



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 31 July 2018

Commentary

High yield credit markets posted their best monthly return in a year, helped by improved risk sentiment and the lightest month of issuance since 2009. The ICE BofAML US High Yield Index returned 1.1% to push YTD gains to 1.2%. Leveraged loans (JPMorgan Leveraged Loan Index) also had a strong July, returning 0.8% for the index's 11th consecutive month of positive returns. Year to date, leveraged loans remain one of the best performing fixed income segments with gains of 3.1%, well in advance of high yield and high-grade bonds. Our portfolio trailed the benchmark during the month as lower rated, high-beta credits continued to lead the market higher. Despite trailing during the month, our portfolio is outpacing the benchmark by more than 100bps YTD.

Credit spreads continue to trade in a tight range YTD but trended lower during the month, decreasing 27bps to 355bps for high yield bonds and 12bps to 392bps for leveraged loans. Similarly, the strong month pushed yields down modestly across the credit landscape, with bonds finishing at 6.4% and loans at 6.8%.

Across the credit spectrum, lower rated bonds continued to outperform relative to higher rated bonds. CCCs returned 1.4%, followed by BBs at 1.1% and Bs at 1.0%. Among sectors, automotive (1.8%) was the best performer, followed by health care (1.7%) and telecommunications (1.4%). After leading the market higher in June, retail was the worst performing sector, returning 0.2% in July.

Default activity remained very quiet for the third consecutive month, with only one company defaulting on \$670 million in bonds and loans. This follows one default in May and no defaults in June, marking the quietest three-month stretch since 2011. The par-weighted default rate ticked up slightly to 2.0% while year-over-year levels are 80bps higher. While we are seeing some signs of companies exhibiting late-cycle behavior, we expect defaults to remain muted for the remainder of the year and well below the 3.0%-3.5% long-term average.

As we move into the latter stages of this historically long credit cycle, strong fundamentals and positive technicals suggest the risk of a major drawdown is unlikely in the near term, but we're aware tail risks are rising. Accordingly, we remain focused on idiosyncratic and credit-specific relative value opportunities, and we believe our high-conviction approach will serve our investors well in an environment marked by steadfast complacency.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.82	\$9.82
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.88%	6.10%
Expense Ratios		
Semi-Annual Report 31 Mar 2018 ¹	0.97%	0.82%
Prospectus 30 Sep 2017 ²	1.00%	0.82%

¹Unaudited, annualized for the six-month period. ²See prospectus for further details.

Portfolio Statistics	Fund
Number of Holdings	148
Number of Issuers	90

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	6.3
Altice SA	5.5
Vertafore	3.7
VEREIT Inc	3.5
First Data Corp	3.2
J Crew Group Inc	2.8
EPEnergy LLC	2.7
Ferrellgas LP	2.7
Seven Generations Energy Ltd	2.6
T-Mobile USA Inc	2.6
TOTAL	35.6%

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	76.2
Bank Loans	23.5
Equities	0.2
Cash and Cash Equivalents	0.1
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 0.0% of net assets.

Investment Results (%)

As of 31 July 2018	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	0.69	0.69	2.25	4.33	7.24	—	—	6.44
Advisor Class: APDFX	0.71	0.71	2.46	4.50	7.44	—	—	6.61
ICE BofAML US High Yield Master II Index	1.12	1.12	1.19	2.49	6.16	—	—	4.58
As of 30 June 2018								
Investor Class: ARTFX	0.36	1.20	1.55	4.81	7.10	—	—	6.40
Advisor Class: APDFX	0.38	1.35	1.74	4.97	7.29	—	—	6.56
ICE BofAML US High Yield Master II Index	0.35	1.00	0.08	2.53	5.55	—	—	4.40

Source: Artisan Partners/ICE BofA Merrill Lynch. Returns 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	4.3
BB	29.1
B	43.1
CCC	23.1
Unrated	0.4
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	6.8
3 - <5 years	22.4
5 - <7 years	35.4
7 - <10 years	35.3
10+ years	0.1
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	18

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.

ICE BofAML 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. 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.

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.

Source ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC permits use of the ICE BofAML indices and related data on an "as is" basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or any data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing, and does not sponsor, endorse, or recommend Artisan Partners or any of its products or services.

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. **Par-weighted Default Rate** represents the total dollar volume of defaulted securities compared to the total face amount of securities outstanding that could have defaulted.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2018 Artisan Partners. All rights reserved.