Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 August 2019

Commentary

Volatility returned to risk markets during August following additional rounds of trade escalation and retaliation. High yield credit (as measured by the ICE BofAML US High Yield Index) responded with a below-coupon return of 0.4%, outperforming equities but trailing investment grade credit. Global central banks are now widely expected to respond to slowing growth concerns with more easing in September. Recalibrating rate expectations have limited the return outlook for leveraged loans, which experienced a small decline of 0.2% (as measured by the JPMorgan Leveraged Loan Index). Weakening sentiment around the asset class has resulted in 41 consecutive weeks of outflows for retail loan funds through August. Our portfolio modestly trailed the ICE BofAML US High Yield Index in the month with relative underperformance concentrated among our leveraged loan holdings.

High yield credit spreads reacted to increased trade tension by widening more than 60bps, to move to an intra-month high of 473bps. Following the sharp reversal, spreads tightened to more normalized levels, finishing the period 25bps higher at 431bps. Leveraged loans followed a similar path, with spreads (to three-year takeout) widening 27bps to finish at 486bps.

Across the credit quality spectrum, lower rated risk continued to lag higher rated risk with the rally in interest rates. In all, BBs (1.2%) materially outperformed Bs (0.2%) and CCCs (-2.3%). Overarching risk aversion was even more apparent in distressed securities, which declined 7.2% in the month. Across sectors, real estate (1.5%) and hotels & leisure (1.5%) outperformed, while more stressed segments like energy (-2.6%) and retail (-0.8%) lagged sharply.

Default activity remained elevated during the month with volumes of $4.9 billion in defaulted bonds and loans. The 12-month par-weighted high yield default rate ticked higher to 2.5%—up 40bps from last month and 70bps higher than levels to start the year. Excluding energy, the high yield default rate is more modest at 1.3%.

In our view, the landscape continues to be broadly favorable to high yield credit investors. Fundamentals for our opportunity set remain supportive, but uncertainty regarding the direction of the global economy remains, leaving the market vulnerable to bouts of volatility, as is typical at this point in the cycle. We will continue to use these opportunities to take advantage of mispricing across companies and capital structures and believe our high-conviction approach will be rewarded over a long investment horizon.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.63	$9.63
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.23%	6.41%
Expense Ratios		
Semi-Annual Report 31 Mar 2019[1]	0.98%	0.83%
Prospectus 30 Sep 2018[2]	1.00%	0.83%

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

Portfolio Statistics

	Fund
Number of Holdings	133
Number of Issuers	92

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	6.5
Charter Communications Inc	4.3
Ardonagh Midco 3 PLC	3.9
Vertafore Inc	3.6
TKC Holdings Inc	2.8
AssuredPartners Inc	2.5
Acrisure LLC	2.5
T-Mobile USA Inc	2.3
Ferrellgas LP	2.2
NFP Corp	2.1
TOTAL	**32.7%**

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	67.9
Bank Loans	28.3
Equities	0.0
Cash and Cash Equivalents	3.8
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 -5.78% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 August 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**0.10**	**0.83**	**9.75**	**4.57**	**6.41**	**6.03**	—	**6.16**
Advisor Class: APDFX	**0.21**	**0.86**	**9.87**	**4.73**	**6.59**	**6.21**	—	**6.33**
ICE BofAML US High Yield Master II Index	0.39	0.90	11.15	6.58	6.19	4.85	—	5.01
As of 30 June 2019								
Investor Class: ARTFX	**1.45**	**2.25**	**8.85**	**5.37**	**7.60**	**6.04**	—	**6.20**
Advisor Class: APDFX	**1.47**	**2.29**	**8.94**	**5.54**	**7.78**	**6.21**	—	**6.37**
ICE BofAML US High Yield Master II Index	2.45	2.57	10.16	7.58	7.54	4.70	—	4.99

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	9.0
BB	16.9
B	52.4
CCC	19.4
CC	1.0
Unrated	0.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.5
1 - <3 years	12.5
3 - <5 years	22.7
5 - <7 years	44.5
7 - <10 years	11.5
10+ years	8.3
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	19

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. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off. **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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