Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 November 2021

Commentary

The dual headwinds of a new emerging COVID-19 variant and a decidedly more hawkish stance from Fed policymakers translated into a sudden repricing of risk that resulted in the worst loss for high yield credit market since March 2020. The ICE BofA US High Yield Index declined 1.0%, pulling down YTD returns to 3.4%. On the policy front, late-month testimony from the newly reappointed Fed Chair indicated policymakers are likely to wind down their asset purchase program sooner than expected. At this point, it is expected the only thing likely to derail the Fed's tapering plans is a significant deterioration in public health related to the new omicron variant. As a result, credit spreads' post-March tightening was entirely reversed in the final week of the month. Yields followed a similar path, rising to 4.9%—their highest levels since November 2020. Across the capital structure, leveraged loans held up better than bonds amid the volatility, led by strong retail inflows and another record month of CLO creation. While the JPMorgan Leveraged Loan Index declined 0.2% during the period, YTD outperformance relative to high yield bonds widened to 130bps.

Our portfolio modestly beat the ICE BofA US High Yield Index during the month. Our asset allocation mix was the biggest contributor to the month's relative outperformance, with our leveraged loan allocation providing ballast to the portfolio during the period's risk-off price action. For the year, the portfolio remains well ahead of the index, helped by strong credit selection and an ability to flex across the capital structure based on relative value.

High yield credit spreads widened 60bps to 485bps. Across the credit quality spectrum, the risk-off sentiment was more noticeable among lower rated and distressed segments. Overall, BBs held up best, declining 0.9%, followed by Bs (-1.0%) and CCCs (-1.4%). Despite largely uniform declines across the index, increased volatility has led to a notable uptick in dispersion across sectors and individual capital structures.

While volatility increased, default activity remained quiet with just one borrower defaulting on $1.9 billion in bonds and loans. As a result, the par-weighted high yield default rate declined further to 0.4% in November. Through the first 11 months of the year, just 12 companies have defaulted, on pace for the lowest calendar year default volume since 2007.

As we look ahead, we expect valuation constraints and an uptick in risk asset volatility will likely lead to incrementally more differentiation across industries and capital structures, favoring an active approach. Ultimately, fundamentals drive returns, and our ability to independently assess credit risk can create meaningful opportunities for alpha when opinions of market direction diverge.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.88	$9.88
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	4.34%	4.53%
Expense Ratios		
Annual Report 30 Sep 2021	0.95%	0.79%
Prospectus 30 Sep 2020[1]	0.97%	0.83%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	208
Number of Issuers	130

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Carnival Corp	3.5
Acrisure LLC	3.4
Ultimate Software Group Inc	3.1
NFP Corp	2.8
Medline Industries Inc	2.8
TKC Holdings Inc	2.4
VistaJet Ltd	2.4
Nordstrom Inc	2.3
Surgery Center Holdings Inc	2.2
Realogy Group LLC	2.1
TOTAL	**27.0%**

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	59.8
Bank Loans	38.9
Equities	0.3
Cash and Cash Equivalents	1.0
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 -1.34% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 November 2021	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**-0.93**	**-0.92**	**4.61**	**7.35**	**8.53**	**7.33**	—	**6.76**
Advisor Class: APDFX	**-0.82**	**-0.80**	**4.78**	**7.64**	**8.74**	**7.50**	—	**6.93**
ICE BofA US High Yield Master II Index	-1.02	-1.20	3.42	5.39	7.10	6.12	—	5.18
As of 30 September 2021								
Investor Class: ARTFX	**0.58**	**0.82**	**5.59**	**13.79**	**7.83**	**7.63**	—	**7.05**
Advisor Class: APDFX	**0.59**	**0.86**	**5.62**	**13.86**	**7.97**	**7.78**	—	**7.21**
ICE BofA US High Yield Master II Index	0.03	0.94	4.67	11.46	6.62	6.35	—	5.46

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	2.9
BB	12.8
B	56.0
CCC	26.2
Unrated	2.1
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.9
1 - <3 years	6.4
3 - <5 years	21.6
5 - <7 years	47.4
7 - <10 years	20.3
10+ years	3.4
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%. **Collateralized Loan Obligation (CLO)** is a security backed by a pool of debt.

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