Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 October 2018

Commentary

Global risk-off sentiment during October bled into US credit markets, resulting in a 1.6% decline for high yield bonds (ICE BofAML US High Yield Index). Credit investors faced concerns about decelerating corporate earnings growth and headwinds from a multi-year high for Treasury yields. Still, the asset class's drawdown was fairly benign in comparison to the S&P 500® Index's decline of 6.8%—the worst monthly return since September 2011. Leveraged loans (as measured by the JPMorgan Leveraged Loan Index) were the clear standout, ring-fenced from the month's volatility, with returns that were largely unchanged, notably outperforming both higher grade and high yield segments. Our portfolio extended its outperformance relative to the benchmark, helped by our strategic allocation to leveraged loans.

Credit spreads touched cycle lows in early October before equity weakness and higher Treasury yields sent spreads 62bps wider to 388bps. Similarly, bond yields gapped 61bps higher to 6.9%—the steepest monthly increase since December 2015. Despite the risk-off environment, leveraged loan spreads (to three-year takeout) moved 19bps tighter to 401bps, while yields ticked 26bps higher to 7.1%—a new multi-year high.

All segments of the credit-quality spectrum finished lower on the month. The lower rated, higher beta cohort ended their streak of relative outperformance—CCC-rated bonds declined 2.8%, while Bs and BBs returned -1.6% and -1.4%, respectively. From a sector standpoint, more cyclical segments were among the worst performing sectors. Energy (-2.6%), automotive (-2.1%) and materials (-2.1%) led the market lower, while transportation (-0.2%), utilities (-0.6%) and leisure (-0.9%) held up best.

Default activity picked up during the month, with the volume and dollar amount of defaults hitting their highest levels since March. Four companies totaling $4.9 billion in bonds and loans failed to make payments in October. Despite the pickup in activity, the par-weighted default rate remains anchored below 2% but is 46bps higher from levels a year ago. 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 the currently low levels.

As we look forward, we believe our portfolio is well-tailored to succeed in an environment requiring a disciplined approach and careful credit selection. Among the key tenets of our success are our commitment to margins of safety and an unwavering focus on risk-adjusted return. This discipline allows us to capitalize on market inefficiencies by way of individual security selection and build a focused portfolio that we believe can perform well in any environment.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.69	$9.68
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.11%	6.26%
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	138
Number of Issuers	85

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	6.3
Vertafore	3.7
Altice USA Inc	3.7
Beacon Roofing Supply Inc	3.1
Ferrellgas LP	3.0
J Crew Group Inc	2.9
T-Mobile USA Inc	2.7
VEREIT Inc	2.6
First Data Corp	2.6
EPEnergy LLC	2.4
TOTAL	**33.0%**

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	75.1
Bank Loans	21.3
Equities	0.1
Cash and Cash Equivalents	3.5
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 -1.17% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 October 2018	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**-1.33**	**-1.33**	**2.39**	**2.69**	**7.41**	—	—	**6.11**
Advisor Class: APDFX	**-1.42**	**-1.42**	**2.53**	**2.75**	**7.56**	—	—	**6.25**
ICE BofAML US High Yield Master II Index	-1.64	-1.64	0.84	0.86	6.64	—	—	4.24
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	4.0
BB	28.5
B	47.6
CCC	19.8
Unrated	0.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	9.3
3 - <5 years	17.3
5 - <7 years	34.8
7 - <10 years	37.5
10+ years	1.1
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. 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. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off.

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