



Artisan High Income Fund

MONTHLY Commentary

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

Commentary

After a strong prior two months for credit markets during the summer, a rise in Treasury yields and an increase in issuance weighed on September returns. High yield bonds, as measured by the ICE BofA US High Yield Index, lost 1.2% during the month, which lowered year-to-date gains to 6.0%. The majority of September's negative return was driven by a selloff in rates, with only modest spread widening occurring. A backlog of issuance that built up over the summer came to the high yield market in September, pricing over \$22 billion in new supply, the largest since January 2022.

Leveraged loans, as measured by the Credit Suisse Leveraged Loan Index, performed well relative to bonds, gaining 0.9% for the month. Given their floating rate nature, total return for loans was less volatile during September as interest rates rose. New loan supply continues to be strong, pricing over \$58 billion in September, but has been met with equally strong demand resulting in virtually no change in spread levels during the month.

Our portfolio outperformed the ICE BofA US High Yield Index in September, extending our lead over the benchmark YTD. During the month, our allocation to loans drove the bulk of excess return, helping to cushion against a drag on total returns from rate moves. Security selection in bonds detracted modestly, driven by a select number of names across leisure, consumer goods and retail sectors. Security selection has been the dominant driver of excess returns YTD, consistent with our philosophy, process and long-term track record.

This month's marginally weaker market tone from rising Treasury rates and a return of new issuance caused high yield credit spreads to widen modestly. On a spread-to-worst basis, the high yield market widened by 18bps to end the month at a level of 421bps. All rating categories widened, with CCC spreads rising the most with an increase of 23bps. Spreads remain significantly tighter than the beginning of the year, with the overall index spread down 70bps and CCCs tighter by over 200bps.

Defaults remain moderate, with one large issuer in a distressed exchange comprising the bulk of September volume. The high yield par-weighted default rate ended the month at 2.1%, an increase from the beginning of 2023 but still well below the long-term average of 3.0%. Fallen angel activity has picked up after a quiet spring, though rising stars continue to exceed them in size and scope with over \$65 billion in rising stars year to date.

Credit markets have rallied this year and remain resilient, even amid increased volatility from episodic events such as the banking crisis in Q1 and a continued hawkish Federal Reserve. We remain ever vigilant, continuing to focus our portfolio on quality businesses with strong credit fundamentals. As the potential for volatility increases in an environment with more restrictive lending standards and higher borrowing costs, we will use growing dispersion as an opportunity to strategically invest in credits with attractive risk-reward profiles. We believe these periods play into the strength of our high-conviction approach, which allows us to lean into periods when dislocation and liquidity are most severe.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$8.63	\$8.62
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	9.19%	9.33%
Expense Ratios		
Semi-Annual Report 31 Mar 2023 ¹	0.94%	0.79%
Prospectus 30 Sep 2022 ²	0.95%	0.80%

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

Portfolio Statistics

Number of Holdings	211
Number of Issuers	115

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Carnival Corp	4.0
Charter Communications Inc	4.0
Acrisure LLC	3.5
NFP Corp	3.2
NCL Corp Ltd	3.0
Altice France	2.8
TKC Holdings Inc	2.6
Virgin Media Secured Finance PLC	2.6
Medline Industries Inc	2.5
The Ardonagh Group	2.1
TOTAL	30.3%

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.

Portfolio Composition (% of total portfolio)

Corporate Bonds	74.4
Bank Loans	15.5
Equities	0.3
Cash and Cash Equivalents	9.8
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 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	4.7
BB	20.4
B	48.9
CCC	23.5
Unrated	2.5
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.2
1 - <3 years	9.2
3 - <5 years	40.6
5 - <7 years	41.0
7 - <10 years	7.2
10+ years	1.8

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

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. **Spread to Worst** is the difference between the yield to worst and a given yield curve. **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. **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). **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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10/6/2023 A23876L_vR

