Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 28 February 2021

Commentary

Credit markets rallied in the first half of February before giving up some gains in the face of higher interest rates into the month's close. Expectations for another round of fiscal stimulus and better-than-expected global growth gave momentum to the market's reflation theme that sent Treasury yields to 12-month highs. High yield bonds absorbed most of the move, tightening into higher rates. As a result, the ICE BofA US High Yield Index ended the month with a coupon-like 0.4% return. Elsewhere, leveraged loans outperformed most fixed income segments amid rising rate pressures, returning 0.6% (as measured by the JPMorgan Leveraged Loan Index). Loans have been a magnet for capital YTD as investors have used the asset class to express their interest rate views. Similarly, with the carry differential between bonds and loans relatively minimal, loans have provided leveraged credit investors the opportunity to capture similar returns with less duration risk.

Our portfolio outperformed the ICE BofA US High Yield Index for the seventh straight month. Contributing to the month's excess returns was the portfolio's relative underweight to call-constrained BB-rated bonds in favor of more credit-sensitive segments. Also, the portfolio's allocation to leveraged loans has materially outpaced the broader high yield market YTD, benefiting relative returns.

Aggregate high yield credit spreads tightened to 374bps while yields were left relatively unchanged at 4.4%. Across ratings, the divergence between higher and lower rated credit risk continued in February. More rate-sensitive BBs finished the period unchanged, while CCCs gained 1.6% as investors continued indiscriminately seeking the most discounted and highest yielding capital structures.

Default activity has substantially slowed over the last several months as distress in the market has dropped to multiyear lows. Wide open primary markets and rich equity valuations have provided distressed borrowers a number of options to address their liquidity needs—either from at-the-market equity raises or through near record-low borrowing costs. As a result, there was limited default activity in February, with just two defaults totaling $1.6 billion across bonds and loans. The par-weighted default rate was unchanged at 6.6%—though that is materially higher than the 2.5% in February of last year.

In today's environment of historically low interest rates, the case for high yield credit remains. Leveraged credit is one of the few asset classes still offering compelling yield opportunities in a world where they're increasingly rare. And while credit valuations have reset materially lower, we believe there are still plenty of credit-specific opportunities for diligent credit pickers. 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)	$10.18	$10.17
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	4.10%	4.26%
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	209
Number of Issuers	126

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

General Electric Co	5.6
Carnival Corp	4.0
Acrisure LLC	2.9
Nordstrom Inc	2.8
Comstock Resources Inc	2.7
VistaJet Ltd	2.7
NFP Corp	2.7
Realogy Group LLC	2.6
TKC Holdings Inc	2.4
Surgery Center Holdings Inc	2.4
TOTAL	**30.8%**

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	72.0
Bank Loans	27.3
Equities	0.6
Cash and Cash Equivalents	0.1
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 -5.64% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 28 February 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**0.85**	**1.53**	**1.53**	**12.23**	**7.66**	**9.82**	—	**7.06**
Advisor Class: APDFX	**0.86**	**1.46**	**1.46**	**12.36**	**7.79**	**9.98**	—	**7.22**
ICE BofA US High Yield Master II Index	0.35	0.73	0.73	8.62	6.25	8.84	—	5.35
As of 31 December 2020								
Investor Class: ARTFX	**2.61**	**7.76**	**9.97**	**9.97**	**7.21**	**8.97**	—	**7.00**
Advisor Class: APDFX	**2.73**	**7.80**	**10.20**	**10.20**	**7.41**	**9.15**	—	**7.16**
ICE BofA US High Yield Master II Index	1.91	6.48	6.17	6.17	5.89	8.43	—	5.37

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

Ratings Distribution (%)

BBB	16.9
BB	10.4
B	45.7
CCC	23.9
Unrated	3.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.0
1 - <3 years	7.4
3 - <5 years	36.3
5 - <7 years	32.0
7 - <10 years	15.0
10+ years	9.3
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	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. **Bond call option** is a contract that gives the holder the right to buy a bond by a particular date for a predetermined price.

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