Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 28 February 2019

Commentary

The year-to-date rally in credit continued throughout February, leading to the strongest two-month start for high yield markets since 2001. Credit markets continued to be aided by the rapid improvement in risk sentiment amid the Fed's dovish pivot and better-than-expected earnings. Despite mixed macro and geopolitical developments, high yield bonds (as measured by the ICE BofAML US High Yield Index) returned 1.7% in February, to push year-to-date returns to 6.4%. Leveraged loans (as measured by the JPMorgan Leveraged Loan Index) posted similar returns in February, returning 1.6%, but trail high yield's recovery with YTD returns of 4.1%. Our portfolio performed in line with ICE BofAML US High Yield Index during the month, helped by strong security selection across our capital goods and media holdings. Positive relative returns were offset by idiosyncratic weakness in energy and industrials.

High yield risk premiums continued to tighten in February, compressing 44bps to finish at 399bps. Leveraged loans followed a similar path, declining 44bps to finish at 449bps. Year to date, spreads have recaptured close to 70% of the spread-widening that has occurred since touching cyclical lows in October 2018. Bond and loan yields both decreased approximately 40bps to finish at 6.6% and 7.0%, respectively.

Across the credit spectrum, higher rated risk underperformed lower rated tiers in February. BBs returned 1.6%, compared with a 1.7% return for B-rated bonds and 2.0% for CCCs. Among sectors, all but one posted positive returns during the month. The utilities (2.6%), consumer products (2.5%) and financial (2.0%) sectors were the month's best performers, while transportation (-1.6%), media (0.4%) and telecom (1.2%) were the weakest.

Default activity remained benign in February, with just two defaults totaling $5.0 billion in bonds and loans. The 12-month par-weighted default rate decreased to 1.1% month over month—down 70bps from January levels. The notable decline can be largely attributed to iHeart's February 2018 default dropping off the 12-month calculation. The environment remains favorable for high yield credit as default activity continues to trend well below the long-term average of 3.5%.

Looking at 2019, we remain constructive on high yield credit as the fundamental and technical backdrop looks largely similar to years past. Going forward, however, we expect volatility to be an ongoing theme as investors contend with many of the same issues that weighed on markets in late 2018. With our process built on bottom-up security selection, we believe our approach of identifying mispriced securities across the credit spectrum and across capital structures will be particularly appealing during these periods of market dislocations.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.62	$9.62
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.44%	6.60%
Expense Ratios		
Annual Report 30 Sep 2018	0.99%	0.82%
Prospectus 30 Sep 2018[1]	1.00%	0.83%

[1]See prospectus for further details.

Portfolio Statistics

	Fund
Number of Holdings	127
Number of Issuers	83

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.6
Charter Communications Inc	5.1
Vertafore	3.5
Ferrellgas LP	3.0
Acrisure LLC	2.5
T-Mobile USA Inc	2.4
J Crew Group Inc	2.2
Seven Generations Energy Ltd	2.2
Altice USA Inc	2.1
NFP Corp	2.1
TOTAL	**30.7%**

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	73.6
Bank Loans	22.5
Equities	0.1
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 -5.50% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 28 February 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**1.64**	**6.20**	**6.20**	**4.12**	**10.05**	—	—	**6.10**
Advisor Class: APDFX	**1.76**	**6.23**	**6.23**	**4.30**	**10.24**	—	—	**6.27**
ICE BofAML US High Yield Master II Index	1.69	6.36	6.36	4.26	9.91	—	—	4.60
As of 31 December 2018								
Investor Class: ARTFX	**-2.53**	**-5.27**	**-1.70**	**-1.70**	**7.02**	—	—	**4.99**
Advisor Class: APDFX	**-2.41**	**-5.24**	**-1.44**	**-1.44**	**7.20**	—	—	**5.15**
ICE BofAML US High Yield Master II Index	-2.19	-4.67	-2.26	-2.26	7.27	—	—	3.41

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	11.3
BB	20.8
B	44.5
CCC	21.9
CC	1.4
Unrated	0.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.0
1 - <3 years	11.1
3 - <5 years	22.3
5 - <7 years	34.6
7 - <10 years	23.8
10+ years	8.2
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.

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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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