Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 October 2020

Commentary

High yield bond prices generated positive returns despite a late-month selloff in risk assets driven by election-related event risk, US stimulus uncertainty and rising COVID-19 infections worldwide. High yield bonds advanced 0.5% (as measured by the ICE BofA US High Yield Index) to push returns into positive territory for the year. The gains for high yield credit stand in contrast to the declines in other asset classes, notably US equities (-2.7%) and crude oil (-11.0%). Credit's resiliency was also seen across leveraged loans, which returned 0.2% (as measured by the JPMorgan Leveraged Loan Index). Year to date, loan returns (-0.4%) continue to trail those of high yield bonds (0.2%).

Our portfolio modestly outpaced the ICE BofA US High Yield Index during the period to extend our YTD relative return advantage. Contributing to outperformance was the portfolio's strategic allocation to bank loans—which outperformed the broader high yield bond market—and the ongoing reflation of some of the portfolio's cyclically exposed holdings. Additionally, the strong security selection among the portfolio's lower rated holdings further contributed to our relative performance.

High yield spreads briefly fell below 500bps in the first two weeks of the month before heightened equities volatility into the month's close pushed spreads 50bps higher to finish at 535bps. Across the credit ratings spectrum, after leading in August and September, lower rated segments lagged higher rated. In all, BBs returned 0.5%, followed by Bs (0.5%) and CCCs (0.3%). Across sectors, returns were particularly mixed. Among outperforming segments were automotive (1.6%), basic industry (1.2%) and health care (1.1%), while recovery-reliant industries like leisure (-0.7%) and energy (-0.1%) were the clear laggards.

There was a material pickup in default activity in October, with nine companies defaulting on a total of $11.5 billion in bonds and loans. As a result, the par-weighted high yield default rate climbed to 6.3%—the highest level since February 2010. Energy has accounted for a disproportionate share of the defaults, leading with a 20.0% default rate and 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—4.6%.

The conclusion to the COVID-19 story has yet to be written, and the road to recovery will include significant hurdles that underscore the importance of having a well-refined process supported by disciplined underwriting and deep credit work. 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)	$9.54	$9.53
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.54%	5.65%
Expense Ratios		
Semi-Annual Report 31 Mar 2020[1,2]	0.99%	0.83%
Prospectus 30 Sep 2019[3]	0.99%	0.84%

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

Portfolio Statistics

Number of Holdings	181
Number of Issuers	112

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.9
Carnival Corp	3.3
NFP Corp	3.1
Acrisure LLC	2.9
Surgery Center Holdings Inc	2.7
Realogy Group LLC	2.7
TKC Holdings Inc	2.7
VistaJet Ltd	2.6
Comstock Resources Inc	2.6
Nordstrom Inc	2.4
TOTAL	**30.9%**

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	75.1
Bank Loans	22.5
Equities	0.2
Cash and Cash Equivalents	2.2
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 -5.91% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 October 2020	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**0.64**	**0.64**	**2.70**	**6.04**	**4.90**	**6.85**	—	**6.08**
Advisor Class: APDFX	**0.55**	**0.55**	**2.79**	**6.07**	**5.02**	**7.01**	—	**6.23**
ICE BofA US High Yield Master II Index	0.47	0.47	0.17	2.54	3.86	6.14	—	4.59
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	17.5
BB	15.0
B	39.4
CCC	25.0
D	0.3
Unrated	2.8
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	1.7
1 - <3 years	8.6
3 - <5 years	31.0
5 - <7 years	31.4
7 - <10 years	17.2
10+ years	10.1
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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