



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 November 2017

Commentary

Non-investment grade markets experienced one of the year's few monthly declines with returns of -0.3% (as measured by the BofA ML High Yield Master II Index). Cautious sentiment and a flood of outflows led to choppy trading conditions, and the month started with one of the asset class's biggest drawdowns for the year. The selloff proved to be short-lived as markets showed their resiliency, rallying into the back half of the month. Overall, our portfolio slightly underperformed, but remains well ahead of the benchmark for the year.

The brief risk-off environment pushed high yield spreads north of 400bps before finishing the month at 373bps. Similarly, leveraged loans saw spreads move higher before tightening to 422bps. Leveraged loans (as measured by the J.P. Morgan Leveraged Loan Index) held up better than the high yield bond segment, returning a muted 0.2%.

Idiosyncratic factors were the overarching driver of credit returns during November, leading to a great deal of dispersion across sectors and fundamentals. Telecom was the biggest contributor of weakness with returns of -2.1% after failed merger talks and a flurry of weaker-than-expected earnings weighed on a handful of the market's largest issuers. Company-specific weakness among large benchmark constituents in consumer products (-1.5%), health care (-0.4%) and media (-0.3%) were also to blame. Conversely, utilities (0.7%), energy (0.4%) and financials (0.3%) were the strongest performing sectors, helping lead the market on the upside. Across the credit spectrum, there was notable differentiation, led in part by single-name spread decompression. BB-rated securities led with flat returns followed by CCC- (-0.2%) and B-rated bonds (-0.5%).

While the market remains rich, we continue to build a distinct, high-conviction portfolio. Security selection remains key in a tight market as fundamentally weaker credits likely won't have the benefit of a generally rising tide. As always, we will look to take advantage of market dislocations and invest in issuers with high-quality business models that have compelling risk-adjusted return characteristics.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.92	\$9.92
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.20%	5.33%
Expense Ratios		
Annual Report 30 Sep 2017	1.00%	0.82%
Prospectus 30 Sep 2016 ¹	1.03%	0.84%

¹See prospectus for more information.

Portfolio Statistics	Fund
Number of Holdings	119
Number of Issuers	74

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Endeavor Energy Resources LP	5.7
VEREIT Inc	5.7
Charter Communications Inc	5.6
Altice SA	5.0
HUB Holdings LLC	4.9
Seven Generations Energy Ltd	3.9
York Risk Services Holding Corp	3.0
Carrizo Oil & Gas Inc	2.5
Ardonagh Midco 3 PLC	2.3
J Crew Group Inc	2.1
TOTAL	40.7%

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	78.7
Bank Loans	19.9
Equities	0.2
Cash and Cash Equivalents	1.2
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. Treasury futures represented net notional exposure of -0.89% of net assets.

Investment Results (%)

As of 30 November 2017	Average Annual Total Returns							
	MTD ¹	QTD ¹	YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	-0.40	0.16	8.14	9.71	7.12	—	—	6.79
Advisor Class: APDFX	-0.38	0.19	8.31	9.90	7.31	—	—	6.96
BofA Merrill Lynch US High Yield Master II Index	-0.27	0.12	7.17	9.28	5.76	—	—	5.00
As of 30 September 2017								
Investor Class: ARTFX	1.15	2.34	7.97	10.07	7.65	—	—	7.07
Advisor Class: APDFX	1.16	2.37	8.11	10.27	7.83	—	—	7.24
BofA Merrill Lynch US High Yield Master II Index	0.90	2.04	7.05	9.06	5.87	—	—	5.21

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. Unlike the Index, the High Income Fund may hold loans and other security types. At times, this causes material differences in relative performance.

Ratings Distribution (%)

BBB	6.1
BB	22.5
B	41.7
CCC	29.3
Unrated	0.4
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	5.2
3 - <5 years	26.0
5 - <7 years	31.7
7 - <10 years	32.8
10+ years	4.3
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	17

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 (BAML) 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. 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.

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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. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality.

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