Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 August 2021

Commentary

Credit markets remained resilient despite an increase in volatility related to deteriorating COVID-19 numbers. High yield bonds (as measured by the ICE BofA US High Yield Index) posted a 0.6% gain in August—largely due to a late-month rally that pushed spreads sharply tighter. Leveraged loans (as measured by the JPMorgan Leveraged Loan Index) posted a healthy 0.5% gain this month, helped by strong retail inflows and a drop in new supply. Despite the third straight month of underperformance relative to high yield bonds, retail flows into loan funds continued. Investors' focus on interest rate risk remains a central theme, and retail loan funds have experienced positive inflows 32 of the last 33 weeks as a result. In our view, at current valuations, loans offer a superior tradeoff between yield and duration risk—particularly relative to more constrained BB-rated bonds.

Our portfolio modestly trailed the ICE BofA US High Yield Index during the month. Detracting from results were our out-of-benchmark exposures to both leveraged loans and BBB-rated bonds, which lagged the broader high yield index. At a sector level, our relative overweight to leisure and insurance sectors also weighed on relative returns. For the year, the portfolio remains ahead of the index, helped by strong credit selection and our preference for idiosyncratic credit opportunities—particularly among more cyclical segments of the market.

High yield credit spreads netted 20bps tighter in August to finish at 333bps. Within the ICE BofA US High Yield Index, lower rated risk caught up to higher-rated following last month's duration-led rally. Overall, there was little dispersion across the credit spectrum—CCCs (0.6%) led, followed by BBs (0.6%) and then Bs (0.5%).

Default activity remains quiet with just one default in August impacting $565mn in bonds. 2021 is on pace to be the lightest calendar year of defaults since 2007. As a result, the par-weighted high yield default rate stood at a 29-month low of 1.1% in August.

It's important to remember credit valuations should be measured relative to forward-looking default expectations. With the dual tailwinds of below-average default activity and elevated refinancings, current early-cycle dynamics suggest the path for spreads is likely lower, not higher. Still, with the decline in dispersion and valuations at post-GFC lows, further excess returns are likely to come from credit-specific alpha and not from broad market beta. While we don't believe the market is adequately compensating to broad, directional credit risk, we do feel the market is offering plenty of unique idiosyncratic and relative-value opportunities for fundamental investors.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$10.26	$10.25
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	3.72%	3.91%
Expense Ratios		
Semi-Annual Report 31 Mar 2021[1,2]	0.96%	0.79%
Prospectus 30 Sep 2020[3]	0.97%	0.83%

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

Portfolio Statistics

Number of Holdings	207
Number of Issuers	126

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	4.2
Carnival Corp	3.7
NFP Corp	2.8
Acrisure LLC	2.8
Charter Communications Inc	2.7
Nordstrom Inc	2.6
TKC Holdings Inc	2.5
Realogy Group LLC	2.4
VistaJet Ltd	2.4
AssuredPartners Inc	2.4
TOTAL	**28.5%**

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	61.1
Bank Loans	36.1
Equities	0.2
Cash and Cash Equivalents	2.6
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 -4.28% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 August 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**0.39**	**0.24**	**4.98**	**12.99**	**7.83**	**7.64**	—	**7.05**
Advisor Class: APDFX	**0.31**	**0.27**	**5.00**	**13.06**	**7.96**	**7.79**	—	**7.20**
ICE BofA US High Yield Master II Index	0.55	0.90	4.64	10.26	6.82	6.49	—	5.52
As of 30 June 2021								
Investor Class: ARTFX	**0.91**	**2.49**	**4.73**	**19.13**	**8.32**	**8.48**	—	**7.18**
Advisor Class: APDFX	**0.93**	**2.43**	**4.72**	**19.33**	**8.45**	**8.64**	—	**7.34**
ICE BofA US High Yield Master II Index	1.37	2.77	3.70	15.62	7.15	7.30	—	5.52

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	12.7
BB	10.3
B	53.6
CCC	21.4
Unrated	2.0
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.1
1 - <3 years	7.2
3 - <5 years	25.7
5 - <7 years	43.8
7 - <10 years	15.4
10+ years	7.8
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	21

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. **Alpha** is a quantitative measure of the volatility of the portfolio relative to a designated index. A positive alpha of 1.0 means the fund has outperformed its designated index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. The **global financial crisis (GFC)** refers to the period of extreme stress in global financial markets and banking systems between mid-2007 and early 2009.

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