Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 November 2020

Commentary

Positive COVID vaccine news and expectations for a near-term cyclical recovery resulted in a historic one-month rally for most risk assets. The knock-on effects for credit investors were obvious as junk yields reached record lows. All told, high yield bonds (as measured by the ICE BofA US High Yield Index) advanced 4.0%, to push YTD gains to 4.2%. The risk-on rotation was particularly acute in COVID-disrupted and cyclical sectors, where the most deeply discounted capital structures rallied more than 10%. Leveraged loans also participated in the rally, but limited convexity held back returns relative to bonds. Loans outperformed bonds during October's broad market weakness, but the asset class lagged in November's recovery, with returns of 2.2% (as measured by the JPMorgan Leveraged Loan Index).

Our portfolio outpaced the ICE BofA US High Yield Index during the period to extend our YTD relative return advantage. Contributing to outperformance were cyclical recovery names in retail and transportation sectors as well as strong performance from the portfolio's COVID-disrupted fallen angels. Weighing on relative returns was the portfolio's strategic allocation to leveraged loans, which trailed the broader high yield index.

With vaccine optimism, aggregate credit valuations moved materially lower, plunging 100bps to 437bps—the lowest level since February. At the same time, all-in yields breached the 2014 record lows, finishing at 4.7%. Across credit ratings, lower rated holdings retraced much of their relative underperformance from earlier in the year, with CCCs returning to pre-COVID valuations. While CCCs have lagged higher rated segments for much of the recovery, CCC spreads collapsed more than 200bps for their best month of returns since April 2016. The reach for yield was even more apparent in distressed credit, which rallied close to 14% for the month. In all, CCCs led with gains of 7.5%, followed by BBs (3.6%) and Bs (3.4%). Across industries, the biggest gainers were in recovery-reliant segments, with entertainment (15.8%) and airlines (11.6%) leading the market higher.

There were no defaults and just three distressed exchanges in November, resulting in the first month without default activity since August 2018. Looking ahead, while default activity has been elevated in 2020 due to the disruption from the pandemic, favorable market conditions, increased issuer flexibility and broad vaccine distribution in 2021 suggest we've likely seen the top of the current default cycle and should expect to see a year-over-year decline in default activity.

While credit valuations have reset materially lower, we believe there are still plenty of credit-specific opportunities for diligent credit pickers. As always, we will look to take advantage of market dislocations, focusing on idiosyncratic and catalyst-driven opportunities, believing this high-conviction approach will be rewarded over a long-term investment horizon.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.91	$9.90
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	4.45%	4.58%
Expense Ratios		
Annual Report 30 Sep 2020[1,2]	0.96%	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	177
Number of Issuers	111

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	6.1
Carnival Corp	3.8
NFP Corp	3.2
Acrisure LLC	2.8
Nordstrom Inc	2.8
Surgery Center Holdings Inc	2.7
Realogy Group LLC	2.6
TKC Holdings Inc	2.5
VistaJet Ltd	2.5
Comstock Resources Inc	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	70.8
Bank Loans	24.4
Equities	0.2
Cash and Cash Equivalents	4.6
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 -6.08% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 November 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**4.35**	**5.02**	**7.17**	**9.74**	**6.54**	**8.07**	—	**6.68**
Advisor Class: APDFX	**4.36**	**4.94**	**7.27**	**9.77**	**6.67**	**8.23**	—	**6.83**
ICE BofA US High Yield Master II Index	4.00	4.49	4.18	6.36	5.32	7.46	—	5.15
As of 30 September 2020								
Investor Class: ARTFX	**-0.13**	**5.56**	**2.04**	**5.14**	**4.87**	**7.18**	—	**6.06**
Advisor Class: APDFX	**-0.12**	**5.70**	**2.23**	**5.29**	**5.03**	**7.36**	—	**6.22**
ICE BofA US High Yield Master II Index	-1.04	4.71	-0.30	2.30	3.83	6.61	—	4.58

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	19.1
BB	11.9
B	41.4
CCC	24.4
D	0.3
Unrated	2.9
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	1.7
1 - <3 years	8.1
3 - <5 years	31.3
5 - <7 years	31.2
7 - <10 years	17.0
10+ years	10.7
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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