Investor Update with Bryan Krug

A Discussion with Artisan Partners Credit Team

PORTFOLIO MANAGER
Viewpoints

14 April 2020

Following is a transcript of a recent discussion between Artisan Partners Credit Team Portfolio Manager Bryan Krug and Eileen Kwei, Managing Director and Credit team business leader.

Bryan C. Krug, CFA
Portfolio Manager

19 Years Investment Experience

Moderator Hi, and good morning. Welcome to today's update with the Artisan Partners Credit Team. During this call you'll be hearing from Portfolio Manager, Bryan Krug, and Credit Team Business, Eileen Kwei. But before we get started with today's call let me first cover a few administrative items.

First, you may enlarge the presentation in front of you by clicking in the small square in the upper right-hand corner of the slide. You may also download the presentation by clicking on the link in the Resources section on the right-hand side. If for some reason you do not see these larger areas there are tools at the bottom to view the presentation and to enlarge the biography of our speaker today. If you are having issues with your audio, please click on the media player to enable Adobe Flash or download the document in the Resources section for additional instructions. And, finally, our Compliance department has asked that I remind you this webcast is being recorded, and during the presentation the opinions expressed are those of the speaker as of today and are subject to change without notice. So with that, Bryan and Eileen, welcome to the call.

Eileen Kwei Hello everyone, thanks again for joining us. First and foremost, I hope you and your families are safe and managing as well as can be during these troubled times. We wanted to start off by providing assurance that Artisan's ability to successfully conduct day-to-day operations have not been impacted as a result of the COVID-19 outbreak. These are certainly interesting times. As one would expect, the global pandemic has had a significant impact on markets. We're going to take a slight departure from our usual presentation format and structure today's call as a facilitated Q&A. With the heightened volatility in the markets, we have received a significant uptick in inbound inquiries. We compiled some of the most frequently asked and relevant questions to address on today's call. Bryan, it will be helpful to start with a quick overview of the impact COVID-19 had on the credit markets. It would be great if you could help recap the market events that took place over the last month or so.

Bryan Krug Sure. Thank you, Eileen, and thank you everyone for dialing in. COVID-19 caught the market by surprise. COVID-19 has impacted companies and the markets with the speed of 9-11 and the economic shock like that of 2008. The likely recovery from COVID-19 will be determined by the duration of the virus and what the ultimate recovery looks like. When the market was caught really flat-footed it resulted in a liquidity-based sell-off. Liquidity was thin across all asset classes, particularly in fixed income. Investment-grade, structured products, below investment-grade were dislocated many to similar degrees of high yield and loans. There were areas that were particularly hit hard such as oil and gas, auto and travel-related sectors.

At the height of the downturn trading was particularly [limited] with spreads anywhere from 5-20%. The analogy I would give would be if you were trying to buy Amazon stock, which trades around $2,200 per share. If you wanted to sell the stock, it would be close to $2,000 per share. But to buy it, it would be close to $2,200 per share. That cost of liquidity was very high and was exacerbated by both the buy and sell side working remotely.

Towards the end of March, the Fed stepped in to buy assets. Clearly, the Fed as expected in a time of crisis, started to buy Treasuries, agency and agency mortgages. Municipal market was also supported allowing municipal debt in the form of money market and commercial paper funding. And then the Fed brushed off the TALF program of 2008 and initiated a program for asset-backed stimulation of student loan, auto loan, credit card, etc. The toolkit was extended initially by the increase of investment-grade credit through the ETFs. This was a pretty big change in policy as the Fed was willing to take corporate risk in higher rated businesses. This is the first time the Fed has ever purchased investment-grade assets via ETFs. And, quite frankly, this announcement was stunning to me. Last week, the Fed announced it was going to buy certain fallen angel bonds as well as high yield ETFs. And that move almost made me fall off my chair, I couldn't believe the involvement that you saw by market participants.

However, if you slice and dice what the Fed will likely be doing based on its current program, the fallen angels have actually fairly limited support. There were three companies, Ford being by far the largest with the quantum of debt that is eligible, ten times greater than the other two companies, and the ETF purchasing power in the two highly-trafficked ETFs, JNK and HYG, is currently tapped-out at $4.7 billion, with total capacity of other ETFs around $7.7 billion. The $7.7 billion is a small number relative to the whole market, however, the signaling created a significant amount of demand that there would be support of all credit across the rating spectrum. The effect of the Fed coming to the market was significant. You saw investment-grade market normalize and the liquidity-based sell-off reversed to panic buying and a quick snap-back occurred. Just as an example, in the March quarter, companies such as General Electric, Charter, Comcast, Boeing, as an example, saw bonds with maturities of over ten years drop over 30 points with limited trading. Most of that has subsequently reversed. In the high yield market post the Fed announcement, we've seen fallen angels have dramatically increased in value. High yield has been particularly well bid, particularly the highest quality part of the market. And you're starting to see a more normalization in the market with new issue market coming back from being silent for a number of weeks. However, there is cyclicality to credit investing and the dynamics have changed based on market conditions.

If you look at the terms of new transactions in today's markets they are 180 degrees different from what they were just a little over a month ago. Bondholders today are receiving increased coupons, new issue concessions, security vs. just unsecured, and tighter covenants and documents which are supportive of better underwriting.

Eileen Kwei Bryan you often say you want to be an investor in credit when there's stress and fear, and we most certainly have that in the market today. This is an environment that bodes especially well for investors who can exploit short-term dislocations. Can you talk about the current opportunity set in light of the current market environment and give us a sense of what you're seeing, where you are finding opportunities, and what you're excited about?

Bryan Krug Sure. If you look back at the bulk of the dislocation in the March quarter, it really started mid-March. In that time period the cost of liquidity was very high, trading was very, very expensive. So there were some changes that were in the quarter, but I expect more changes going forward. I think what you've seen us do is we've added incrementally to our highest conviction names, particularly the names with minimal exposure to COVID, but whose bonds or loans have dropped in sympathy with the market declines and valuations are, quite frankly, more attractive. A couple examples of that – if you look at the portfolio, we increased our exposure to both insurance brokerage as well as software. The two combined are over 20% of the entire portfolio.

These businesses have attractive business models, predictable revenues, and I think that gets overshadowed a lot of times because there are many industries currently where revenues are down 30% to anywhere from 100%. These businesses have the stability of a top line predictable cost structure, and we view them as businesses that will still have the ability to delever. However, the bonds are off materially and we think they are very compelling here without taking undue credit risk. As an example, our largest insurance broker- the bonds today are marked at $92. We expect the company to want to refinance its capital structure to a more traditional structure of both secured and unsecured financing. Our current bond is all secured. When the market will recover, which if you were to take a theoretical date of just six months, we think there's over 20% absolute return in that investment, and the IRR is actually closer to 40%.

Obviously, the world has experienced a shock in demand. And if you were to look at the oil and gas exposure, we actually increased our exposure with a more nuanced view of the situation. Initially, oil and gas bonds were hit very hard and both of a similar magnitude. But we think there's actually very different dynamics between the oil and gas market. Oil is seeing a reduction of demand for at least the next few months as people are social distancing and the world economy has slowed. As a result, you are going to see oil wells in the US are just uneconomic on a full-cycle basis and many are uneconomic with pipeline and storage

constraints that we're starting to see. As a result, we expect oil production to drop materially. And you're starting to see that already in the rig count. However, this bodes very, very well for natural gas. And the reason why this bodes well for natural gas is because when operators are drilling for oil it's common, particularly in the Permian, for associated gas to also be produced. And when they're drilling for oil they don't really care where the price of gas is. As oil demand and supply has grown in the US over the last few years that has put a lot of pressure on natural gas. And we think that is going to reverse itself with the reduction in oil. So as we looked at the opportunity in the oil and gas space, initially, the bonds traded similarly with natural gas and oil bonds dropping anywhere from 30-70%, depending on the credit quality. And as we look going forward, we think there will be a massive shortage of gas in the next 6-9 months. We think there will be signs of it this summer, and that we think the price of gas should double by the winter of 2021. Currently, natural gas bonds have appreciated, but we added materially to the sector and to names where bonds traded in the 50s and 70s, so we increased our exposure in this sector, nearly doubling it.

Finally, our mix shifted a little bit on the cable side. We were able to take advantage of some of the declines in the high-grade market. And if you look at a company like Charter Communications, the investment-grade debt for Charter actually was down materially more than high yield debt and traded at a similar level. And we were able to take advantage of that, by swapping some of our high yield exposure for investment-grade debt.

As we look forward, we're going to spend more time on fallen angels as well as rescue financings for companies who have strong business franchises but have had demand shocks due to COVID-19, and these companies may need liquidity.

Eileen Kwei Thanks Bryan. Your mention of fallen angels is a great segue. As part of your process, you conduct daily screens on the high yield bond universe, the leveraged loan universe, but you also screen broadly to look at investment-grade credits. Can you talk about what you're seeing in terms of fallen angels as well as downgrades?

Bryan Krug So we monitor the investment-grade (IG) market, and we look for opportunities and we screen on valuation, as you mentioned. We actually have widened out our ranges as the market conditions have adjusted. And so, we're looking at 500 basis points spread, and that is around four times where the index was in early March. And if you look at the amount of debt, there's about $600 billion of BBB debt and about $140 billion of that have fell into that category. And so, even though it may not be downgraded, the valuation can reflect that of a high yield company or slight premium to that of BBs. And so, we make judgments onto which companies we think will be able to pull levers to maintain their rating and which companies will be downgraded. In the event of a downgrade there are definitely forced sellers because many of the investors are ratings constrained.

However, the market does discriminate, and it depends on the name. So if you look at Kraft vs. an OXY (Occidental Petroleum Corp) or Ford, Kraft when the company was downgraded the 5% bonds dropped around a little over 10 points but they still traded at par. OXY is at the other extreme, the bonds dropped in excess of 50%. So it's an example where we spend time looking at it, and then if it makes sense, we will definitely pursue that. But it really depends on the specifics of the company.

When we look at today's market there is a number of IG paper that is trading like high yield, and we don't think a lot of this will be downgraded. We think a lot of this credit will maintain IG even though it trades with BB valuations, and we think the companies have levers to pull.

In the quarter, we added a few lodging names to the portfolio after the COVID dislocation. One name that we added was Marriott- bonds dropped approximately 30% , due to obvious decrease in demand for their services. However, if you look at the strength of the cash flow on a normalized basis, the liquidity they need to get through it and the franchise value, we think this is actually a tremendous opportunity. We think the company has levers to pull. In this situation, we can look through a few miserable quarters, and when the market comes back, we expect upside in these bonds. We can [inaudible] the company for sub-4X normalized EBITDA, which is a fraction of where it has traded in the past. And we have a long-term horizon and are willing to take some short-term volatility.

And then the other area where we're going to be spending time is what we call rescue finance. Where it's companies that are IG, they need to raise capital and need to raise it quickly. And that's another area of focus that we'll touch on in a little bit.

Eileen Kwei I think on the topic of rescue finance it most certainly have been picked up in the headlines a lot. I do think it's worthwhile to talk about what you're seeing in the marketplace. Companies are very much focusing on liquidity to make it through the next few months. Many have drawn down their revolver. You mentioned Marriott coming to the market today. But we're also seeing that kind of rescue finance in other areas of the market. Bryan, can you talk about how companies are raising capital in today's market conditions? And I think it would also be interesting if you have an example or two to showcase that.

Bryan Krug Sure. It's an exciting time to be an investor. I guess there's a couple of reasons why. First, this is an unprecedented time period and that uncertainty creates some opportunity as there's no case that people have been able to look at in the past. And as a result, we've been able to see some really strong high-quality business franchises whose end markets are down due to COVID and there are liquidity needs and companies that, quite frankly, we just haven't spent time on before. In today's market, you don't want to come to the market if you don't need to. And with end markets showing decreases in demand and many companies are forced to come to the market and they're offering increased yields, security in the form of liens for creditors, much tighter documents that didn't exist 30-45 days ago. And one prime example is a cruise ship operator. And if you Google it, you can find out that Carnival came to the market early in April. And Carnival has been historically a very conservatively financed company. Pre-COVID, the company was rated A. As a result of COVID, demand has dropped precipitously for their services.

And compounding that is the company has had to offer refunds to its customers and that's created a liquidity crisis as cash has gone out the door. And as a result, the company needs capital. So the company came to the public markets to address these issues in April with a three-part financing. They came with a secured note, a convert, and straight equity. If we focus on the bond, just to talk through some of the changes that we've seen. The bond is a first lien security on the majority of the fleet, and there is a cap on the lien, first lien, that the company can incur pari passu to that debt. There's a 25% cap on the collateral of the loan to value that the company has in its documentation. The coupon is 11.5%, it was priced at a discount. And if I were to compare that to other debt within its capital structure, a quarter and a half ago, in October/November 2019, the company issued investment-grade bond unsecured for ten years at 1%. If you look at existing credit agreements in this space and compare firms which have similar dynamics, the banks have been willing to give loan to values as high as 60-70% depending on the name. And the compensation they've received is 2-3%.

So that's just kind of an extreme example of how market terms have shifted, how obviously COVID-impacted industries have created some opportunities. There are other areas where I think this will happen, such as theme parks, restaurants and then retail. And I think an interesting dynamic that you'll see is with banks being forced to stay at home the ABL market for a lot of these companies has slowed. And so that could be an opportunity as well. And I think you will hear more about that in the next quarter or two.

Eileen Kwei I think a lot of investors are questioning how do you model the impact of the virus? Clearly, we are in a period of unprecedented demand destruction. And as part of your four pillars of fundamental research, you focus on downside analysis. Can you talk about with so much uncertainty out there, how do you think about the hit to profits? How do you think about default risk?

Bryan Krug Sure. The way we look at the market, we look at it on a name by name basis and we're stressing every company extremely aggressively. So if I were to take extreme examples, so if you look on the one end, if we look at the cruise ship analogy that we just talked about, the way we're forecasting this is no revenue in Q2 – limited recovery in 2020 and 2021 being materially lower with both price concessions as well as increased cost to operate on a limited fleet. The company is going to be able to scale down but they will have significant cash burn. And we're looking for companies that are able to prefund their operations for the next 12-18 months in terms of cash burn at depressed- meaning almost no- revenue basis. So that's one extreme example of a business massively affected by COVID.

If you look at software and insurance brokerage, it would be at the other book end. We expect the predictable nature of these businesses to be resilient. There will be a modest impact because of the mission-critical nature of their business. And as we're looking at the business, we're bringing retention rates down a couple of percent, which typically happens in a recession as companies go out of business. The companies still have strong financial profiles, free cash flow, that actually will allow the companies to delever if they choose not to do opportunistic M&A. So that's the least impacted area as we think of the portfolio. And then in the middle, we would put something like surgery centers, where demand is down materially in the short-term as facilities are being used for COVID-related. However, their products and services are deferable only to an extent. If a patient needs a knee or hip surgery, they may not get it done in April, but we think it's likely going to be done later in the year. In that situation, we're modelling stress tests particularly in Q1 – some in Q1 - materially in Q2, and then we've got some recovery in Q3, and a snap back as we move on to Q4 as there's a catch-up.

In terms of how this translates into default expectations. Defaults will really be concentrated predominantly in the oil and gas side. We think it could also be entertainment and retail. That's where the bulk of the defaults will be.

There will be material earnings deterioration across the board for the next couple of quarters, but we think this will result in companies having incremental debt. It will be transitory and there will be some credit deterioration but not necessarily default for most companies. With the big caveat, it depends on the duration of this virus which is the biggest factor.

Eileen Kwei We're going to pivot a little bit, Bryan, and turn to first quarter results. For the first quarter, our portfolio modestly underperformed the index. Despite this modest underperformance, we maintain our competitive peer group ranking since inception, which is now six years ago. I think it will be helpful if you can walk through attributions for the quarter please.

Bryan Krug Sure. From a high level, you know, first of all, we are not a pure high yield strategy. We do invest across the capital structure, as you can see later on in the deck. Despite underperformance for the quarter our attribution was actually very good based on what we are accomplishing. People hire us because they like our security selection, and our mix over time can be different. We had a significant underweight to BBs- which the index is about four times greater than we are- and it detracted as higher quality outperformed lower quality in the event of COVID.

We have out of index exposure to loans which detracted, particularly in March, due to the liquidity dynamics in the market. And we look at it on an IRR basis, and we think that actually creates through a cycle better opportunity. If we look at our security selection, on the energy side, we actually did better than the index. Our overweight to CCCs hurt performance, but our holdings held up much better than the overall index. A big reason of that is because our exposure to insurance brokers.

And then, as you look at our IG names, were actually a relative source of strength. As we think about that, the portfolio's short duration hurt a little bit relative to the peers. As I think it, people want to focus on how your portfolio's positioned going forward, and as you look at the market and the opportunity set out there, there's a clear bias for high-quality and that has performed exceptionally well. But if we look from today, and we say where is the opportunity? We think many of those high-quality names are down from peak valuations. And although that hurt us in the quarter, we think those valuations are uninspiring vs. the broader opportunity set. And we think that when spreads are wide, we think that you selectively need to look for some of those opportunities as opposed to sticking to a high-quality mandate.

Eileen Kwei As I mentioned at the very beginning of the call, we have seen a significant uptick in inquiries. A lot of investors are naturally asking about the entry point into high yield as an asset class. So last question for you, Bryan. Your thoughts on entry point and, more specifically, is now a good time to increase allocation to high yield?

Bryan Krug In terms of, I guess, I'm always an incrementalist, at least, that's the way I think. I'm usually not an "all in, all out" person, I prefer a portfolio that's evergreen, I think from a risk perspective, we always look at what can go wrong. We need to think through the duration of the virus. But also, more importantly, you know, what does that recovery look like – and it's hard to time the bottom.

Eileen Kwei Great. I want to close by, again, thank you everyone for your time today. We really appreciate you being on the call. I want to reiterate Bryan's comment that this is an exciting time to be a credit investor. As fundamental credit pickers, we are very energized by the current opportunity set and are deploying capital in interesting and unexpected areas. We really appreciate your continued confidence in us and the trust that you placed with us. As always, if you have any questions, please reach out to your Artisan representatives. Thank you, again.

Bryan Krug Thank you.

A slide presentation, which contains standardized fund performance, portfolio holdings and other important information is attached.

For more information: Visit www.artisanpartners.com | Call 800.344.1770

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 holdings are subject to risk. 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. The use of derivatives in a portfolio 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 markets.

This summary represents the views of the portfolio managers as of 14 Apr 2020. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. Holdings as of 31 Mar 2020 can be found in the attached presentation. As of 14 Apr 2020, Carnival Cruise Lines comprised the following percentage of the Fund's total net assets:1.9%. Securities named, but not listed here are not held in the Fund as of 31 March 2020. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

Attribution is used to evaluate the investment management decisions which affected the portfolio's performance when compared to a benchmark index. Contribution to return is calculated by Bloomberg by multiplying a security's daily total return multiplied by the daily weight compounded over the referenced timeframe and does not take into account expenses of the portfolio. **Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.**

Morningstar High Yield Bond Category is comprised of portfolios primarily invested in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below. Lipper High Yield Fund Category consists of funds that aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower-grade debt issues.

Asset Based Lending (ABL) is the business of loaning money in an agreement that is secured by collateral. **Internal Rate of Return (IRR)** is an indicator used in capital budgeting to estimate the profitability of a potential investment. **Investment Grade (IG)** indicates above-average credit quality and lower default risk and is defined as a rating of BBB or higher by Standard and Poor's and Fitch rating services and Baa or higher by Moody's ratings service. **Normalized Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** is an indicator of a company's financial performance which is calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation and amortization. Normalized as in, EBITDA is adjusted for the cyclical ups and downs over a business cycle.

This material is provided for informational purposes without regard to your particular investment needs. This material 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.

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A R T I S A N  P A R T N E R S

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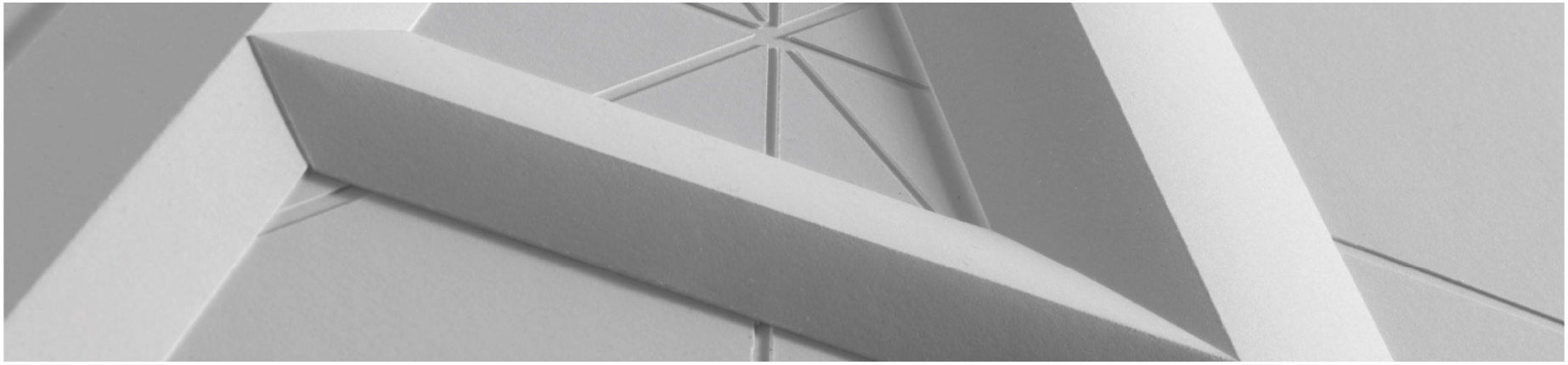


Q1 2020

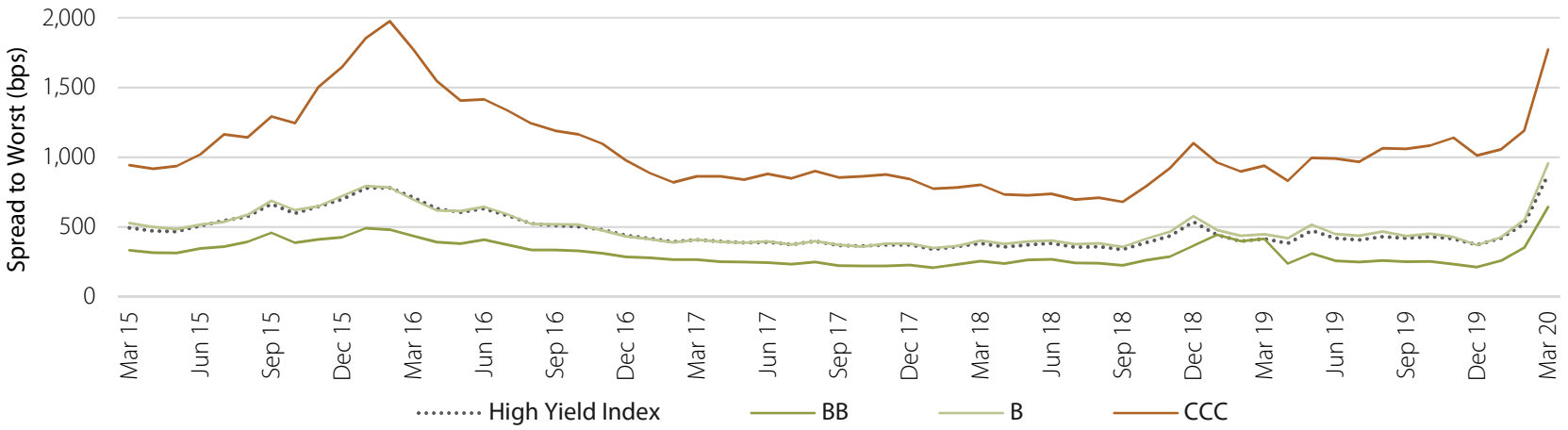
Artisan High Income Fund

This is an offering of shares of an Artisan Fund and does not create a relationship between the investor and Artisan Partners. The Notes and Disclosures section of this presentation contains important information. Readers are encouraged to review it carefully.

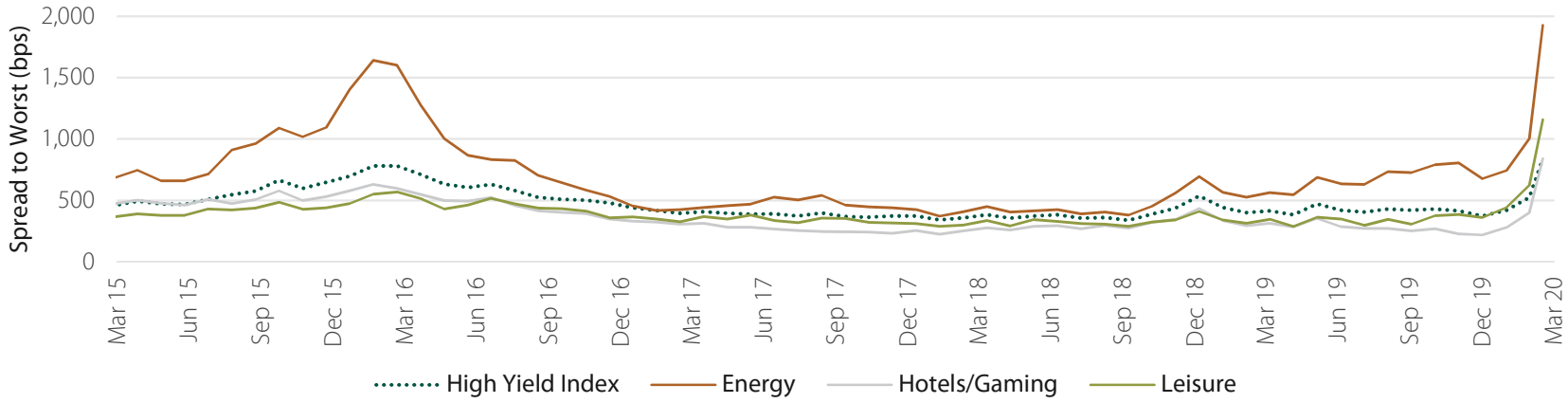
ARTISAN PARTNERS

Spread Levels—ICE BofA US High Yield Index

Spreads by Credit Rating



Spreads for Select High Yield Sectors

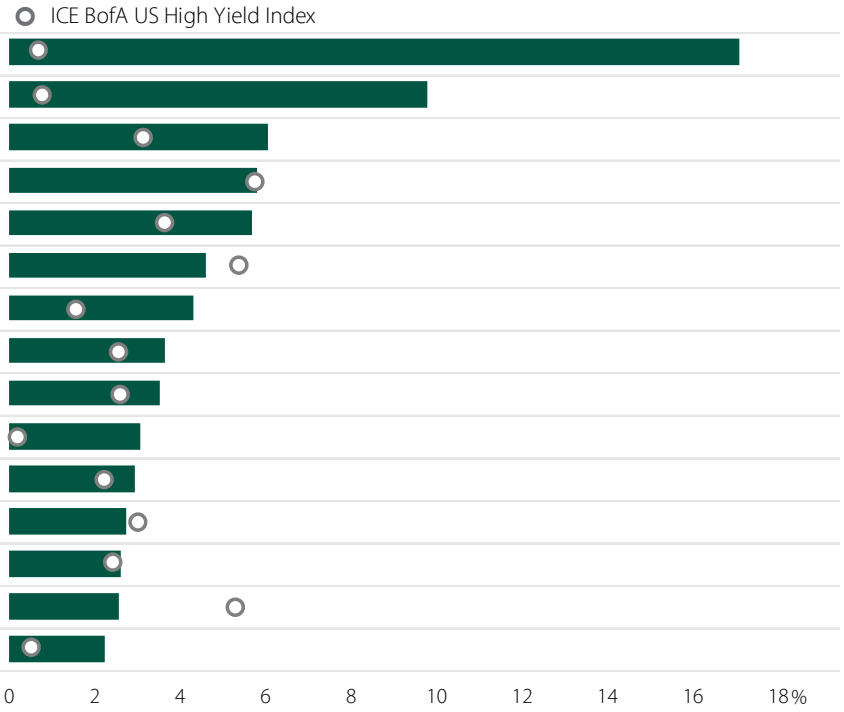


Source: Artisan Partners/ICE BofA. As of 31 Mar 2020. **Past performance is not a reliable indicator of future results.** Energy, Hotels/Gaming and Leisure are sectors within the ICE BofAML US High Yield Index.

Areas of Opportunity—Adding to High Conviction Names, Attractive Valuations

Current Portfolio Positioning

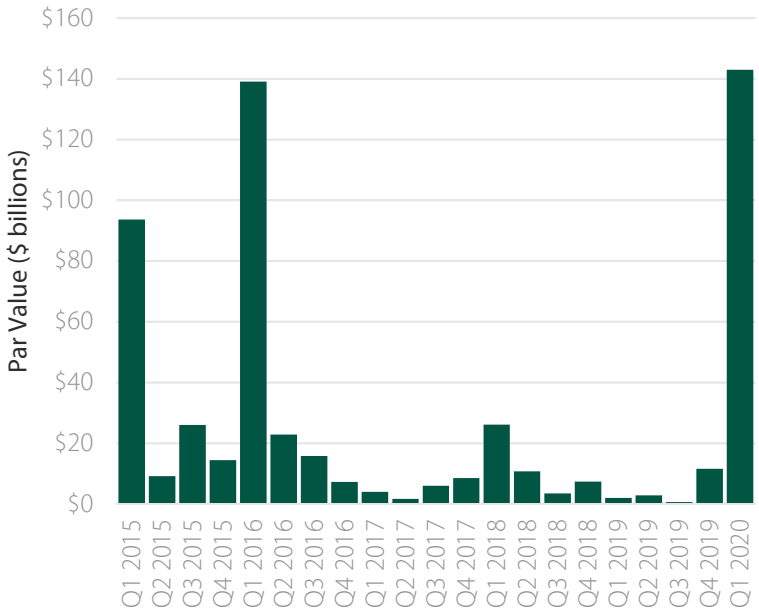
Top 15 Industries	Fund	Index
Insurance Brokerage	17.1	0.7
Diversified Capital Goods	9.8	0.8
Energy - Exploration & Production	6.1	3.2
Cable & Satellite TV	5.8	5.8
Food - Wholesale	5.7	3.7
Support-Services	4.6	5.4
Building Materials	4.3	1.6
Software/Services	3.7	2.6
Chemicals	3.5	2.6
Air Transportation	3.1	0.2
Building & Construction	2.9	2.3
Packaging	2.7	3.0
Specialty Retail	2.6	2.5
Telecom - Wireline Integrated & Services	2.6	5.3
RealEstate Dev & Mgt	2.3	0.6



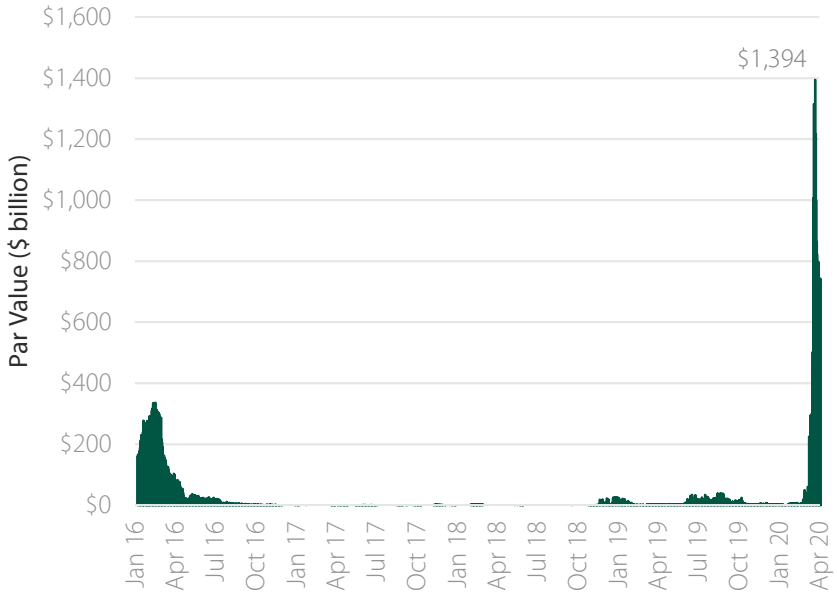
Source: Artisan Partners/ICE BofA. As of 31 Mar 2020. Industries are determined based on ICE BofA categorization and subject to manager classification. Industry weights are represented as a % of the total portfolio. Cash and cash equivalents represented 6.5% of the total portfolio as of 31 Mar 2019.

Areas of Opportunity—Fallen Angels

Fallen Angels (Par Value, $ billions)



IG Corporates: Spreads >500bps (Par Value, $ billions)



Source: Artisan Partners/JPMorgan/ICE BofA. As of 31 Mar 2020. **Past performance is not a reliable indicator of future results.** Investment grade (IG) spreads as measured by constituents in the ICE BofA US Corporate Index. Credit spreads based on spread to worst. Par value is the face value of a bond. A fallen angel is a bond that was initially given an investment grade rating but has since been reduced to noninvestment grade status.

Areas of Opportunity—Rescue Financing

Example: Cruise Ship Operator

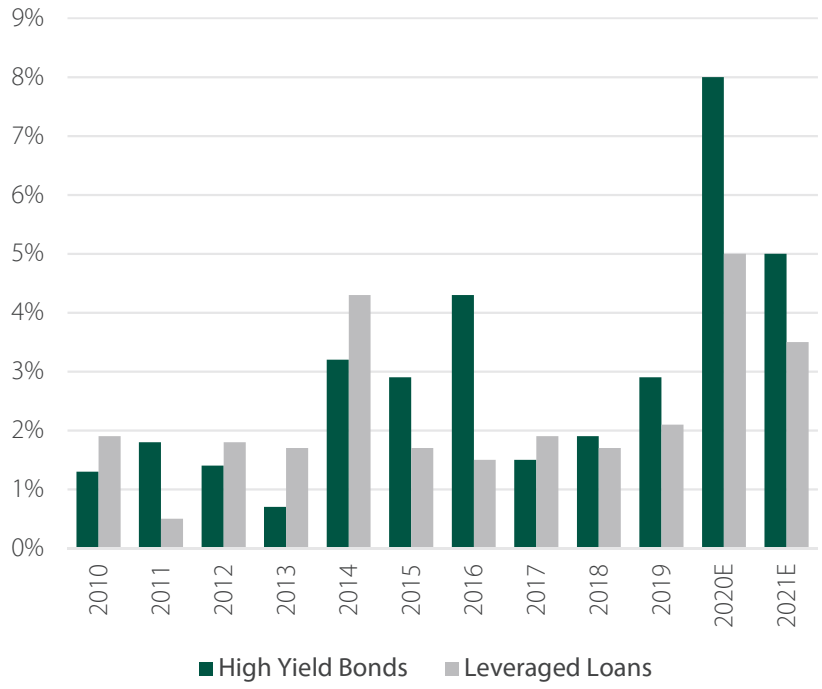
- Rated Baa2 by Moody's
- 1st lien financing—Secured by 86 of the company's 105 cruise ships
- Docs: 25% loan-to-value cap; 12% YTW
- Coupon: 11.5%
- Maturity: 3-year paper
- Compares to unsecured risk issued in October 2019 with 1% coupon

Debt Distribution: Before and After Rescue Financing

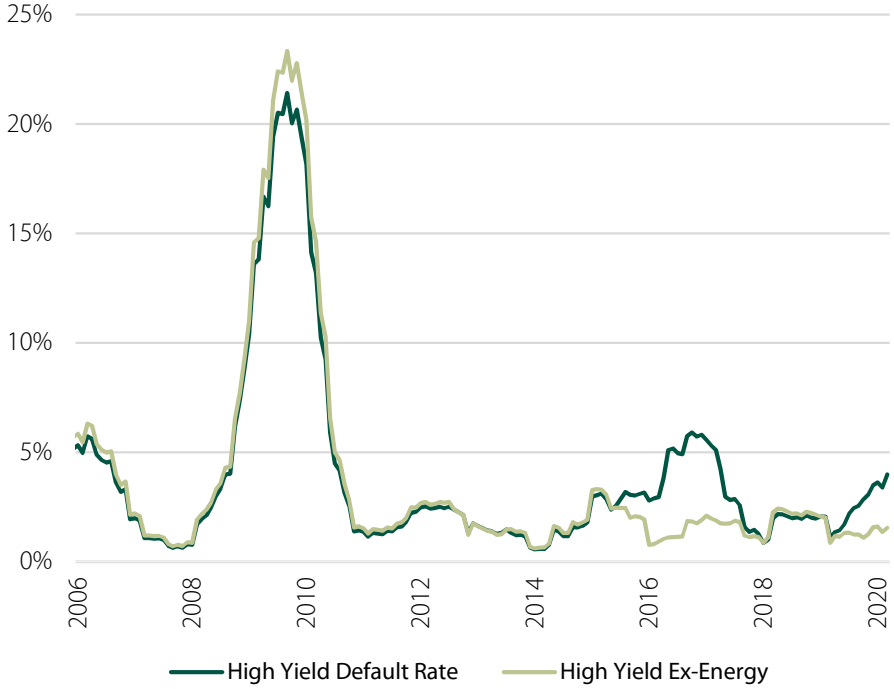
Source: Artisan Partners. As of 1 Apr 2020. The hypothetical investment example is provided for illustrative purposes only.

Default Rates

Par-Weighted Default Rate (%): Bonds vs. Loans

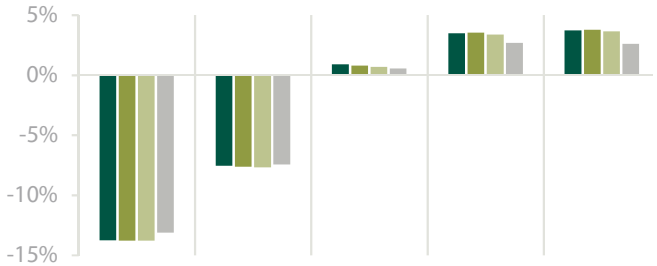


Par-Weighted Default Rate (%)



Source: Artisan Partners/JPMorgan/ICE BofA. As of 31 Mar 2020. Default Rates based on the JPMorgan Leveraged Loan Index and ICE BofA US High Yield Index.

Investment Results—Average Annual Total Returns



(%) as of 31 Mar 2020	YTD	1 Yr	3 Yr	5 Yr	Inception
Institutional Class: APHFX	-13.76	-7.55	0.89	3.48	3.73
Advisor Class: APDFX	-13.79	-7.64	0.80	3.53	3.78
Investor Class: ARTFX	-13.78	-7.67	0.68	3.37	3.64
ICE BofA US High Yield Master II Index	-13.12	-7.45	0.55	2.67	2.60

	1 Yr	3 Yr	5 Yr	Inception
Morningstar Percentile Rank—Investor Class	55	26	4	2
Morningstar Absolute Rank / # of Funds in Category	355/705	140/668	15/625	8/602
Lipper Percentile Rank—Investor Class	52	26	4	2
Lipper Absolute Rank / # of Funds in Category	259/505	110/435	14/381	6/354

	3 Yr	5 Yr	Overall
Morningstar Rating—Investor Class	★★★	★★★★★	★★★★

Star ratings are based on risk-adjusted return for the Investor Shares. The Overall Morningstar Rating is 4 stars out of 621 funds; 3-years: 3 stars out of 621 funds; 5-years: 5 stars out of 540 funds in the High Yield Bond category. Lipper and Morningstar rankings are based on total return, are historical and do not represent future results. The Fund is ranked within Lipper, Inc.'s High Yield Funds category and Morningstar's High Yield Bond category. The number of funds in the category may include several share classes of the same mutual fund which may have a material impact on the fund's ranking within the category.

	Annual Report[1,2]/Prospectus[1]
Expense Ratio—Investor Shares	0.98%/0.99%
Expense Ratio—Advisor Shares	0.82%/0.84%
Expense Ratio—Institutional Shares	0.73%/0.74%

[1]Audited. For the fiscal year ended 30 Sep 2019. See prospectus for further details. [2]Excludes Acquired Fund Fees and Expenses as described in the prospectus.

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 Fund may hold loans and other security types. At times, this causes material differences in relative performance.

Source: Artisan Partners/ICE BofA/Morningstar/Lipper. Returns less than one year are not annualized. Advisor and Investor Class Inception: 19 Mar 2014. Institutional Class inception: 3 Oct 2016. Institutional Class performance is that of the Investor Class from 19 Mar 2014 through the inception of the Institutional Class on 3 Oct 2016, and actual Institutional Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Institutional Class for the period prior to the Class's inception, and Institutional Class performance results would differ if such expenses were reflected. Investor Class represents the oldest share class in the Fund and generally has higher expenses and lower minimum investments.

Portfolio Positioning

Portfolio Composition

(% of total portfolio)	
Corporate Bonds	68.2
Bank Loans	25.3
Equities	0.0
Cash and Cash Equivalents	6.5
Total	**100.0%**

Maturity Distribution

(% of fixed income securities)	
Less than 1 year	0.0
1 - <3 years	14.1
3 - <5 years	19.9
5 - <7 years	42.1
7 - <10 years	12.6
10+ years	11.3
Total	**100.0%**

Ratings Distribution[1]

(% of fixed income securities)	
BBB	13.4
BB	9.4
B	51.7
CCC	24.3
CC	0.8
D	0.2
Unrated	0.2
Total	**100.0%**

Geographic Breakdown

(% of total portfolio)	Fund
Americas	90.4
US	88.7
Canada	1.7
Europe	9.6
Total	**100.0%**

Currency Exposure[2]

(% of total portfolio)	Fund
US Dollar	100.0
Total	**100.0%**

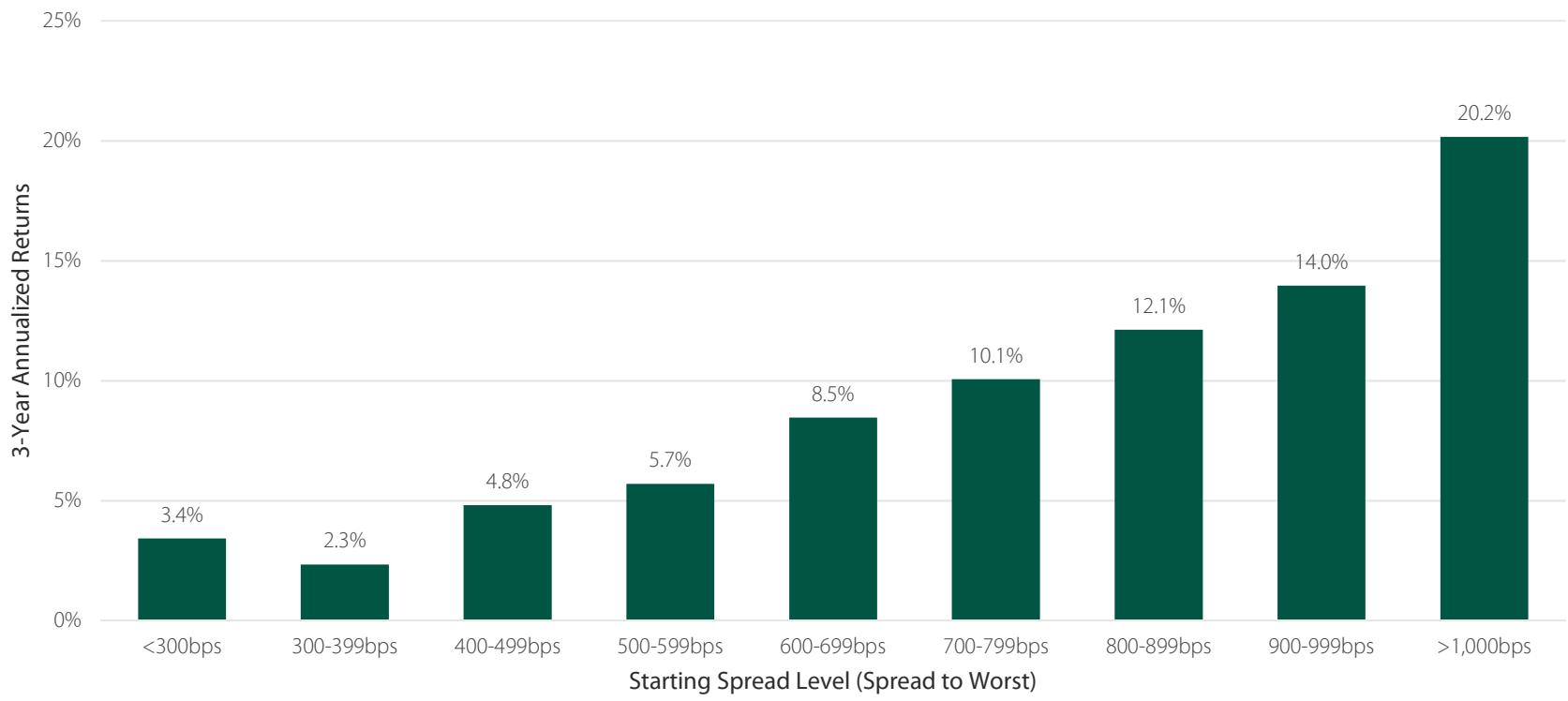
Portfolio Statistics

Number of Holdings	138
Number of Issuers	94
Duration	2.6 years
Average Maturity	4.8 years
30-Day SEC Yield—Investor Class	9.7%
30-Day SEC Yield—Advisor Class	9.6%
30-Day SEC Yield—Institutional Class	9.8%

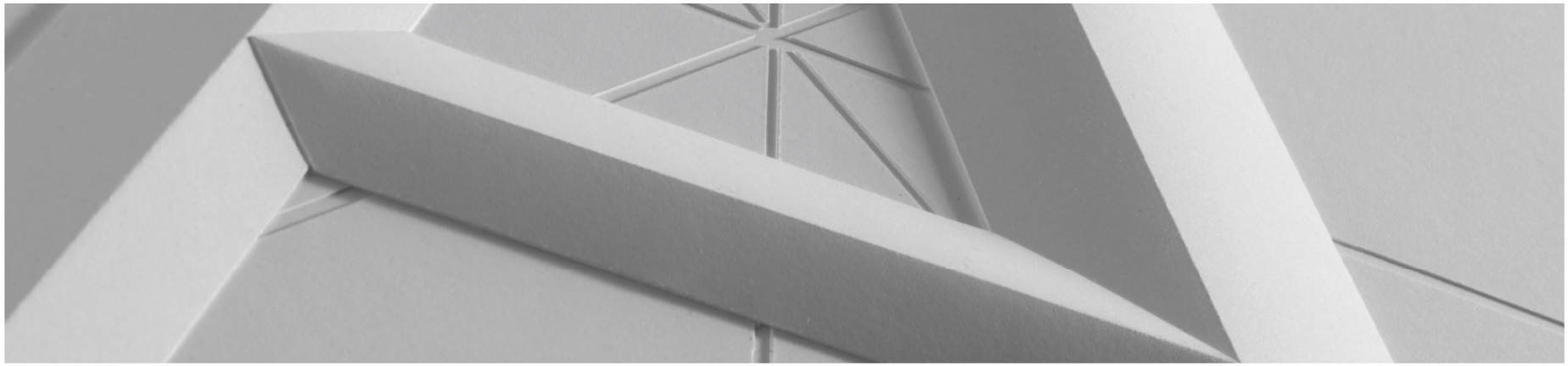
Source: Artisan Partners/Bloomberg. As of 31 Mar 2020. Negative cash weightings and portfolio composition greater or less than 100% may be due to unsettled transactions or investment in derivative instruments. Unless otherwise noted, portfolio statistics represent the weighted average of the portfolio's fixed income securities and exclude cash and cash equivalents. Geographic breakdown based on issuer country of domicile, excluding cash. Duration and average maturity include the effect of Treasury futures. The investment team may hedge a portion of duration risk with Treasury futures. Treasury futures represented net notional exposure of -10.81% of net assets. [1]Source: S&P/Moody's. [2]Depicts currency of the underlying securities in the portfolio and does not depict currency risk. The investment team typically hedges a portion of non-USD currency exposure. **Past performance does not guarantee and is not a reliable indicator of future results.**

Historical Returns by Starting Spread Level

3-Year Average Annualized Return: ICE BofA US High Yield Index



Source: ICE BofA US High Yield Index. **Past performance is not a reliable indicator of future results**. Index returns do not reflect fees or expenses and are not available for direct investment. Annualized returns presented were calculated using monthly spread to worst measured in basis points for the ICE BofA US High Yield Index for the period December 31, 1996 to February 29, 2020. Spreads are based on month-end values.



Appendix

Top 10 Holdings

Company	Description	Investment Thesis	% of total portfolio
General Electric	American multinational conglomerate	After years of value-erasing M&A and aggressive, shareholder-friendly actions, the company is in the process of downsizing its portfolio through asset divestitures, undergoing a transformation that we believe will be materially positive to its credit profile.	7.5
Ardonagh Midco	UK-based insurance intermediary	The company has grown to become the UK's largest independent broking firm through a series of leveraging strategic acquisitions and is now in a strong position to reduce costs, grow earnings and generate positive organic free cash flow.	5.2
NFP Corp	Insurance brokerage and consulting firm	NFP's strong position in the insurance brokerage business—helped by an aggressive acquisition strategy—has led to solid cash flow growth and an improving leverage profile.	4.3
Vertafore	Insurance software solutions provider	Vertafore's strong competitive positioning and recently enacted strategic initiatives should lead to continued organic growth and improving cash flow generation that will allow for leveraged reduction.	3.7
Charter Communications	Cable and telecom services provider	Having completed the multiyear upgrade and integration of acquired Time Warner Cable and Bright House networks, Charter is well positioned to drive higher free cash flow in support of its credit profile.	3.1
TKC Holdings	Food and commissary services provider	Benefitting from the growing trend of outsourcing by state governments, TKC's predictable revenue growth—combined with significant cost synergies—is expected to lead to expanding profit margins that will drive deleveraging.	3.1
Acrisure	Insurance brokerage company	The company's recurring revenue model and the ability to generate robust free cash flow should drive credit improvement and the ability to delever over time.	3.0
Realogy Group	Real estate services company	The company's recent pivot toward a more creditor-friendly financial policy should improve its credit trajectory as free cash flow is redirected toward deleveraging.	2.3
Tutor Perini Group	Leading general contractor	As a leading civil, building and special construction company, the company's debt has declined due to near-term concerns related to the collection of accounts receivable and uncertainties facing the economy, resulting in attractive/risk reward for what we believe to be transitory risks.	2.0
AssuredPartners	Middle market insurance brokerage	The company's growing presence in middle market insurance brokerage—aided by a series of strategic acquisitions—should enable it to improve organic growth and grow free cash flow for deleveraging purposes.	1.7
Total			**35.9%**

Source: Artisan Partners. As of 31 Mar 2020. Securities of the same issuer are aggregated to determine the weight in the portfolio.

Portfolio Holdings (% of total portfolio)

Automotive
1.1 Tesla Inc
1.0 Gates Global LLC
0.7 Asbury Automotive Group Inc

Basic Industry
1.9 Tutor Perini Corp
1.5 Beacon Roofing Supply Inc
1.4 Compass Minerals International Inc
1.3 Werner FinCo LP
1.3 Emerald Performance Materials LLC
1.0 PulteGroup Inc
0.8 Core & Main Holdings LP
0.7 New Enterprise Stone & Lime Co Inc
0.6 FXI Holdings Inc
0.2 NOVA Chemicals Corp

Capital Goods
7.5 General Electric Co
1.7 W/S Packaging Holdings Inc
0.9 Great Lakes Dredge & Dock Corp
0.7 Anvil International LLC
0.6 Kloeckner Pentaplast of America Inc
0.5 Jazz Acquisition Inc
0.5 Plastipak Holdings Inc
0.4 UTEX Industries Inc
0.2 STS Operating Inc
0.0 USS Ultimate Holdings Inc

Consumer Goods
3.1 TKC Holdings Inc
1.5 Shearer's Foods LLC
1.1 Hearthside Finance Co Inc
0.0 Pinnacle Operating Corp

Energy
1.1 Endeavor Energy Resources LP
1.1 Seven Generations Energy Ltd
0.8 Range Resources Corp
0.8 Laredo Petroleum Inc
0.7 EQT Corp
0.6 FTS International Inc
0.6 Comstock Resources Inc
0.3 QEP Resources Inc
0.2 Parsley Energy LLC
0.2 Moss Creek Resources Holdings Inc
0.2 EPEnergy LLC
0.1 Northern Oil and Gas Inc
0.1 AmeriGas Partners LP

Financial Services
1.0 Advisor Group
0.9 Springleaf Finance Corp
0.0 EZCORP Inc

Health Care
1.6 Surgery Center Holdings Inc
0.7 Heartland Dental LLC
0.5 HCA Inc
0.5 Patterson Medical
0.4 MPH Acquisition Holdings LLC
0.4 Cambrex Corp
0.3 Dental Corp of Canada Inc
0.0 Thermo Fisher Scientific Inc

Insurance
5.2 Ardonagh Midco 3 PLC
4.3 NFP Corp
3.0 Acrisure LLC
1.7 AssuredPartners Inc
1.3 HUB Holdings LLC
0.8 Aon Corp
0.7 USI Inc

Leisure
0.9 SIRVA Worldwide Inc
0.7 Playtika Holding Corp
0.7 Marriott International Inc
0.4 Expedia Group Inc
0.4 Hilton Domestic Operating Co Inc
0.3 Station Casinos LLC
0.3 Topgolf International Inc
0.1 Hyatt Hotels Corp
0.0 Host Hotels & Resorts LP

Media
3.1 Charter Communications Inc
1.5 Terrier Media Buyer Inc
1.4 Altice USA Inc
1.4 Ziggo
0.6 Digital Room Holdings Inc

Real Estate
2.3 Realogy Group LLC
0.1 Ryman Hospitality Properties Inc

Retail
1.7 Midas Intermediate Holdco II LLC
0.6 Michaels Stores Inc
0.3 Petsmart Inc
0.0 J Crew Group Inc
0.0 Yum! Brands Inc

Services
3.7 Vertafore Inc
0.9 Ascend Learning LLC

Technology & Electronics
1.4 Renaissance Learning Inc
1.0 Castle US Holding Corp
0.9 Informatica LLC
0.2 Infor US Inc
0.2 TIBCO Software Inc

Telecommunications
1.3 Uniti Group LP
0.8 Altice SA
0.5 Cincinnati Bell Inc
0.4 T-Mobile USA Inc
0.2 Sprint Communications Inc

Transportation
1.7 VistaJet Ltd
0.9 Delta Air Lines Inc
0.5 American Airlines Group Inc

Source: Artisan Partners/BofA. As of 31 Mar 2020. Cash and cash equivalents represented 6.5% of the total portfolio at 31 Mar 2020. Sectors are determined based on ICE BofA categorization and subject to manager classification. Portfolio holdings are aggregated at the issuer level and may include multiple securities of the same issuer. Please refer to the Fund's most recent annual report for an audited list of portfolio holdings. The portfolio may contain unfunded loan commitments allowing a borrower to draw down a contractual loan amount in part or in full during a specified period. Unfunded commitments are not reflected in portfolio holdings.

Notes and Disclosures

This section of this presentation contains information important to a complete understanding of the material presented. Please review it carefully.

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 visiting www.artisanpartners.com/prospectus. Read carefully before investing.

These materials are presented in connection with an offer of the shares of a Fund in the series of Artisan Partners Funds, Inc. These materials are not an offer for any other mutual fund mentioned. A purchase of shares of an Artisan Partners Fund does not create an investment advisory relationship between the investor and Artisan Partners Limited Partnership, the investment adviser to the Fund. In addition to acting as investment adviser to the Fund, Artisan Partners provides institutional investment management services. Information in this document, unless otherwise indicated, includes all classes of shares (except performance) and is as of the date shown.

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Artisan High Income Fund

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 subject to resale restrictions. Private placement and restricted securities may not be easily sold due to resale restrictions and are more difficult to value. The use of derivatives in a portfolio 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 markets.

Source ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC permits use of the ICE BofA indices and related data on an "as is" basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA indices or any data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing, and does not sponsor, endorse, or recommend Artisan Partners or any of its products or services.

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. J.P. Morgan Leveraged Loan Index is a market-weighed index that mirrors the investable universe of the US dollar denominated leveraged loan market. ICE BofA US Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. **The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.**

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings are for the Fund's Investor Shares; other classes may vary.

Notes and Disclosures (continued)

Portfolio Statistics: Portfolio statistics are intended to provide a general view of the entire portfolio, or Index, at a certain point in time. Statistics are calculated using information obtained from various data sources. Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund. Artisan Partners may exclude outliers when calculating portfolio statistics. If information is unavailable for a particular security Artisan may use data from a related security to calculate portfolio statistics. Unless otherwise noted, portfolio statistics represent the weighted average of the portfolio's fixed income securities and exclude cash and cash equivalents.

Portfolio Holdings: For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the portfolio. For an index, the largest holdings are calculated at the security level and do not aggregate securities held by an issuer. Holdings information is not intended to represent or predict portfolio investment performance or as a recommendation of any individual security. A complete list of the securities held by portfolio, other than cash and cash equivalents unless otherwise noted, as of the date indicated is included. Securities named in this material, but not listed within the portfolio holdings page were not held as of the date reported. Portfolio holdings are subject to change without notice. This listing is for informational purposes only and may not be identical to the official books and records of the Fund. Security names may not represent the official legal corporate name. Please refer to the Fund's most recent Annual Report for an audited portfolio holdings list.

Security Examples: The security examples provided do not constitute recommendations to buy or sell investments. The examples present information believed to be accurate and are the views of the portfolio managers as of the date indicated. This material may include the views of the portfolio manager and other information relating to the portfolio and portfolio securities. While we believe the data accurately reflects the investment process, this information is presented as of the date indicated and will change over time

Yield to Worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting. **Spread-to-worst is a bond's yield-to-worst minus the yield-to-worst of a similar duration Treasury security**. **Average Weighted 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. Effective duration typically incorporates prepayments and the exercise of calls. Modified duration, in contrast, does not. Duration shown is calculated using effective duration for bonds and modified duration for loans and includes cash and cash equivalents. **Weighted Average Maturity (WAM)** refers to a finite time period at the end of which a debt will be repaid and is calculated based on the total market value of fixed-income securities in the portfolio. WAM is calculated based on the total market value of the fixed income securities in the portfolio. **Non-Investment Grade** refers to fixed income securities with lower credit quality. Leveraged Loans are extended to companies or individuals that already have considerable amounts of debt. **Credit Quality ratings** are from S&P 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 Fund and not the Fund itself. If securities are rated by both agencies, the higher rating was used. Securities not rate by S&P or Moody's are categorized as Unrated/Not Rated. **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. **Free Cash Flow (FCF)** represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. **Loan-to-value (LTV)** ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. **Coupon** payment on a bond is the annual interest payment that the bondholder receives from the bond's issue date until it matures. **Par-weighted default rate** is the rate of borrowers who fail to remain current on their loans based on the par amount.

This material is provided for informational purposes without regard to your particular investment needs. This material 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.

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