



Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 28 February 2023

Commentary

Credit markets fell under the weight of higher interest rates in February as stronger-than-expected macro data fueled speculation the Federal Reserve will continue its campaign for higher interest rates. Two-year Treasury yields responded by rising 70bps to reach their highest levels since 2007. The selloff in interest rates was the primary driver of underperformance for high yield bonds, though this was somewhat offset by another month of spread tightening. The ICE BofA US High Yield Index finished the month with losses of 1.3% for YTD gains of 2.6%. Conversely, floating-rate structures benefited from the rapidly resetting interest rate environment. Leveraged loans (as measured by the Credit Suisse Leveraged Loan Index) posted their fifth consecutive month of gains in February, advancing 0.6% for YTD gains of 3.2%.

During the month, our portfolio outperformed the ICE BofA US High Yield Index, primarily due to asset allocation decisions. Our leveraged loan allocation materially outpaced the broader high yield index, and our underweight to rate-sensitive BB-rated bonds benefited relative returns given the swift move higher in interest rates.

High yield index spreads tightened 6bps to 435bps, moving well inside their 10-year average. Meanwhile, yields had their biggest selloff since September, reaching 8.7%. Across the rating spectrum, lower rated risk materially outperformed higher rated risk. BBs—the most sensitive to changing interest rates—were the worst performing cohort, while CCCs gained for the second straight month. In all, CCCs led with gains of 0.2%, followed by Bs (-1.0%) and BBs (-1.8%).

February experienced a material uptick in default activity with seven defaults or distressed exchanges impacting \$13.9 billion in bonds and loans. Despite default volumes rising to their highest levels since mid-2020, the par-weighted high yield default rate edged only slightly higher to 1.7%. Outside of a handful of issuers, fundamentals continue to show resilience with leverage at all-time lows and operating earnings above average. As a result, we expect default rates to trend modestly higher, but this dynamic should keep defaults broadly in line with long-term averages.

While we acknowledge credit markets remain vulnerable to shifts in sentiment, we believe strong credit fundamentals should provide an underappreciated level of support to the market that will keep spreads contained and drawdowns limited. We will continue to use growing dispersion to strategically invest in credits with attractive risk-reward profiles and believe our ability to capitalize on market inefficiencies through individual security selection will be a key differentiator in the year ahead.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$8.64	\$8.64
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.84%	8.91%
Expense Ratios		
Annual Report 30 Sep 2022	0.94%	0.79%
Prospectus 30 Sep 2022 ¹	0.95%	0.80%

¹See prospectus for further details.

Portfolio Statistics

Number of Holdings	201
Number of Issuers	119

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	4.0
Acrisure LLC	3.9
NFP Corp	3.4
Carnival Corp	3.4
Altice France	3.1
NCL Corp Ltd	2.9
Medline Industries Inc	2.8
Virgin Media Secured Finance PLC	2.8
VistaJet Ltd	2.2
Altice USA Inc	2.2
TOTAL	30.7%

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	77.7
Bank Loans	15.3
Equities	0.3
Cash and Cash Equivalents	6.7
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 28 February 2023	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	-1.03	3.94	3.94	-4.93	3.21	4.10	—	5.20
Advisor Class: APDFX	-0.91	3.96	3.96	-4.70	3.39	4.26	—	5.36
ICE BofA US High Yield Master II Index	-1.29	2.57	2.57	-5.52	1.14	2.70	—	3.57
As of 31 December 2022								
Investor Class: ARTFX	-1.95	1.82	-9.82	-9.82	1.71	3.35	—	4.83
Advisor Class: APDFX	-1.82	1.99	-9.68	-9.68	1.89	3.54	—	5.00
ICE BofA US High Yield Master II Index	-0.75	3.98	-11.22	-11.22	-0.23	2.12	—	3.34

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	4.8
BB	17.2
B	50.6
CCC	25.0
Unrated	2.4
TOTAL	100.0%

Source: S&P/Moody's.

Maturity Distribution (%)

< 1 year	0.0
1 - <3 years	6.7
3 - <5 years	26.7
5 - <7 years	49.4
7 - <10 years	14.4
10+ years	2.8
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. 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 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.

All information in this report includes all classes of shares, except performance and expense ratio information and as otherwise indicated, and is as of the date shown in the upper right hand corner unless otherwise indicated. Portfolio statistics calculations exclude outlier data and certain securities which lack applicable attributes, such as private securities. Artisan Partners may substitute information from a related security if unavailable for a particular security. Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund. Totals may not sum due to rounding.

This material is provided for informational purposes without regard to your particular investment needs and shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

Source ICE Data Indices, LLC is used with permission. ICE® is a registered trademark of ICE Data Indices, LLC or its affiliates and BofA® is a registered trademark of Bank of America Corporation licensed by Bank of America Corporation and its affiliates ("BoFA"), and may not be used without BoFA's prior written approval. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and, along with the ICE BofA trademarks, has been licensed for use by Artisan Partners Limited Partnership. ICE Data and its Third Party Suppliers accept no liability in connection with the use of such index data or marks. See www.artisanpartners.com/ice-data.html for a full copy of the Disclaimer.

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.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

© 2023 Artisan Partners. All rights reserved.