



Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 30 November 2023

Commentary

Our portfolio marginally underperformed the ICE BofA US High Yield Index in November. Positive security selection in bonds contributed to performance, while our allocation to leveraged loans detracted from returns in a reversal of prior months. Year to date, our loan allocation remains a significant contributor to excess return. From a sector perspective, our allocations to leisure and media contributed positively while our holdings in technology detracted.

Risk markets rallied during the month on the back of perceived dovish Federal Reserve rhetoric and softer inflation data. High yield bonds, as measured by the ICE BofA US High Yield Index, gained 4.5% in their largest single month total return since July 2022 from a combination of significant spread tightening and a material decline in Treasury yields. November's total return for high yield ranks in the 97th percentile over the last 10 years, a level of return usually associated with sharp rallies following market troughs. Leveraged loans, as measured by the Credit Suisse Leveraged Loan Index, returned 1.2% to extend their gains to more than 11% year to date. The more positive market tone helped bring over \$19 billion in new issue supply to high yield, \$15 billion of which was related to refinancings.

By credit quality, higher rated bonds (BB) and loans (BB/split BB) performed the strongest in the month in their respective markets, while CCCs lagged but still produced strong returns. This phenomenon can be common in periods of strong, broad-based price momentum—particularly when accompanied by a rally in Treasury yields—as the more liquid, higher quality segment of the market generally reacts quicker to risk rallies. We retain high conviction in our current overweight to B and CCC credits, which is largely driven by idiosyncratic opportunities and the team's ability to find overlooked issuers offering attractive yields and spreads.

Default activity was modest, with eight defaults/distressed transactions occurring in the month across bonds and loans. One issuer, Ligado Networks, accounted for the majority of par defaulted across the eight market defaults; we held no exposure to the name in our portfolio. The par-weighted default rate for bonds and loans was 2.9% and 3.1% respectively, up modestly from the start of the year but in line with long-term averages. Rising star/fallen angel activity was muted during the month, with one issuer upgraded to investment grade status while two issuers were downgraded to below investment grade; year to date, rising stars (\$120 billion) continue to outnumber fallen angels (\$7 billion) significantly.

After a strong November, high yield markets have returned over 9.4% year to date while leveraged loans are closing in on their best calendar year return since 2009 with a total return over 11% year to date. Despite the year's strong performance, yields remain attractive compared to historical standards, and both high yield and leveraged loan indices are priced at a discount to par. As we head into the end of the year with an uncertain 2024 in sight, we believe leveraged credit markets continue to offer investors an attractive combination of income generation and price appreciation potential.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$8.79	\$8.79
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.94%	9.11%
Expense Ratios		
Annual Report 30 Sep 2023	0.94%	0.79%
Prospectus 30 Sep 2022 ¹	0.95%	0.80%

¹See prospectus for further details.

Portfolio Statistics

Number of Holdings	215
Number of Issuers	117

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	4.0
Carnival Corp	4.0
Acrisure LLC	3.4
NCL Corp Ltd	3.2
NFP Corp	3.2
Virgin Media Secured Finance PLC	2.7
Medline Industries Inc	2.7
Altice France	2.5
TKC Holdings Inc	2.5
VistaJet Ltd	2.2
TOTAL	30.4%

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	75.9
Bank Loans	15.1
Equities	0.3
Cash and Cash Equivalents	8.7
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 30 November 2023	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	4.29	3.16	11.89	9.72	3.18	5.52	—	5.59
Advisor Class: APDFX	4.31	3.31	12.05	10.01	3.38	5.71	—	5.75
ICE BofA US High Yield Index	4.55	3.25	9.42	8.60	1.42	3.99	—	3.98

As of 30 September 2023	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	-0.75	1.46	8.46	10.44	3.80	4.27	—	5.34
Advisor Class: APDFX	-0.85	1.50	8.46	10.62	3.92	4.41	—	5.49
ICE BofA US High Yield Index	-1.16	0.53	5.97	10.19	1.82	2.80	—	3.70

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	4.5
BB	23.0
B	44.3
CCC	25.8
Unrated	2.4
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.6
1 - <3 years	9.2
3 - <5 years	39.7
5 - <7 years	40.6
7 - <10 years	8.0
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.

Team Leadership



Portfolio Manager

Bryan C. Krug, CFA

Years of Investment Experience

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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. **Duration** estimates the sensitivity of underlying fixed income securities to changes in interest rates—the longer the duration, the greater the sensitivity to changes in interest rates. **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. **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).

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12/7/2023 A23969L_vR

