Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 December 2023

Commentary

Our portfolio marginally underperformed the ICE BofA US High Yield Index in December. Similar to last month, positive security selection in bonds contributed to performance while our allocation to leveraged loans detracted from relative returns. For the calendar year, our loan allocation outperformed both our bond allocation and the high yield index, providing valuable diversification and alpha. From a sector perspective, our allocations to telecom and energy contributed positively while our holdings in technology detracted.

In a continuation of November's strong performance, risk markets continued to rally on the back of slowing inflation and perceived dovish Federal Reserve rhetoric. High yield bonds, as measured by the ICE BofA US High Yield Index, gained 3.7% in the month, bringing the calendar year total to 13.5%, the index's best return since 2019. While leveraged loans (as measured by the Credit Suisse Leveraged Loan Index) lagged bonds, they still produced positive gains of 1.6%, bringing their calendar year total to 13.0%, the index's best return since 2009. Over $13 billion of high yield new issuance priced during the month, bringing the total for the year to $175.9 billion; while this exceeded the historically low issuance in 2022, the bulk of the issuance was refinancing related. Excluding refinancing, roughly $59 billion priced during the year, in line with 2022.

By credit quality, CCC bonds posted gains of 5.8%, significantly exceeding BBs and Bs. For the full calendar year, CCCs returned 20.4%, compared to 11.4% for BBs and 14.0% for Bs. Despite this strong performance, CCC spreads remain at a wider spread level than at the end of 2021, while BBs and Bs have rallied inside of their year-end 2021 levels. The same story can be said for leveraged loans, where CCCs remain more than 400bps wider than December 2021 levels. We believe the lagged recovery of lower quality credit versus their higher quality counterparts continues to create opportunities for us to buy misunderstood—and often misrated—issuers at attractive levels.

Default activity in December was the lightest in over a year, with only three distressed exchanges/defaults occurring across bonds and loans. The par-weighted default rate ended the year at 2.8% for bonds and 3.1% for loans, outperforming consensus expectations coming into the year. An additional $5 billion par value of rising stars was upgraded in the month to investment grade, though this was offset by nearly $7 billion in fallen angels. For the year, rising stars massively exceeded fallen angels by more than $110 billion, recording the largest year ever of upgrades to investment grade from a par perspective.

Credit markets defied expectations in 2023, with bonds and leveraged loans returning their best calendar years since 2019 and 2009, respectively. Despite a significant tightening in spreads over the year, credit dispersion remains under the surface, particularly in smaller issue size and perceived lower quality segments of the market. We believe this environment continues to provide ample opportunity for selective "credit pickers," focusing on uncovering opportunities through rigorous fundamental due diligence. In addition, nominal yield levels remain elevated compared to those offered during the post-global financial crisis period, with both bonds and loans providing the potential for high single-digit returns. Despite this optimism, we remain cognizant of any deterioration in business fundamentals, particularly as companies refinance debt in a higher interest rate regime. Overall, as we enter an uncertain 2024, we continue to view the asset class as a valuable constituent of a diversified portfolio and remain steadfastly focused on outperformance through our high-conviction and flexible approach.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.03	$9.03
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.06%	8.24%
Expense Ratios		
Annual Report 30 Sep 2023	0.94%	0.79%
Prospectus 30 Sep 2022[1]	0.95%	0.80%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	219
Number of Issuers	120

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	4.0
Carnival Corp	4.0
NFP Corp	3.5
Acrisure LLC	3.3
NCL Corp Ltd	3.2
Virgin Media Secured Finance PLC	2.7
Altice France	2.7
Medline Industries Inc	2.6
TKC Holdings Inc	2.4
VistaJet Ltd	2.1
TOTAL	**30.5%**

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	75.0
Bank Loans	14.7
Equities	0.3
Cash and Cash Equivalents	10.0
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 0.00% of net assets.

Investment Results (%)

As of 31 December 2023	MTD	QTD	YTD	Average Annual Total Returns: 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**3.39**	**6.66**	**15.69**	**15.69**	**3.45**	**6.77**	—	**5.90**
Advisor Class: APDFX	**3.41**	**6.83**	**15.87**	**15.87**	**3.61**	**6.94**	—	**6.06**
ICE BofA US High Yield Index	3.69	7.06	13.46	13.46	2.00	5.21	—	4.33

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	4.4
BB	27.1
B	38.4
CCC	26.0
D	0.2
Unrated	3.9
TOTAL	**100.0%**

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.9
1 - <3 years	7.8
3 - <5 years	42.0
5 - <7 years	40.9
7 - <10 years	6.5
10+ years	1.9
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.

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Team Leadership

Portfolio Manager	Years of Investment Experience
Bryan C. Krug, CFA	23

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. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. 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. Use of derivatives 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 and less developed markets, including frontier markets.

ICE BofA US High Yield 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. **Options-Adjusted Spread (OAS)** measures the portfolio's yield spread for fixed income securities relative to a benchmark, typically a treasury yield curve, adjusted to account for embedded options. **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. **Rising Star** is a bond that was once rated below investment grade (BB+ or below) by major rating agencies that is subsequently upgraded to investment grade (BBB- or above). **Fallen Angel** is a bond that was once rated investment grade (BBB- or above) by major rating agencies that is subsequently downgraded to below investment grade (BB+ or below).

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