Artisan High Income Fund

QUARTERLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 March 2017

Investment Process

We seek to invest in issuers with high-quality business models that have compelling risk-adjusted return characteristics. Our research process has four primary pillars:

Business Quality

We use a variety of sources to understand an issuer's business model resiliency. We analyze the general health of the industry in which an issuer operates, the issuer's competitive position, the dynamics of industry participants and the decision-making history of the issuer's management.

Financial Strength and Flexibility

We believe that analyzing the history and trend of free cash flow generation is critical to understanding an issuer's financial health. Our financial analysis also considers an issuer's capital structure, refinancing options, financial covenants, amortization schedules and overall financial transparency.

Downside Analysis

We believe that credit instruments by their nature have an asymmetric risk profile. The risk of loss is often greater than the potential for gain, particularly when looking at below investment grade issuers. We seek to manage this risk with what we believe to be conservative financial projections that account for industry position, competitive dynamics and positioning within the capital structure.

Value Identification

We use multiple metrics to determine the value of an investment opportunity. We look for credit improvement potential, relative value within an issuer's capital structure, catalysts for business improvement and potential value stemming from market or industry dislocations.

Team Overview

Our team brings together a group of experienced credit analysts who are dedicated to a single investment philosophy and process. All team members conduct deep fundamental credit research as generalists with sector tendencies to identify issuers with high quality business models that have compelling risk-adjusted return characteristics.

Portfolio Management

Bryan C. Krug, CFA
Portfolio Manager

Investment Results (%)

As of 31 March 2017	QTD[1]	YTD[1]	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
Investor Class: ARTFX	**3.08**	**3.08**	**16.65**	**6.69**	—	—	**6.65**
Advisor Class: APDFX	**3.13**	**3.13**	**17.00**	**6.86**	—	—	**6.82**
BofA Merrill Lynch US High Yield Master II Index	2.71	2.71	16.88	4.62	—	—	4.66

Source: Artisan Partners/BofA Merrill Lynch. [1]Returns for periods less than one year are not annualized. [2]Fund inception: 19 March 2014.

Expense Ratios	ARTFX	APDFX
Annual Report 30 Sep 2016	1.03	0.84
Prospectus 30 Sep 2016[1]	1.03	0.84

[1]See prospectus for more information.

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.

Investing Environment

Our portfolio modestly outperformed the BAML Index in Q1, aided by select bond holdings in the consumer goods, services and financial services sectors. We also had solid performance in our loan portfolio driven by a few standouts in the services, retail and capital goods sectors. As we have noted in previous letters, the BAML Index is an imperfect benchmark for our strategy. Beside the fact that we have the flexibility to invest across the capital structure—including holding loans—the index is not replicable as an investment portfolio in the real world. Due to these benchmark limitations, we also compare our performance to other high yield active managers. In Q1, we outperformed our peer group, the Morningstar High Yield Bond category, which had a 2.3% average return[1]. On a one-year basis, our portfolio return is roughly in line with that of the index's 16.9% gain, but more than 300bps ahead of our peer group's average return of 13.4%. As the High Income Fund reached its third anniversary in Q1, it's worth nothing that, over the three-year period, the annualized return of our portfolio was 6.7% versus 4.6% for the index and 3.0% for the peer group.

More generally in Q1, the positive sentiment that drove the post-US election rally carried into the first part of 2017, supporting positive returns in the non-investment grade market. Credit markets overall benefited from solid corporate earnings, range-bound Treasury yields and optimism around the new US administration. A small pullback in March (with heavy outflows from high yield funds) failed to hold back quarterly returns for risk assets of all types.

The BAML Index outpaced the JP Morgan Leveraged Loan Index in Q1, gaining 2.7% and 1.1%, respectively. With the majority of the loan market trading above par, there was a record amount of loan-repricing activity—contributing to the asset class's year-to-date underperformance relative to high yield.

High yield bond yields decreased 29bps to 5.9% and spreads compressed 31bps to 408bps, which compare to multi-year lows of 5.6% and 375bps reached in early March. Loan yields similarly dropped by 10bps to 6.1% and spreads compressed 22bps to 436bps. Treasuries, after experiencing a massive selloff in Q4 2016, steadied in Q1, with little change in yields other than at the front-end of the yield curve where yields moved higher in anticipation of the Fed's quarter-point rate hike in March.

CCC-rated securities, with a 5.2% return, led higher-rated segments in Q1—though CCCs lagged in March for the first time since February 2016. Bs and BBs returned 2.7% and 2.0% in Q1. Aside from retail, all sectors finished with gains, led by transportation, telecom and health care. Retail sector yields gapped out in Q1—increasing 100bps to 8.5%—in notable contrast to other high yield sectors, which continued to see yield declines. Retail is currently one of the few areas of credit showing signs of dislocation, given the disruptive force of e-commerce, namely Amazon.com.

New issuance was robust in Q1, especially in the loan market tied to the aforementioned repricing and refinancing activity. Volume totaled $99 billion in high yield bonds and $331 billion in loans (a record quarter for loan new issue). For perspective, quarterly issuance averaged $121 billion in 2016. Repricing activity accounted for about 50% of gross loan volume, while 67% of high yield bond activity was from refinancing.

Default activity has been light in 2017—only seven companies defaulted totaling $8.8 billion in debt. (This compares to 22 defaults totaling $30.4 billion in Q1 2016.) Overall, default rates remain modest excluding the commodity sectors.

Portfolio Positioning

The portfolio composition between bonds and loans was little changed from Q4 2016. Our bond exposure marginally decreased from 74.7% to 74.5%. Conversely, our loan exposure slightly increased from 20.0% to 20.3%. From a sector perspective, the biggest changes were increased weightings in retail and basic industry and decreased weightings in energy and technology & electronics, although these are still our two largest sector weights. With regard to portfolio distribution by credit ratings, we incrementally traded up the ratings spectrum because, from a valuation perspective, we're seeing little differentiation in the market. As always, our aim is to ensure we're adequately compensated for the amount of risk we take.

Our portfolio remains focused on our highest conviction names, with 35.6% of the portfolio in the top-10 holdings, compared to 38.1% at year end. Moving back into the top 10 as we added to our position was long-term holding First Data, a leading payments processor. We like the company's solid free cash flow profile sustained by high recurring revenues. Management is focused on accelerating growth and deleveraging the balance sheet, which we think could lead to investment grade metrics in a few years.

New to the top 10 was HD Supply Holdings, a distributor of construction and industrials products. We purchased HD Supply in Q4 2016, but really scaled it up in Q1. As a large-scale operator in the fragmented industrial supply market, we believe the company can continue taking share from smaller players. Further share gains offer additional competitive advantages in terms of systems and inventory management, aiding organic growth and deleveraging capability. There is an activist shareholder involved that is pushing the company to look at strategic alternatives, which creates some optionality to our investment.

Dropping out of the top 10 were Kronos, a workforce management software and services company, and Opal Acquisition, the parent company of One Call, a leader in workers' compensation services—we reduced our positions in both holdings. For Kronos, our investments were in its first and second lien loans. We believe the company will refinance the first lien as the loans trade at a premium, and the yield

would be unattractive in that event. As it relates to Opal, One Call has underperformed our expectations, so we trimmed our exposure.

Perspective

Our process seeks to exploit dislocations in the market, whether cyclical, industry or company-specific. Today, there is a general lack of dislocation, with benign default rates and relatively healthy corporate fundamentals. One area where we are beginning to see increased opportunity is the retail sector as traditional retail has been buffeted by the continued growth of e-commerce. Still, the opportunity set is smaller than it was a year ago when credit markets were in the early stages of recovery from the commodity-driven selloff of 2015 and early 2016. In this environment, with spreads historically tight, it's imperative that we remain disciplined, focusing on the four pillars of our investment process: business quality, financial strength and flexibility, downside analysis and value identification.

While navigating the non-investment grade credit space can be challenging, maintaining a keen focus on risk management can help investors identify investment opportunities that offer compelling risk-adjusted return characteristics. As career investors in the non-investment grade credit space, we recognize the risk of loss is often greater than the potential for gain—as such, we place a strong focus in our research on what can go wrong. We aim to mitigate risks by emphasizing business quality, including the resilience of an issuer's business model, the business's nuances, defensibility, stability and predictability, as well as its capital intensity. We believe our focus on business quality and discipline in managing risk within the portfolio has helped us generate attractive value-added results over the lifetime of the portfolio.

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.

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.

BofA Merrill Lynch 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 designed to mirror the investable universe of the USD-denominated institutional leveraged loan market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This summary represents the views of the portfolio managers as of 31 Mar 2017. 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. These holdings comprise the following percentages of the Fund's total net assets (including all classes of shares) as of 31 Mar 2017: First Data Corp 2.9%; HD Supply Holdings Inc 2.4%; Kronos Inc 2.1%; Opal Acquisition Inc 2.3%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund. This material does not constitute investment advice.

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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.

Credit Quality 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.

[1]**Past performance does not guarantee and is not a reliable indicator of future results.** For the period ended March 31, 2017, the Morningstar High Yield Bond Category had an average return of 2.29% for the quarter-to-date period, average return of 13.36% for the 1-yr period and average annual returns of 3.04% for the 3-yr period and 3.14% since the inception of Artisan High Income Fund on 19 Mar 2014. The Morningstar High Yield Bond Category consists of portfolios primarily invested in U.S. high-income debt securities where at least 65% or more of the assets are considered non-investment grade.

Non-Investment Grade refers to fixed income securities with lower credit quality. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Free Cash Flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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