



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 31 August 2020

Commentary

Credit markets continued grinding higher in August as optimism around the economy's opening propelled investor sentiment, while the continued support from the Fed suppressed concerns of downside risks. High yield bonds advanced 1.0% (as measured by the ICE BofA US High Yield Index) to push the index into positive territory for the year. While the gains were notable, the move was muted compared to equities and rates: The S&P 500® Index gained 9.7% to make new all-time highs, while Treasury yields rose 20bps amid heavy supply and growing inflation concerns. The risk-on tone provided a strong bid across all areas of the credit market, particularly COVID-disrupted sectors. Leveraged loans also traded higher but lagged high yield bonds with returns of 1.5% (as measured by the JPMorgan Leveraged Loan Index). Year to date, loans trail bonds by 2.2%.

Our portfolio outperformed the ICE BofA US High Yield Index during the period to extend its YTD return advantage. Our collection of lower rated recovery stories, particularly in COVID-disrupted sectors, was a clear source of relative strength for the portfolio, as was the relative underweight to increasingly call-constrained BB-rated bonds. Year to date, our CCC-rated holdings outpace the CCC-sub-index by 12% and the broader high yield index by more than 5%.

High yield spreads tightened 15bps to 506bps, bringing them back in line with 20-year median levels. The general reflation of risk assets was particularly notable at the low end of the quality spectrum, which materially lags the broader index. CCCs led the market higher, returning 2.9%, followed by Bs (0.9%) and BBs (0.6%). With the gains, the percentage of distressed structures in the market fell to a six-month low helped by record new issuance that has reopened to even some of the weakest segments to raise necessary capital. Almost all industries finished with positive returns. COVID-disrupted segments were the clear standouts, led by airlines (7.6%), entertainment (4.8%) and gaming (3.5%). Railroad (-0.8%) and aerospace (-0.6%) were the only negative industries.

With the improvement in valuations and recovery in prices, default activity slowed in August. Just three companies defaulted, totaling \$1.6 billion in bonds and loans. Still, the total dollar value of defaults and distressed exchanged for the first 8 months of the year totals \$122 billion, ranking second only to 2009's \$205 billion. The par-weighted high yield default rate declined to 5.8%, which is more than 300bps from its level to start the year. Energy has accounted for a disproportionate share of the defaults, accounting for roughly a third of the year's total default transactions. When excluding the effects of energy, the high yield default rate is a more modest—but above average—3.9%.

While credit markets have recovered much of their coronavirus-induced losses, we recognize the path forward remains uncertain. The tug of war between an enormous amount of central bank liquidity and economic disruption associated with a surge in new cases means volatility likely remains a dominant feature of the market environment moving forward. We will continue to use volatility and periods of dislocations to add risk in areas with supportive fundamentals.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.59	\$9.59
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.71%	5.81%
Expense Ratios		
Semi-Annual Report 31 Mar 2020 ^{1,2}	0.99%	0.83%
Prospectus 30 Sep 2019 ³	0.99%	0.84%

¹Unaudited, annualized for the six-month period. ²Excludes Acquired Fund Fees & Expenses as described in the prospectus. ³See prospectus for further details.

Portfolio Statistics

Number of Holdings	173
Number of Issuers	104

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.4
Carnival Corp	3.4
NFP Corp	3.3
Vertafore Inc	3.1
Surgery Center Holdings Inc	2.9
Acrisure LLC	2.8
TKC Holdings Inc	2.8
Comstock Resources Inc	2.7
VistaJet Ltd	2.6
Realogy Group LLC	2.4
TOTAL	31.4%

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	72.8
Bank Loans	25.6
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 -6.26% of net assets.

Investment Results (%)

As of 31 August 2020	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	2.01	5.69	2.18	6.13	5.31	6.96	—	6.16
Advisor Class: APDFX	2.13	5.83	2.35	6.29	5.48	7.14	—	6.32
ICE BofA US High Yield Master II Index	0.98	5.81	0.75	3.71	4.51	6.28	—	4.80
As of 30 June 2020								
Investor Class: ARTFX	1.96	12.13	-3.33	1.25	3.79	5.56	—	5.40
Advisor Class: APDFX	1.97	12.18	-3.29	1.30	3.92	5.72	—	5.54
ICE BofA US High Yield Master II Index	0.97	9.61	-4.78	-1.10	2.94	4.58	—	4.00

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	15.0
BB	14.4
B	40.8
CCC	25.5
CC	1.9
Unrated	2.4
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	1.8
1 - <3 years	11.8
3 - <5 years	29.8
5 - <7 years	32.9
7 - <10 years	15.0
10+ years	8.7
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	20

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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the 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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