Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 April 2020

Commentary

Credit markets rallied in April following one of the worst quarters for risk assets in history. Extraordinary measures announced by fiscal and monetary authorities in late March helped support the flow of credit, providing a floor to prices by mitigating a potential credit crisis. Despite a bleak economic picture, sentiment improved as the spread of new COVID-19 infections slowed and as oil prices bottomed. High yield bonds (as measured by the ICE BofA US High Yield Index) returned 4.7% in the period to push returns for the year to -9.8%. Leveraged loans (as measured by the JPMorgan Leveraged Loan Index) followed a similar path, returning 4.4% for the month. Since the March 2020 lows, both high yield bonds and leveraged loans have recovered more than 13%. Our portfolio outperformed the ICE BofA US High Yield Index in April, with relative strength attributed to outperformance from our leveraged loan allocation and strong credit selection among select health care and services holdings.

High yield credit spreads netted 114bps of tightening, moving from 875bps to start the month to 761bps to finish. All credit qualities were positive, though higher rated risk led the recovery during the month. BBs returned 4.8%, Bs 3.3% and CCCs 0.5%. Investors returned to some of the hardest hit areas, with energy (15.0%) and hotels (6.6%) among the best performing industries. Meanwhile, airlines (-21.6%) and entertainment (-8.2%) were the among worst laggards.

Default activity reached historic levels during the month, with a record 19 companies defaulting on a total of $35.7 billion in bonds and loans. The par-weighted high yield default rate jumped to a 10-year high of 4.7%—342bps higher than levels a year ago. Energy has accounted for a disproportionate share of the defaults over the last year. When excluding the effects of energy, the high yield default rate is a more benign 3.6%. Looking ahead, the economic disruption from COVID-19 and the oil price war between Saudi Arabia and Russia is expected to materially increase bond and loan defaults for the remainder of the year.

We believe the aggressive repricing has created enough compensation for the wide range of outcomes that could unfold over the coming quarters, and we view current valuations as an attractive entry point for investors with longer time horizons. With an approach consciously designed to exploit market dislocations, we will use volatility to be a selective liquidity-provider during periods of stress. Having managed through several cycles before, we know times like these require us to be discriminating and disciplined in our decision making.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$8.65	$8.64
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	7.69%	7.85%
Expense Ratios		
Annual Report 30 Sep 2019[1,2]	0.98%	0.82%
Prospectus 30 Sep 2019[2]	0.99%	0.84%

[1]Excludes Acquired Fund Fees & Expenses as described in the prospectus. [2]See prospectus for further details.

Portfolio Statistics

Number of Holdings	146
Number of Issuers	98

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	6.6
Ardonagh Midco 3 PLC	4.9
NFP Corp	3.8
Vertafore Inc	3.5
TKC Holdings Inc	3.2
Acrisure LLC	2.8
Charter Communications Inc	2.7
Surgery Center Holdings Inc	2.3
Expedia Group Inc	2.0
Carnival Corp	1.8
TOTAL	**33.6%**

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	69.2
Bank Loans	24.8
Equities	0.0
Cash and Cash Equivalents	6.0
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 -9.43% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 April 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**4.66**	**4.66**	**-9.76**	**-4.97**	**1.75**	**4.10**	**—**	**4.36**
Advisor Class: APDFX	**4.68**	**4.68**	**-9.75**	**-4.92**	**1.91**	**4.26**	**—**	**4.51**
ICE BofA US High Yield Master II Index	3.80	3.80	-9.82	-5.26	1.43	3.19	—	3.19
As of 31 March 2020								
Investor Class: ARTFX	**-13.34**	**-13.78**	**-13.78**	**-7.67**	**0.68**	**3.37**	**—**	**3.64**
Advisor Class: APDFX	**-13.36**	**-13.79**	**-13.79**	**-7.64**	**0.80**	**3.53**	**—**	**3.78**
ICE BofA US High Yield Master II Index	-11.76	-13.12	-13.12	-7.45	0.55	2.67	—	2.60

Source: Artisan Partners/ICE BofA. 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	17.3
BB	9.5
B	47.6
CCC	24.6
CC	0.7
D	0.1
Unrated	0.2
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.0
1 - <3 years	16.2
3 - <5 years	25.2
5 - <7 years	36.3
7 - <10 years	12.4
10+ years	9.9
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.

Current and future portfolio holdings are subject to risk. 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 BofA 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. Portfolio statistics calculations exclude outlier data and may substitute information from a related security if unavailable for a particular security. 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.

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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. **Non-Investment Grade** refers to fixed income securities with lower credit quality.

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