Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 March 2020

Commentary

Credit markets experienced a historic selloff in March as the economic consequences of the COVID-19 pandemic intensified. Noninvestment grade credit experienced a multiple standard deviation move, with the selloff in leveraged credit unprecedented in terms of severity and speed. Policymakers moved quickly, announcing several emergency measures to contain the fallout of the COVID-19 pandemic, including open-ended asset purchases and the introduction of new credit facilities to purchase investment grade debt. High yield bonds rallied from their lows with the Fed's intervention but still declined 11.8% for the month to finish the quarter down 13.1%. Leveraged loans were not immune to selling pressures and were disproportionately impacted by investors' rush for liquidity. Despite recovering close to 10% from late-months lows, leveraged loans (as measured by the JPMorgan Leveraged Loan Index) experienced their second-worst month on record, declining 12.2% to move to -13.0% for the year. Our portfolio trailed the ICE BofA US High Yield Index in March, with relative weakness attributed to our underperforming loan allocation and notable underweight to higher rated credit risk.

High yield credit spreads moved through 1,000bps late month before rallying to finish the period at 875bps. All credit qualities declined, though lower rated was most impacted by investor risk aversion. In all, BBs returned -9.3%, Bs -12.5% and CCCs -20.2%. Among sectors, energy (-34.4%) experienced its worst month on record, contributing close to a third of the broad market's decline. Additionally, entertainment (-24.8%), airlines (-21.4%) and leisure (-21.0%) were most impacted by a near-standstill in travel activity.

There was a clear pickup in default activity in the month, with five defaults totaling $18.8 billion in bonds and loans—the sixth-largest month on record. The par-weighted high yield default rate jumped to a three-year high of 3.4%. Excluding the effects of energy, the high yield default rate is still a more benign 2.4%. 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 recognize there is a lot of uncertainty, but we believe the opportunity set is the most attractive it has been in several years. In our view, the aggressive repricing has created sufficient 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)	$8.31	$8.30
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	9.69%	9.56%
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	138
Number of Issuers	94

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	7.5
Ardonagh Midco 3 PLC	5.2
NFP Corp	4.3
Vertafore Inc	3.7
Charter Communications Inc	3.1
TKC Holdings Inc	3.1
Acrisure LLC	3.0
Realogy Group LLC	2.3
Tutor Perini Corp	2.0
AssuredPartners Inc	1.7
TOTAL	**35.9%**

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	68.2
Bank Loans	25.3
Equities	0.0
Cash and Cash Equivalents	6.5
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 -10.81% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 March 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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	13.4
BB	9.4
B	51.7
CCC	24.3
CC	0.8
D	0.2
Unrated	0.2
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.0
1 - <3 years	14.1
3 - <5 years	19.9
5 - <7 years	42.1
7 - <10 years	12.6
10+ years	11.3
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 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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