Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 June 2018

Commentary

High yield bond markets eked out a small gain of 0.3% (ICE BofAML US High Yield Index) in June to climb into positive territory for the year. With YTD returns of 0.1%, below-investment grade bonds have experienced the lowest first-half return since 2008 as swings in equities and a pickup in Treasury yields have weighed on credit markets. Leveraged loans underperformed bonds for the second time in nine months with returns of 0.1% (JPMorgan Leveraged Loan Index) during the month, but remain among the few bright spots across risk assets with YTD gains of 2.3%. While our portfolio performed in line with the ICE BofAML US High Yield Index in June, we remain well ahead of the benchmark YTD, aided by favorable credit selection and our strategic allocation to bank loans.

Despite the increased interest-rate and equity volatility, credit spreads continued to trade in a tight YTD range. High yield bond spreads approached post-crisis lows intra-month, but finished the period 10bps higher at 382bps. Yields for bonds increased 17bps to 6.5%—the highest level since December 2016. Similarly, leveraged loan spreads increased 13bps to 404bps, while yields ticked 22bps higher to 6.8%.

Across the credit spectrum, lower rated bonds continued the trend of outperformance relative to higher rated bonds—CCCs returned 1.3%, followed by Bs at 0.5% and BBs at 0.0%. Among sectors, non-food retail (1.6%), leisure (0.9%) and food & drug retail (0.8%) led on the upside, while automotive (-1.0%), publishing (-0.4%) and railroad (-0.2%) industries were the worst laggards.

Default activity was particularly quiet in June with no defaults during the month. This follows one default in May and two defaults in April, marking the quietest three-month stretch since the fourth quarter of 2013. The light activity has pushed the par-weighted default rate down 28bps to 1.98% with year-over-year levels largely unchanged. 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.

Business Update

We are excited to announce the addition of Sagar Suryavanshi as a credit analyst on the Artisan Partners Credit Team, effective Monday, June 11. As with all analysts on the team, Sagar will serve as a generalist with sector tendencies. Prior to joining Artisan, Sagar was a vice president and senior investment analyst at Strategic Value Partners focusing on special situations and potential investment opportunities across the capital structure. Before that, he worked as a research analyst covering distressed credit and special situations at Candlewood Investment Group.

We are also announcing that Scott Baker, analyst on the Credit team, is no longer employed by Artisan Partners effective June 12, 2018. Scott's research coverage has been assumed by other members of the team, and we expect a seamless transition.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.80	$9.80
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.52%	5.74%
Expense Ratios		
Semi-Annual Report 31 Mar 2018[1]	0.97%	0.82%
Prospectus 30 Sep 2017[2]	1.00%	0.82%

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

Portfolio Statistics

	Fund
Number of Holdings	149
Number of Issuers	91

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	6.1
Altice SA	5.5
Vertafore	3.7
VEREIT Inc	3.5
First Data Corp	3.4
J Crew Group Inc	2.8
EPEnergy LLC	2.8
Ferrellgas LP	2.7
T-Mobile USA Inc	2.7
Seven Generations Energy Ltd	2.6
TOTAL	**35.8%**

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	74.8
Bank Loans	23.2
Equities	0.2
Cash and Cash Equivalents	1.8
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 (%)

				Average Annual Total Returns				
As of 30 June 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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	4.5
BB	28.8
B	42.2
CCC	24.0
Unrated	0.5
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	6.8
3 - <5 years	20.2
5 - <7 years	35.7
7 - <10 years	37.2
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	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.

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.

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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. **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.

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