Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 April 2021

Commentary

High yield credit continued its march higher in April, helped by stabilizing interest rates and an accelerating economic recovery. With Treasury yields down from their one-year highs, there was support for most fixed income segments, including high grade credit which had its first positive month of 2021. The ICE BofA US High Yield Index increased 1.1%—its largest monthly gain since December—to push YTD returns to 2.0%. Leveraged loans also moved higher alongside risk assets but trailed high yield bonds. The JPMorgan Leveraged Loan Index only gained 0.5% but remains a standout among fixed income segments with returns of 2.4% YTD. Across both bond and loan markets, issuers used the unprecedented yield environment and wide-open capital markets to refinance and term out of their balance sheets. Close to $50 billion in bonds and $75 billion in loans were issued in April as corporate borrowers moved to lock record-low borrowing costs.

Our portfolio performed in line with the ICE BofA US High Yield Index in April. Given the strong backdrop for credit risk, the portfolio's preference for more credit-sensitive holdings, particularly in consumer goods and leisure sectors, was a source of relative strength. Detracting from relative results was the portfolio's strategic allocation to leveraged loans, which modestly trailed the broader high yield index. For the year, the portfolio remains well ahead of the index, helped by strong credit selection and relative underweight to BB-rated credit risk.

High yield credit spreads tightened to 345bps—just 20bps from 2018's post-financial lows—while bond yields clocked in new record lows at 4.1%. The tight spread environment has led to the lowest level of pricing dispersion since 2007, characterized by the proportion of bonds trading within 100bps from the index level. Across ratings, lower rated risk outperformed higher rated risk, though the performance differential across the quality spectrum was minor. In all, CCC led with returns of 1.3%, followed by BBs (1.1%) and Bs (1.0%).

Default activity was quiet for another month, with just two companies defaulting on a total of $401 million in bonds. The relatively benign conditions over the last six months and the removal of substantial COVID-related volume in early 2020 have led the par-weighted default rate to decline to 3.2%—a 14-month low and below the 3.5% long-term average. With favorable primary market dynamics and the strong economic backdrop, we anticipate default rates will continue declining well below current levels throughout the rest of the year and into 2022.

While credit valuations have returned to pre-pandemic levels, we believe there are still plenty of credit-specific opportunities across the corporate capital structure. That said, we know now is not the time to reach for yield or abandon our underwriting discipline. As always, we'll remain focused on attractive idiosyncratic and catalyst-driven opportunities, believing this high-conviction approach will be rewarded over our long-term time horizon.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$10.26	$10.26
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	3.61%	3.76%
Expense Ratios		
Annual Report 30 Sep 2020	0.96%	0.82%
Prospectus 30 Sep 2020[1]	0.97%	0.83%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	199
Number of Issuers	123

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.3
Carnival Corp	3.8
Nordstrom Inc	2.9
Realogy Group LLC	2.7
VistaJet Ltd	2.6
NFP Corp	2.6
Acrisure LLC	2.5
TKC Holdings Inc	2.5
Surgery Center Holdings Inc	2.4
AssuredPartners Inc	2.1
TOTAL	**29.4%**

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	66.7
Bank Loans	31.6
Equities	0.2
Cash and Cash Equivalents	1.5
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 -5.20% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 April 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**1.01**	**1.01**	**3.22**	**25.79**	**8.07**	**8.60**	—	**7.14**
Advisor Class: APDFX	**1.03**	**1.03**	**3.29**	**26.13**	**8.25**	**8.78**	—	**7.31**
ICE BofA US High Yield Master II Index	1.10	1.10	2.01	20.10	6.68	7.33	—	5.41
As of 31 March 2021								
Investor Class: ARTFX	**0.65**	**2.19**	**2.19**	**30.34**	**7.86**	**9.18**	—	**7.07**
Advisor Class: APDFX	**0.77**	**2.24**	**2.24**	**30.69**	**8.07**	**9.39**	—	**7.24**
ICE BofA US High Yield Master II Index	0.17	0.90	0.90	23.31	6.53	7.94	—	5.31

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized.

Ratings Distribution (%)

BBB	15.1
BB	9.3
B	49.5
CCC	23.5
Unrated	2.6
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.0
1 - <3 years	6.8
3 - <5 years	35.6
5 - <7 years	34.5
7 - <10 years	14.3
10+ years	8.8
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. 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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