Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 30 April 2022

Commentary

April proved to be another difficult month for credit markets as investors faced tighter monetary conditions and global slowdown risks. The path of interest rates has largely dictated the direction of markets so far this year, but it was also repricing credit risk that weighed on returns in April. For high yield bonds, the dual shocks of higher rates and materially wider spreads resulted in the third-worst month of returns since the Great Financial Crisis. The ICE BofA US High Yield Index returned -3.6%, pushing YTD losses to 8.0%.

Leveraged loans showed notable resilience, producing a modest gain of 0.2% (as measured by the JPMorgan Leveraged Loan Index). Loans again benefited from strong demand for floating-rate assets during a period of higher interest rates and limited new supply. As a result, April represented the strongest month of outperformance for leveraged loans relative to high yield bonds in the last decade. For the year, loans continue to be the among the most resilient fixed income segments, given limited sensitivity to rising interest rates.

Our portfolio outperformed the ICE BofA US High Yield Index for another month, extending YTD excess returns to more than 400bps. The portfolio's short-duration bias—largely from the portfolio's leveraged loans stake—helped the portfolio withstand the pressures from higher interest rates. Similarly, the portfolio's underweight to BB-rated risk in favor of more credit-sensitive risk was also a notable contributor.

Credit valuations responded to the risk-off environment, widening 70bps to finish the month at 420bps. This weakness pushed all-in yields above 7% for the first time since May 2020. Across the credit spectrum, lower-rated risk underperformed with broader economic growth concerns. While current spread levels remain well below long-term averages, the volume of bonds trading below $80 increased dramatically during the month. This is partially explained by higher interest rates, but also suggests risk aversion toward lower quality credit risk is beginning to emerge.

Despite widespread volatility, the backdrop for corporate fundamentals remains supportive. The month saw three defaults, impacting just $1 billion in loans. The lack of activity kept the 12-month default rate anchored below 0.5%.

As investor risk tolerance wanes and bouts of volatility become more frequent, we will use the growing dispersion as an opportunity to strategically invest in credits with attractive risk-reward profiles. A key differentiator of our approach is our ability to migrate up and down the credit spectrum and across the capital structure as opportunities warrant. Given our historical track record of navigating different credit cycles, we believe our portfolio is well-tailored for the current environment, where disciplined underwriting and deep credit work is essential.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.42	$9.41
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	5.42%	5.62%
Expense Ratios		
Annual Report 30 Sep 2021	0.95%	0.79%
Prospectus 30 Sep 2021[1]	0.96%	0.80%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	211
Number of Issuers	131

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Acrisure LLC	3.6
NFP Corp	3.2
Charter Communications Inc	3.1
Carnival Corp	3.0
Altice France	2.9
NCL Corp Ltd	2.8
TKC Holdings Inc	2.6
Virgin Media Secured Finance PLC	2.4
Callon Petroleum Co	2.4
Altice USA Inc	2.3
TOTAL	**28.3%**

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	73.9
Bank Loans	18.5
Equities	0.4
Cash and Cash Equivalents	7.2
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 -1.17% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 30 April 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**-2.47**	**-2.47**	**-3.92**	**-1.24**	**5.69**	**5.53**	**—**	**6.07**
Advisor Class: APDFX	**-2.46**	**-2.46**	**-3.97**	**-1.18**	**5.82**	**5.70**	**—**	**6.22**
ICE BofA US High Yield Master II Index	-3.64	-3.64	-7.99	-4.96	2.64	3.56	—	4.08
As of 31 March 2022								
Investor Class: ARTFX	**-0.09**	**-1.49**	**-1.49**	**2.29**	**7.17**	**6.35**	**—**	**6.46**
Advisor Class: APDFX	**-0.08**	**-1.56**	**-1.56**	**2.34**	**7.30**	**6.50**	**—**	**6.62**
ICE BofA US High Yield Master II Index	-0.93	-4.51	-4.51	-0.29	4.40	4.56	—	4.60

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	4.0
BB	18.7
B	48.6
CCC	26.1
Unrated	2.6
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.2
1 - <3 years	3.7
3 - <5 years	25.3
5 - <7 years	39.2
7 - <10 years	27.4
10+ years	4.2
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. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. 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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