless of the market environment.

Idea Generation

The first step of our investment process is idea generation. Our area of focus is the non-investment grade credit market, comprised primarily of high yield bonds and leveraged loans. We believe it is a deep market with an ample opportunity set.

We are not geographically constrained, but our expertise and experience built over the years has led us to focus primarily on US-based issuers. Occasionally there are attractive investments outside of the US, most commonly in Canada and Europe.

Idea Generation for the Credit Team

Quantitative Screens
- Yield
- Relative Value
- Bond and Loan Outperformers/Underperformers

Qualitative Factors
- Market, Sector and Company-Specific Dislocations
- Capital Structure Mispricing
- Regulatory and Technological Disruptions

Fundamental Credit Research
Business Quality | Financial Strength & Flexibility | Downside Analysis | Value Identification

Portfolio Holdings

The illustration represents a simplified presentation of a complex process. Our investment process is subject to change and may differ materially from what is stated herein.

We use both quantitative and qualitative methods in idea generation. Customized quantitative screens are used to narrow down the investment universe. We focus on characteristics such as yield, performance and relative value across and within sectors. If any issue, grouping or pattern stands out, we will take a closer look.

Qualitative methods include identifying market, sector and company dislocations, mispriced and misrated securities and regulatory and technological disruptions. Our network of buy-side, sell-side and private equity relationships is also utilized.

The primary market, in which banks facilitate new transactions between borrowers and lenders, is another natural source of ideas. However, we are selective when participating in primary transactions. The deals may feature complicated corporate and capital structures and unique covenant packages. Each financing is unique. Doing a thorough, detailed review on the company as a whole, and the transaction in particular, is always necessary.

The aim of idea generation is production of a list of investment candidates to focus on during the next and most crucial step of the team's process—fundamental credit research.

As active managers with high degrees of freedom, we believe the disciplined execution of our process will enable us to build a portfolio of securities that can perform well regardless of the market environment.

Fundamental Credit Research

Fundamental credit research is the core of our investment process. It requires passion and dedication plus a significant amount of time and effort, but this is where we believe we add the most value and ultimately drive investment outcomes.

Our fundamental analysis relies primarily on self-generated research, daily communication and collaboration and regular, ongoing review of holdings.

- Self-Generated Research

  We rely primarily on self-generated research. External resources serve to enhance and amplify our own proprietary models. The research process generally includes conversations with company management, industry experts and competitors. Occasionally, we engage consultants with industry expertise to provide detailed information specific to individual investment ideas. Accessing third-party resources and expert networks can help build a complete understanding of a company, its management and its capital structure. We also draw on its network of buy-side, sell-side and private equity relationships. Furthermore, extensive document review, sometimes with a third party's assistance, is performed to ensure comprehensive understanding of the debt capitalization, covenants, etc.

- **Daily Communication and Collaboration**

  Daily communication and collaboration are essential to the overall process, as we believe cohesion and dedication to a unified philosophy and process is necessary for successful investing. We usually gather twice daily. During our regular morning meeting, we cover market color, the new issuance calendar and activity and movers in the secondary market. Team members also share their focus for the day with the group.

  Our daily in-depth lunch meeting provides a forum for comprehensive discussions about current credit work, research findings and investment ideas. Team members present ideas and challenge one another in an active dialogue. We believe this collegial approach provides analysts with relative value perspective across sectors and prevents us from developing biases in our own areas of focus. Detailed research notes and financial models are maintained within our internal research platform. Ad hoc discussions also occur on a regular basis, typically when there is company-specific news or research updates to existing or potential holdings.

- **Ongoing Review**

  Each portfolio position undergoes an in-depth, quarterly re-underwriting process. Meetings are held between the portfolio manager, trader and each of the analysts individually to rigorously evaluate all positions, taking into account any recent corporate developments, company earnings and current market conditions. The review is designed to determine if each investment thesis holds true and/or other current opportunities are more compelling.

  Analysts spend the vast majority of their time on research, while our trader is responsible for executing on trade decisions made by the portfolio manager. We consider trading to be a value-added process. As such, our trader is integrated with the analysts to ensure ongoing information is shared, including news related to portfolio companies, planned changes in the portfolio and market and trade activities/developments.

Our analysis is based on four pillars:

- **Business Quality**

  A variety of sources are used to understand the resiliency of an issuer's business model. We analyze the general health of the industry in which an issuer operates, the issuer's competitive position, the dynamics of industry participants and the decision-making history of the issuer's management team.

  In the non-investment grade credit market, we are attracted to companies with resilient business models and strong competitive positioning which we believe will show profit improvement and financial deleveraging. Businesses with recurring revenue and low capital intensity are appealing as they tend to have predictable revenue streams.

- **Financial Strength and Flexibility**

  Every capital structure in the non-investment grade market is constructed uniquely and some can be complex. Generally, we embrace complexity. A lot of investors shy away from the work, but we appreciate the prospect of unearthing opportunities by committing time to do the research. This level of analysis allows us to participate in what we deem to be the optimal risk-adjusted portion of a company's capital structure.

  Analyzing the history and trend of free cash flow generation is critical to understanding an issuer's financial health in this process. The financial analysis also considers an issuer's capital structure, refinancing options, financial covenants, amortization schedules and overall financial transparency. Some of the ratios evaluated include free cash flow to debt and debt to implied enterprise value. We will further evaluate two-year deleveraging at various points within a capital structure. This process leads to a portfolio of businesses with potentially strong and improving free cash flow to debt.

- **Downside Analysis**

  We believe that credit instruments by their nature have an asymmetric risk profile—the risk of loss is often greater than the potential for gain, particularly when looking at non-investment grade issuers. As debt holders, we have to focus on what can go wrong. We seek to mitigate this risk

Fundamental Credit Research

Our analysis is based on four pillars:

- Business Quality
- Financial Strength and Flexibility
- Downside Analysis
- Value Identification

with conservative financial projections that account for industry position, competitive dynamics and positioning within the capital structure. There is also an avoidance of companies we believe are overrated or have the potential for credit deterioration.

We have an unwavering focus on risk-adjusted return potential and upside capture. We believe that margins of safety should not be compromised in the search for yield. When we examine valuations, our goal is to be default agnostic. This means we want to be confident the enterprise value is sufficient to support a return of our invested capital in a default. This discipline is intended to prevent permanent capital impairment in times of stress.

- Value Identification

Multiple metrics are used to determine the value of an investment opportunity. We look for credit improvement potential, relative value within an issuer's capital structure, catalysts for business improvement and potential value stemming from market or industry dislocations.

We are capital-structure agnostic: we pick our spot along the capital structure based on relative value. The portfolio's split between bonds and loans will always be the result of our bottom-up security selection process. We think this flexibility to invest along the capital structure is a key differentiator for our strategy.

We are attracted to companies with resilient business models and strong competitive positioning that we believe will show profit improvement and deleveraging.

How We Think About Credit Ratings

For better or worse, most players in the non-investment grade credit market have credit ratings (as assigned by agencies like Moody's, S&P or Fitch) on their radar. We describe our investment process as "ratings-aware." However, investment decisions are made based on fundamental research to determine the creditworthiness of a given company. As a result, we will oftentimes be attracted to businesses that we believe are underrated. The difference can be partly attributed to divergent views on recovery: the major ratings agencies, in our view, tend to overemphasize hard assets and underemphasize cash flow generated by assets such as intellectual property. In essence, we take on the responsibility for assessing credit risk, rather than abdicating it to the rating agencies.

Portfolio Construction

The goal is to manage differentiated, high-conviction portfolios built upon bottom-up, fundamental credit analysis and selection, which we believe is the best way to take advantage of the illiquidity premium and inherently asymmetric risk profile in credit investments. As career investors in the credit markets, we believe building a portfolio with an attractive overall risk-adjusted return profile is key to long-term success.

High Income Fund

In this investment fund, we invest along the corporate capital structure in bonds, loans and other securities of leveraged corporate issuers. We tier the High Income portfolio into three categories. This allows us to be selective and precise in the risks we take. Allocations to each category vary over time based on market conditions, but are generally the consequence of bottom-up credit selection, rather than top-down portfolio management.

- Core: 20%-60%

Core investments are positions we view as having stable to improving credit profiles and lower loan to value ratios. Core investments represent our stable foundation of income—holdings which have higher credit quality and less volatility, relatively speaking.

- Spread Tightening: 10%-50%

Spread investments are those where we have an out-of-consensus view about a company's credit improvement potential. We think these investments have significant upside potential which the broader market is mispricing. We look for scenarios where the potential for financial deleveraging can result in improved credit fundamentals, leading to spread tightening. These investments have unique, idiosyncratic risk profiles.

Portfolio Construction

Artisan High Income Fund

- **Number of Issuers:** 100-140
- **Geography:** Global mandate, US bias
- **Core:** 20-60%
- **Spread Tightening:** 10-50%
- **Opportunistic:** 0%-10%
- **Maximum Industry Exposure:** 25%[1]
- **Maximum Issuer Exposure:** 10% at time of investment[1]

Artisan Floating Rate Fund

- **Number of Issuers:** 70-125
- **Geography:** Global mandate, US bias
- **Maximum Industry Exposure:** 25%[1]
- **Maximum Issuer Exposure:** 5% at time of investment[1]

[1]Limitations apply at the time of purchase. See prospectus for further details.

- Opportunistic: 0%-10%

  Opportunistic investments are driven by market dislocations that have created a unique investment opportunity. These selective opportunities can be driven by technicals in the loan and bond markets, where a short-term tactical scenario creates pricing dislocations. This category can also be a home for company-specific catalyst-driven ideas. If we are comfortable with an underlying credit and think a meaningful catalyst is on the horizon, we may establish an opportunistic position.

Floating Rate Fund

In this investment fund, we employ a fundamental investment process to construct to a high conviction, focused portfolio of floating rate debt instruments that seeks to generate high current income and excess returns relative to its benchmark, the Credit Suisse Leveraged Loan Index. The portfolio has broad flexibility to invest across the quality spectrum in various industries and issuance sizes. At least 80% of the portfolio will be invested in attractively valued floating rate debt, including, without limitation, floating rate leveraged loans, which could include, among other types of loans, senior secured loans, unsecured loans, second lien loans, bridge loans and junior loans.

Position Size

Position sizes are based on a combination of conviction, valuation and availability of supply. We want our best ideas to have the greatest impact in the portfolio, valuation and supply permitting. Some non-investment grade securities are small in size and trade infrequently, limiting our ability to build a meaningful position.

Liquidity factors into our portfolio construction process as well. The portfolio's liquidity is monitored on a regular basis. From time to time, we will hold securities deemed to be illiquid. Any illiquid securities in the portfolio are a result of our fundamental investment process and are subject to the deep fundamental credit analysis that we perform.

Sell Discipline

Our sell discipline is straightforward: if there is a change in company fundamentals and/or there are better opportunities based on relative value for the level of risk, we will sell.

Changes to company fundamentals may include scenarios in which a business is not performing as underwritten from a financial perspective or a business makes a change that is contrary to its stated strategic direction. These situations can arise when the competitive environment changes, or when a company's growth or profits fail to meet our expectations. We will also sell if a business is not broadly fulfilling its promises, for example, not paying down its debt or doing more acquisitions than anticipated.

Relative value is another component of our sell discipline, and is the most common reason for exiting a position. We will exit a position if relative value is more attractive in a different debt instrument along the issuer's capital structure or if we think market opportunities are better elsewhere.

A Differentiated Approach

Capital Structure

Flexibility to invest across the debt capital structure in both high yield bonds and bank loans, as dictated by relative value

Ratings Agnostic

A philosophy that is ratings-aware but agnostic, resulting in atypical and idiosyncratic sector exposure

Business Quality

An adherence to business quality as a primary driver of value, without compromising for yield

Identifying Value

A preference to act as a cash flow lender at par and asset-backed lender in times of market, sector or company-specific stress

High Conviction

A high-conviction portfolio built upon deep, fundamental analysis and thoughtful credit selection

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.

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 income 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. The portfolio typically invests a significant portion of its assets in lower-rated high income securities (e.g., CCC). Loans carry risks including insolvency of the borrower, lending bank or other intermediary. Loans may be secured, unsecured, or not fully collateralized, trade infrequently, experience delayed settlement, and subject to resale restrictions. Private placement and restricted securities may not be easily sold due to resale restrictions and are more difficult to value. The use of derivatives in a portfolio may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. 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 markets.

Non-Investment Grade refers to fixed income securities with lower credit quality. Leveraged Loans are extended to companies or individuals that already have considerable amounts of debt. Duration is measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Enterprise Value is a measure of a company's value. Upside Capture is statistical measure of an investment manager's overall performance in up-markets. Margin of Safety is the difference between the market price and the estimated intrinsic value of a business. The concept was developed by Benjamin Graham and is believed to be an important measure of risk and appreciation potential. A large margin of safety helps guard against permanent capital loss and improves the probability of capital appreciation; however, a margin of safety does not prevent market loss. All investments contain risk and may lose value. Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Financial Covenants are agreed upon conditions that must be met to fulfill a loan agreement.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

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