Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 July 2022

Commentary

High yield bonds recorded their best month of returns in a decade as expectations for a dovish policy shift helped stabilize interest rates and reignite risk sentiment. The US high yield market shrugged off a 75bps increase in the Fed's benchmark interest rates for the second straight month. Instead, investors chose to focus on the potential for a shallower tightening cycle in the face of a slowing economy, which led to the downward shift in the pricing of the Fed Funds rate over the next year. For high yield bonds, the combination of stabilizing interest rates and improved sentiment led to plunging yields and collapsing credit spreads. The ICE BofA US High Yield Index advanced 6.0% to push YTD returns to -8.9%.

Across the capital structure, leveraged loans participated in the rally but trailed high yield bonds. The 1.9% gain for the Credit Suisse Leveraged Loan Index marks the largest month of underperformance on record relative to high yield bonds since 2008. Despite underperformance, loans remained one of the best performing segments across both equity and fixed income asset classes.

Our portfolio trailed the ICE BofA US High Yield Index during the month but maintained a lead over the benchmark of more than 230bps YTD. The same drivers that have contributed to the portfolio's strong relative performance this year were the main reason for the month's underperformance. The portfolio's out-of-benchmark allocation to leveraged loans materially trailed the broader high yield market and accounted for all the month's relative weakness.

High yield credit spreads briefly breached 600bps early in the month before collapsing 100bps to 497bps. The move marks the largest month of spread tightening since November 2020. Across ratings, performance was relatively uniform, though higher rated risk performed best with the move lower in interest rates. In all, BBs led with gains of 6.2%, followed by Bs (6.1%) and CCCs (4.9%).

The credit backdrop remained benign despite the moderate uptick in distress. July saw just one company default on a total of $7.9 billion in bonds and loans. The par-weighted US high yield default rate was largely unchanged month-over-month at 0.76% but is 45bps above the record lows set in February. As we look ahead, corporate issuers are in a stronger position to weather a slowdown relative to past cycles, but balance sheets are likely to revert to more normal liquidity positions. We believe this will inevitably increase defaults from current cyclical lows.

For credit investors, a worsening macro picture has been met with a much better set of valuations. Dispersion is widespread, and pricing between industries and capital structures has become increasingly differentiated. In our view, this has created the most attractive opportunity set for credit selection we've seen since the depths of the pandemic. We expect the continued uptick in dispersion to create attractive opportunities for credit selection and the potential for further outperformance.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.03	$9.03
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	7.59%	7.76%
Expense Ratios		
Semi-Annual Report 31 Mar 2022[1]	0.94%	0.78%
Prospectus 30 Sep 2021[2]	0.96%	0.80%

[1]Unaudited, annualized for the six-month period. [2]See prospectus for further details.

Portfolio Statistics

Number of Holdings	203
Number of Issuers	126

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Acrisure LLC	3.9
Charter Communications Inc	3.7
NFP Corp	3.6
Altice France	3.3
Carnival Corp	3.3
Virgin Media Secured Finance PLC	2.8
NCL Corp Ltd	2.7
Altice USA Inc	2.6
TKC Holdings Inc	2.6
Medline Industries Inc	2.3
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	76.2
Bank Loans	16.8
Equities	0.4
Cash and Cash Equivalents	6.6
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 -1.05% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 31 July 2022	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**4.83**	**4.83**	**-6.50**	**-5.13**	**4.29**	**4.52**	—	**5.54**
Advisor Class: APDFX	**4.85**	**4.85**	**-6.40**	**-4.95**	**4.50**	**4.69**	—	**5.71**
ICE BofA US High Yield Master II Index	6.02	6.02	-8.86	-7.73	1.75	2.92	—	3.83
As of 30 June 2022								
Investor Class: ARTFX	**-6.42**	**-9.46**	**-10.81**	**-9.64**	**2.91**	**3.78**	—	**5.00**
Advisor Class: APDFX	**-6.30**	**-9.31**	**-10.72**	**-9.38**	**3.08**	**3.94**	—	**5.17**
ICE BofA US High Yield Master II Index	-6.81	-9.97	-14.04	-12.66	-0.04	1.95	—	3.14

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	3.7
BB	19.1
B	48.9
CCC	24.4
Unrated	3.9
TOTAL	**100.0%**

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.1
1 - <3 years	4.5
3 - <5 years	23.8
5 - <7 years	43.4
7 - <10 years	25.8
10+ years	2.4
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	22

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. Credit Suisse (CS) Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the US dollar-denominated leveraged loan market. New issues are added to the index on their effective date if they qualify according to the following criteria: loan facilities must be rated "BB" or lower; only fully funded term loan facilities are included; and issuers must be domiciled in developed countries. 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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