Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 June 2019

Commentary

Credit markets rallied in lockstep with risk assets in June as accommodative Fed rhetoric and de-escalating trade tensions supported a turnaround in risk sentiment. High yield bonds (as measured by the ICE BofAML US High Yield Index) returned 2.5% to push YTD returns in excess of 10%—one of the strongest first-half starts for the high yield market in its history. Leveraged loans lagged bonds, returning 0.3% in June for YTD returns of 5.6%. Loans continue to contend with outflows amid resetting interest rate expectations. During the month and YTD, our portfolio struggled to keep pace with the ICE BofAML US High Yield Index due to the portfolio's strategic allocation to lower beta leveraged loans.

High yield bond spreads tightened 53bps to finish at 420bps, offsetting 90bps of widening in May. Spreads remain 50bps wide of the year-to-date lows set in April. Yields followed a similar path, declining 70bps to finish at 6.0%. For loans, yields (to three-year takeout) decreased 7bps to 6.4%, while loan spreads (to three-year takeout) increased 9bps to 471bps.

Despite the risk rally, support for lower rated risk remained limited in June. Performance for CCC-rated bonds continues to lag, underperforming BBs by 150bps in the month. In all, BBs have been the biggest beneficiaries of the backup in interest rates, returning 2.8%, followed by Bs (1.9%) and CCCs (0.6%). Across sectors, all segments finished the month tighter. Materials (2.8%), real estate (2.8%) and retail (2.7%) were the strongest performers, while media (1.2%), energy (1.6%) and capital goods (1.7%) were the biggest laggards.

Default activity was limited in June, with two defaults equaling $1.0 billion in bonds and loans. Nonetheless, the 12-month par-weighted default rate ticked up to 1.5%, which remains 37bps lower than levels to start the year and 52bps lower than levels last June. Default activity is expected to trend below 2.0% for the remainder of 2019 and into 2020.

Business Update

We are excited to announce the addition of Lanny Benson as a research analyst on the Artisan Partners Credit Team. As with all members of the team, Lanny is expected to serve as a generalist with sector tendencies. Prior to joining Artisan, Lanny was an investment analyst at Goldentree Asset Management with a focus on high yield, leveraged loans and distressed credit. Before that, he was vice president and investment analyst in the distressed credit group at Deutsche Bank Securities.

We are also announcing that Joanna Booth, research analyst on the Credit team, will be leaving Artisan Partners for personal reasons during Q3 2019. We expect a seamless and thoughtful transition as Joanna's research coverage is assumed by other members of the team.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.65	$9.65
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	6.27%	6.43%
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	132
Number of Issuers	91

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	6.4
Charter Communications Inc	4.5
Ardonagh Midco 3 PLC	3.4
Vertafore	3.3
AssuredPartners Inc	3.1
Ferrellgas LP	2.5
T-Mobile USA Inc	2.5
TKC Holdings Inc	2.4
NFP Corp	2.3
W/S Packaging Holdings Inc	2.1
TOTAL	**32.5%**

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	72.3
Bank Loans	26.1
Equities	0.0
Cash and Cash Equivalents	1.6
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 -4.88% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 June 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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	8.9
BB	17.5
B	50.8
CCC	20.4
CC	1.1
Unrated	0.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 Year	0.6
1 - <3 years	11.2
3 - <5 years	21.9
5 - <7 years	41.6
7 - <10 years	16.7
10+ years	8.0
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. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **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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