



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 28 February 2017

Commentary

The credit markets' rally continued unabated in February as sentiment across risky assets remained ebullient. Possible factors behind the strength included: continued post-US election optimism, solid US economic data, improved corporate earnings growth, steady oil prices, range-bound Treasury yields and modest net new issuance. The BAML Index returned 1.56% and the JP Morgan Leveraged Loan Index gained 0.59%. February marked the 12th positive month in the last 13 for high yield bonds and 11th in the last 12 months for leveraged loans. Our portfolio participated in the strength, but modestly trailed the BAML Index, due primarily to our loan exposure.

Year to date, high yield bonds are up 2.92%, and leveraged loans returned 1.01%. With the majority of the loan market trading above par, there's been a record amount of loan repricing activity in recent months—contributing to the asset class's year-to-date underperformance relative to high yield.

High yield bond yields decreased 28bps to 5.64% and spreads tightened 23bps to 394bps—marking multi-year lows. Loan yields similarly dropped by 5bps to 6.09% and spreads compressed 16bps to 430bps.

By rating, CCCs outperformed for a 12th consecutive month. By sector, high yield returns were led by health care, telecom and insurance. After a strong stretch of outperformance, the energy sector was a laggard this month. The utility and retail sectors also trailed.

Default activity was minimal in February as only one company defaulted totaling \$509 million. Overall, default rates remain modest excluding the commodity sectors.

Our process seeks to exploit dislocations in the market, whether cyclical, industry or company-specific. Today, there is a general lack of dislocation with benign default rates and relatively healthy corporate fundamentals. One area where we are beginning to see increased opportunity is the retail sector, given the disruptive force of e-commerce, namely Amazon.com. Still, the opportunity set is smaller than it was 12 months ago amid the commodity-driven selloff. In a market environment such as today's, we believe it is important to remain true to our investment process—focusing on business quality and remaining disciplined about the prices we pay for the risk we take.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$10.05	\$10.04
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	4.97%	5.15%
Expense Ratios		
Annual Report 30 Sep 2016	1.03%	0.84%
Prospectus 30 Sep 2016 ¹	1.03%	0.84%

¹See prospectus for more information.

Portfolio Statistics

	Fund
Number of Holdings	123
Number of Issuers	82

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

VEREIT Inc	6.0
USI Inc	5.0
Endeavor Energy Resources LP	4.1
Williams Cos Inc	3.7
Charter Communications Inc	3.7
HUB Holdings LLC	3.2
York Risk Services Holding Corp	3.2
Kronos Inc	2.8
First Data Corp	2.8
Altice SA	2.8
TOTAL	37.3%

Source: Artisan Partners/Bloomberg. For the purpose of determining the Portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the Portfolio.

Portfolio Composition (% of total portfolio)

Corporate Bonds	76.0
Bank Loans	20.6
Equities	0.5
Cash and Equivalents	2.9
TOTAL	100.0%

Source: Artisan Partners/Bloomberg. Negative cash weightings and portfolio composition greater than 100% may be due to unsettled transactions or investment in derivative instruments.

Investment Results (%)

As of 28 February 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	1.28	2.91	2.91	20.66	—	—	—	6.79
Advisor Class: APDFX	1.20	2.83	2.83	20.77	—	—	—	6.92
BofA Merrill Lynch US High Yield Master II Index	1.56	2.92	2.92	22.30	—	—	—	4.87
As of 31 December 2016								
Investor Class: ARTFX	1.45	1.95	14.52	14.52	—	—	—	6.10
Advisor Class: APDFX	1.47	2.00	14.72	14.72	—	—	—	6.26
BofA Merrill Lynch US High Yield Master II Index	1.97	1.88	17.49	17.49	—	—	—	4.08

Source: Artisan Partners/BofA Merrill Lynch. ¹Returns for periods less than one year are not annualized.

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. Performance may reflect agreements to limit a Fund's expenses, which would reduce performance if not in effect. Unlike the Index, the High Income Fund may hold loans and other security types. At times, this causes material differences in relative performance.

Credit Quality (%)

BBB	12.8
BB	22.0
B	34.3
CCC	28.4
CC	0.8
Unrated	1.7
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	4.5
3 - <5 years	24.9
5 - <7 years	34.9
7 - <10 years	34.1
10+ years	1.6
TOTAL	100.0%

Source: Artisan Partners/Bloomberg. Percentages shown are of total fixed income securities in the portfolio.

Portfolio Construction

The team generally determines the amount of assets invested in each issuer based on conviction, valuation and availability of supply. Based on the team's analysis it divides the portfolio into three parts. Core investments are generally positions with stable to improving credit profiles and lower loan to value ratios. Spread investments are those where the team has an out-of-consensus view about a company's credit improvement potential. Opportunistic investments are driven by market dislocations that have created a unique investment opportunity. Allocations to each group will vary over time based on market conditions.

Team Leadership



Portfolio Manager	Years of Investment Experience
Bryan C. Krug, CFA	16

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 be 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.

BofA Merrill Lynch US High Yield Master II Index measures the performance of below investment grade \$US-denominated corporate bonds publicly issued in the US market. J.P. Morgan Leveraged Loan Index is designed to mirror the investable universe of the USD-denominated institutional leveraged loan market. S&P 500® Index measures the performance of 500 US large-cap companies. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

All information in this report includes all classes of shares, except performance and expense ratio information and as otherwise indicated, and is as of the date shown in the upper right hand corner unless otherwise indicated. Artisan Partners may exclude outliers when calculating portfolio statistics. If certain information is unavailable for a particular security Artisan Partners may use data from a related security to calculate portfolio characteristics. Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund. Totals may not sum due to rounding.

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30-Day SEC Yield is based on a formula specified by the SEC that calculates a fund's hypothetical annualized income, as a percentage of its assets. This hypothetical yield will differ from the fund's actual experience and as a result, income distributions from the fund may be higher or lower. **Credit Quality** ratings are from S&P and/or Moody's. Ratings typically range from AAA (highest) to D (lowest) and are subject to change. The ratings apply to underlying holdings of the Portfolio and not the Portfolio itself. If securities are rated by both agencies, the higher rating was used. Securities not rated by S&P or Moody's are categorized as Unrated/Not Rated. **Maturity Distribution** represents the weighted average of the maturity dates of the securities held in the Portfolio.

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