Artisan Floating Rate Fund

MONTHLY
Commentary

Investor Class: ARTUX | Advisor Class: APDUX

As of 28 February 2023

Commentary

Risk markets declined 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. Floating-rate structures benefited from the rapidly resetting interest rate environment, and leveraged loans (as measured by the Credit Suisse Leveraged Loan Index) posted their fifth consecutive month of gains in February, advancing 0.6%.

During the month, our portfolio outperformed the Credit Suisse Leveraged Loan Index, primarily due to credit selection. Idiosyncratic strength from our telecom, financials and services holdings was the largest source of outperformance. Similarly, the portfolio's single-B exposure outperformed with the strong recovery in lower rated risk and limited price upside in BB-rated loans. As we look ahead, loans are well-positioned to benefit with any rebound in economic activity. The asset class provides a material yield advantage against their high yield counterparts, and while higher inflation weighs on fixed-rate credit, loans remain insulated from the cross currents of increased rate volatility.

Leveraged loan spreads were largely unchanged, finishing the month at 586bps (three-year life). However, loan yields rose significantly to 10.5%, reflecting a rapidly rising forward curve. Across the rating spectrum, lower rated risk broke its streak of underperformance with CCCs (+2.3%) outperforming BBs (0.0%) for the first time since August. Second lien loans also staged a strong recovery, with the first month of outperformance against first liens since April 2022.

February experienced an uptick in default activity with four companies defaulting or restructuring on $7.3 billion in loans. The par-weighted leveraged loan default rate edged only slightly higher to 1.5%. Outside of a handful of issuers largely concentrated within health care, fundamentals continue to show resilience with leverage at all-time lows and operating earnings above average. While we expect default rates to trend modestly higher, 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

	ARTUX	APDUX
Net Asset Value (NAV)	$9.48	$9.48
Inception	1 Dec 2021	1 Dec 2021
30-Day SEC Yield (%)*	7.34/8.80	8.32/8.90
Expense Ratios (% Gross/Net)		
Annual Report 30 Sep 2022[1,2,3,4]	7.19/1.20	1.61/1.10
Prospectus 30 Sep 2022[2,4]	7.22/1.23	1.64/1.13

*Unsubsidized/subsidized. [1]For the period from commencement of operations 1 Dec 2021 through 30 Sep 2022. [2]Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2024. [3]Excludes Acquired Fund Fees and Expenses as described in the prospectus. [4]See prospectus for further details.

Portfolio Statistics

	Fund
Number of Holdings	65
Number of Issuers	52

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Ultimate Software Group Inc	5.2
KUEHG Corp	5.1
Nexus Buyer LLC	4.6
Gridiron Fiber Corp	4.5
Medline Industries Inc	3.7
Amynta Agency Borrower Inc	3.1
Renaissance Learning Inc	2.9
AssuredPartners Inc	2.8
Employbridge LLC	2.7
Ancestry.com Operations Inc	2.7
TOTAL	**37.3%**

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.

Investment Results (%)

As of 28 February 2023	MTD	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTUX	**0.99**	**3.19**	**3.19**	**1.89**	—	—	—	**0.64**
Advisor Class: APDUX	**1.00**	**3.20**	**3.20**	**2.00**	—	—	—	**0.74**
Credit Suisse Leveraged Loan Index	0.63	3.21	3.21	2.26	—	—	—	2.19
As of 31 December 2022								
Investor Class: ARTUX	**0.08**	**1.93**	**-2.02**	**-2.02**	—	—	—	**-2.14**
Advisor Class: APDUX	**0.09**	**1.96**	**-1.92**	**-1.92**	—	—	—	**-2.04**
Credit Suisse Leveraged Loan Index	0.36	2.33	-1.06	-1.06	—	—	—	-0.43

Source: Artisan Partners/Credit Suisse. Returns for periods less than one year are not annualized.

Ratings Distribution (%)

BBB	3.8
BB	7.1
B	79.4
CCC	9.4
Unrated	0.3
TOTAL	**100.0%**

Source: S&P/Moody's.

Sector Diversification (% of portfolio securities)

Automotive	0.6
Banking	0.0
Basic Industry	0.9
Capital Goods	9.7
Consumer Goods	7.6
Energy	0.0
Financial Services	10.6
Health Care	5.4
Insurance	12.0
Leisure	3.9
Media	4.0
Real Estate	0.0
Retail	0.3
Services	16.3
Technology & Electronics	23.8
Telecommunications	5.1
Transportation	0.0
Utility	0.0
Other	0.0
TOTAL	**100.0%**

Source: Artisan Partners/ICE BofA. Cash and cash equivalents represented 5.1% of the total portfolio.

Region/Country Allocation (% of portfolio securities)

REGION	
AMERICAS	**100.0**
United States	100.0
EUROPE	—
TOTAL	**100.0%**

Source: Artisan Partners. Breakdown based on issuer country of domicile, excluding cash.

Portfolio Construction

A high-conviction portfolio comprised primarily of floating rate debt instruments that are attractively valued. At least 80% will be invested in floating rate leveraged loans, which could include, among other types of loans, senior secured loans, unsecured loans, second lien loans, bridge loans and junior loans. The portfolio has a bias toward US issuers but has the ability to invest globally. It also has flexibility to invest across the quality spectrum, in various industries and issuance sizes.

Team Leadership (Pictured left to right)


Portfolio Managers	Years of Investment Experience
Bryan C. Krug, CFA (Lead)	22
Seth B. Yeager, CFA	19

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.

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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Sector exposure percentages reflect sector designations as currently classified by ICE BofA.

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. The unsubsidized yield excludes the effect of fee waivers. 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. **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. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off. **Discount margin (DM)** is the average expected return of a floating-rate security that's earned in addition to the index underlying, or reference rate of, the security.

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