



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 30 April 2019

Commentary

High yield credit markets continued their uninterrupted ascent in April, amid better-than-expected earnings, improving global growth conditions and a favorable monetary backdrop. With these factors providing support to risk sentiment, high yield bonds (as measured by the ICE BofAML US High Yield index) delivered 1.4% to push YTD returns to 8.9%—the best four-month start since 2009. Leveraged loans were meaningfully higher, outperforming high yield bonds for the first time in 2019, with returns of 1.6% (5.5% YTD). Loan returns were helped by improved technical dynamics, with redemptions slowing materially from the pace set during the first three months of the year. During the month, our portfolio outperformed the ICE BofAML US High Yield Index, with relative returns helped by our strategic allocation to leveraged loans and notable relative strength in our energy and financials holdings.

High yield risk premiums tightened 33bps to 382bps—the narrowest levels in six months and about 50bps from cyclical lows. Leveraged loans followed a similar path, tightening 38bps to finish at 436bps. Year to date, bond spreads and loan spreads have recaptured more than 70% of the spread-widening that has occurred since touching cyclical lows in October 2018. Bond and loan yields decreased, finishing at 6.2% and 6.6%, respectively.

In terms of credit quality, range-bound Treasury yields helped lower rated risk strongly outpace higher rated risk—a notable reversal from March. CCCs led with returns of 2.3%, followed by Bs (1.5%) and BBs (1.1%). Among sectors, all segments finished the month higher, led by retail (3.5%), transportation (3.0%) and automotive (2.2%). Utilities (0.6%), materials (0.9%) and hotels (1.0%) were the weakest sectors.

Default activity increased in April, with monthly volume rising to the highest level since February 2018. In total, there were six defaults equaling \$8.1 billion in bonds and loans. Nonetheless, the 12-month par-weighted default rate remains low at 1.3%—more than 100bps lower than levels 12 months ago. Default activity is expected to trend below 2.0% for the remainder of 2019 and into 2020.

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. Nonetheless, we're aware tail risks are rising as investors contend with slowing global growth and uncertain monetary conditions. Accordingly, we remain focused on idiosyncratic and credit-specific opportunities and believe our high-conviction approach will serve our investors well over a full market cycle.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.70	\$9.70
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.65%	6.77%
Expense Ratios		
Annual Report 30 Sep 2018	0.99%	0.82%
Prospectus 30 Sep 2018 ¹	1.00%	0.83%

¹See prospectus for further details.

Portfolio Statistics	Fund
Number of Holdings	136
Number of Issuers	92

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.5
Charter Communications Inc	4.6
Vertafore	3.3
Ferrellgas LP	2.6
T-Mobile USA Inc	2.3
AssuredPartners Inc	2.2
TKC Holdings Inc	2.0
NFP Corp	2.0
Realogy Group LLC	2.0
Acrisure LLC	2.0
TOTAL	28.5%

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	69.1
Bank Loans	25.2
Equities	0.1
Cash and Cash Equivalents	5.6
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 -4.84% of net assets.

Investment Results (%)

As of 30 April 2019	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	1.68	1.68	8.25	5.59	8.12	6.32	—	6.29
Advisor Class: APDFX	1.69	1.69	8.30	5.77	8.30	6.49	—	6.46
ICE BofAML US High Yield Master II Index	1.40	1.40	8.90	6.71	7.77	4.84	—	4.93
As of 31 March 2019								
Investor Class: ARTFX	0.24	6.46	6.46	4.28	8.84	6.07	—	6.05
Advisor Class: APDFX	0.25	6.50	6.50	4.57	9.07	6.24	—	6.22
ICE BofAML US High Yield Master II Index	0.98	7.40	7.40	5.94	8.69	4.70	—	4.72

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 (%)

A	1.2
BBB	9.2
BB	18.8
B	47.0
CCC	21.1
CC	2.6
Unrated	0.1
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	12.9
3 - <5 years	21.1
5 - <7 years	38.2
7 - <10 years	20.4
10+ years	7.4
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.

© 2019 Artisan Partners. All rights reserved.