Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 November 2018

Commentary

October's risk-off sentiment continued into November as trade concerns and waning global growth expectations sparked an inflection in risk-asset valuations. Escalating volatility resulted in notable spread decompression across all non-investment grade credit segments, leading to a monthly decline of 0.9% for the ICE BofAML US High Yield Index. In two months, high yield bonds have erased all their YTD gains and then some, declining 2.5%. Meanwhile, leveraged loans (as measured by the JPMorgan Leveraged Loan Index) fell 0.8% in November, marking the asset class's worst monthly decline since late 2015. Nonetheless, leveraged loans remain one of the few fixed income segments with positive YTD performance with gains of 3.5%. Our portfolio underperformed the ICE BofAML US High Yield Index during the month after being weighed down by company-specific weakness that we perceive to be short term in nature in select energy and retail issuers. Year to date, however, our portfolio's performance remains in the positive territory and has outperformed the benchmark by more than 90bps.

Credit spreads made a decisive break from the year's range-bound levels, widening ~50bps to finish at 436bps—the highest levels since December 2016. Bond yields also rose to a multi-year high, finishing 37bps higher to 7.26%. Leveraged loans experienced almost identical decompression—spreads widened 50bps to 451bps while yields (to three-year takeout) increased 36bps to 7.42%.

The month's volatility resulted in a notable divergence between higher rated and lower rated credit risk. CCC-rated bonds bore the brunt of the month's selling, declining 3.5%, while BB-rated bonds held up best with losses of 0.3%. Despite the underperformance, CCC-rated risk is still outperforming BBs by 138bps on the year. There was also a notable divergence between cyclical and non-cyclical sectors. Energy suffered the worst with returns of -3.6% on the back of a 20% decline in energy prices, while broadcasting and food and drug retail were notable outperforming areas with gains of 0.5%.

Default activity decreased in November, with three companies failing to make payments on $1.6 billion in bonds and loans. With the light volume, the high yield default rate moved below 1.9%—the lowest level since January. The benign environment is expected to continue for the remainder of the year and well into 2019. Looking out over the next 12 months, Moody's has projected default rates to decline from their currently low levels.

With the reemergence of volatility, we believe our diligent underwriting process and ability to capitalize on market inefficiencies by way of individual security selection is increasingly critical and should serve us well. The portfolio is positioned to take advantage of flare-ups in volatility and swings in credit spreads, viewing these events as opportunities to add value from mispriced securities. As always, we'll continue to focus on attractive idiosyncratic and catalyst-driven opportunities while being selective about the risks we take, believing this high-conviction process will be rewarded over our long-term investment horizon.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.44	$9.43
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.66%	6.81%
Expense Ratios		
Annual Report 30 Sep 2018	0.99%	0.82%
Prospectus 30 Sep 2017[1]	1.00%	0.82%

[1]See prospectus for further details.

Portfolio Statistics

	Fund
Number of Holdings	130
Number of Issuers	81

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	6.5
Vertafore	3.4
Beacon Roofing Supply Inc	3.2
Ferrellgas LP	2.9
J Crew Group Inc	2.8
T-Mobile USA Inc	2.8
First Data Corp	2.6
Seven Generations Energy Ltd	2.5
Endeavor Energy Resources LP	2.4
VEREIT Inc	2.4
TOTAL	**31.5%**

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	74.9
Bank Loans	18.0
Equities	0.1
Cash and Cash Equivalents	7.0
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 -1.29% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 November 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**-1.51**	**-2.82**	**0.85**	**1.54**	**7.38**	—	—	**5.65**
Advisor Class: APDFX	**-1.50**	**-2.90**	**1.00**	**1.60**	**7.53**	—	—	**5.80**
ICE BofAML US High Yield Master II Index	-0.91	-2.53	-0.07	0.22	7.12	—	—	3.97
As of 30 September 2018								
Investor Class: ARTFX	**0.58**	**2.19**	**3.77**	**4.66**	**8.67**	—	—	**6.54**
Advisor Class: APDFX	**0.59**	**2.23**	**4.01**	**4.83**	**8.86**	—	—	**6.71**
ICE BofAML US High Yield Master II Index	0.58	2.44	2.52	2.94	8.19	—	—	4.70

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	4.6
BB	29.6
B	47.5
CCC	17.5
CC	0.7
Unrated	0.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	9.5
3 - <5 years	17.3
5 - <7 years	38.0
7 - <10 years	33.1
10+ years	2.1
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.

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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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the 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. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off.

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