Artisan High Income Fund

QUARTERLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX | Institutional Class: APHFX

As of 31 December 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 December 2017	QTD[1]	YTD[1]	1 Yr	3 Yr	5 Yr	10 Yr	Inception[2]
			Average Annual Total Returns				
Investor Class: ARTFX	**0.85**	**8.89**	**8.89**	**7.99**	—	—	**6.83**
Advisor Class: APDFX	**0.79**	**8.96**	**8.96**	**8.15**	—	—	**6.97**
Institutional Class: APHFX	**0.90**	**8.92**	**8.92**	**7.98**	—	—	**6.82**
ICE BofAML US High Yield Master II Index	0.41	7.48	7.48	6.39	—	—	4.97

Source: Artisan Partners/ICE BofA Merrill Lynch. [1]Returns for periods less than one year are not annualized. [2]Investor Class inception: 19 March 2014. Advisor Class inception: 19 March 2014. Institutional Class performance is that of the Investor Class from 19 March 2014 through the inception of the Institutional Class on 3 October 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.

Expense Ratios	ARTFX	APDFX	APHFX
Annual Report 30 Sep 2017	1.00	0.82	0.78[2]
Prospectus 30 Sep 2016[1]	1.03	0.84	0.79[3]

[1]See prospectus for more information. [2]For the period from commencement of operations 3 Oct 2016 through 30 Sep 2017. [3]Includes estimated expenses for the current fiscal year.

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

Non-investment grade markets capped off another strong year with modest gains in the final quarter. High yield bonds advanced 0.4% (ICE BofAML US High Yield Index) in Q4, finishing up 7.5% for the year. Leveraged loans (JP Morgan Leveraged Loan Index) advanced 1.2% in Q4 for an annual return of 4.3%. Our portfolio (based on the Investor share class) continued to outpace the ICE BofAML US High Yield Index, returning 0.85% in Q4 to finish up 8.89% in 2017. The period's returns were led by notable outperformance from a handful of idiosyncratic opportunities and our strategic allocation to bank loans.

Credit markets remained ebullient throughout the year, aided by tailwinds from strengthening credit fundamentals, supportive monetary conditions and investors' continued demand for carry. Historically low volatility across risk assets led to equity market highs and a gradual collapse in credit spreads. Instability briefly reemerged in November as idiosyncratic weakness among large benchmark constituents and technical pressures from supply and demand dynamics resulted in a selloff that pushed spreads north of 400bps. Demand quickly returned to the market, and the selloff proved short-lived—the rally in the year's final weeks pushed spreads within striking distance of post-crisis lows.

The year concluded with the passage of the GOP's long-awaited tax reform bill. The reform was considered broadly favorable to corporations and the economy, though the relative benefits differed by industry and leverage for many high yield issuers. The tax changes are anticipated to be most beneficial for companies with low leverage, high capital expenditures and high current tax rates. But for the most leveraged borrowers, modifications to interest-expense deductibility may outweigh the benefits of a new, lower corporate tax rate. Over time, these changes may force the most indebted companies to reevaluate their current capital structure, leading to deleveraging and borrowing for only productive purposes.

The quarter saw a continuation in recent performance trends by credit rating, with lower rated segments leading the market higher. High beta outperformed in Q4, with CCC-rated bonds returning 0.8% while the highest rated, non-investment grade credits (BB) were up 0.3%. For the year, CCC-rated bonds returned 10.6%, beating the broader high yield index by more than 300bps. Among sectors, utilities was the best performer during the quarter and the year, led by further industry consolidation. Energy also experienced strong returns during the quarter, buoyed by new highs in crude oil.

Default activity was particularly quiet in 2017, registering the lowest annual volume since 2013. Q4 defaults totaled $12.9 billion, pushing total annual defaulted debt to $34.1. The par-weighted US high yield default rate closed at 1.5%—230bps lower from year-ago levels. Despite the historically long current credit cycle, we see few signs current default trends will be much different in 2018.

Portfolio Positioning

Portfolio positioning has not materially changed from last quarter. The portfolio's mix between bonds and loans changed slightly when we used intra-quarter weakness to increase our bond exposure from 73% to 78%. Concurrently, increased repricing activity caused our loan exposure to tick marginally lower to 19% from 22%. From a sector perspective, the biggest moves were in our exposure to technology and media. Idiosyncratic weakness and technical pressure in the cable and satellite space provided an attractive entry point to add to our existing media names, while a pickup in refinancing activity among a few of our software and services holdings pulled down our technology exposure. From a ratings standpoint, we added to BB and CCC exposure while trimming B-rated and BBB-rated bonds. Given the increased risk from tighter monetary conditions, the portfolio's interest rate exposure remains defensively positioned with portfolio duration of 3.0 years.

Our portfolio became marginally more concentrated during the period with 39.2% of the portfolio in the top 10 holdings, compared to 35.7% at Q3's end. New to the top 10 is NFP Corp—a private-equity backed insurance and benefits broker. The company enjoys a rising position in the employee-benefits marketplace–particularly among mid-sized companies. NFP has experienced strong growth, both organically and through acquisitions, in its property and casualty business and as it increases its efforts to leverage cross-selling opportunities. Given the company's strong cash flow and attractive optionality should it become an acquisition target, we used short-term weakness to opportunistically add to the company's unsecured debt.

Other notable activity included adding to our existing exposure in Altice. The company experienced heavy selling across its enormous and highly complex capital structure after reporting continued earnings declines among its French and international subsidiaries. Management looked to assuage debt holders' growing concerns around heightened leverage with a renewed focus on debt reduction through non-core asset sales and cost-cutting efforts. We used the weakness to add to our existing position in the US subsidiary of Altice and to initiate a position in the holding company's debt. Despite recent weakness, Altice has been among the portfolio's top performers since inception.

We also established meaningful positions in Weight Watchers and Ferrellgas Partners during the quarter. The weight-loss company made moves to de-risk its capital structure through a series of leverage-neutral refinancing efforts, notably extending the maturity of its first-lien facility, which we believe will provide the company with more long-term financial flexibility. We initiated a position in the company's new term loan and unsecured debt—both of which have experienced notable price appreciation since purchasing.

For Ferrellgas Partners, the company's size and scale in the propane distribution business is attractive. Importantly, the company has made a number of credit-friendly moves, including distribution cuts that should help the company further delever and avoid any covenant breaches in 2018. We would also expect to see an increase in operating efficiencies and a pick-up in accretive acquisition activity to help offset declining volumes and buoy cash flow generation, further benefitting bondholders.

Perspective

With market risk premiums near cyclical lows, the prospect for continued price appreciation appears limited, making it unlikely we'll see a repeat of 2017's strong return for broad-based credit. As we see it, the focus on credit fundamentals is becoming increasingly important in this historically long credit cycle. Fundamentally weaker

credits have benefitted from a general rising tide, but idiosyncratic divergence has been growing, and we expect to see more price differentiation across securities and capital structures, benefitting those that are willing to perform diligent credit analysis.

That's not to say the current cycle can't continue. With a benign credit backdrop of improving corporate health, strong economic momentum and low default activity, we see no immediate catalyst for significant spread widening. Indeed, using past credit cycles as a guide, the current technical and economic pictures suggest we could see further tightening from here. While we don't believe we're being adequately compensated to take broad, directional credit risk, we do feel the market is offering plenty of unique idiosyncratic and relative-value opportunities, particularly where sentiment remains unjustifiably negative.

Ultimately, we believe the idiosyncratic and focused nature of our portfolio is well positioned in the current environment. In situations where investors must be discriminating and diligent in their efforts to find the right balance of risk and reward, we are confident in our high-conviction approach. As an active management team with high degrees of freedom, we believe disciplined execution of our process will enable us to build a focused portfolio that can perform well in any market environment.

Business Update

The Artisan Partners Credit Team will be relocating to a new office in the Cherry Creek neighborhood of Denver, Colorado in the summer of 2018. In considering the characteristics of our franchise, we decided that the Denver area was an ideal, long-term fit for both our team and our current and prospective clients. As a growing destination for investment management, Denver sees a good deal of traffic from management teams. Denver's central location and large international airport also aid us in our research travel. Further, as we continue to prioritize talent as one of our competitive advantages, we believe Denver—for the reasons outlined—only adds to our ability to attract and retain top talent. Importantly, while we remain in the planning stages of our relocation, we anticipate the entire investment team will be making the move to Denver.

We are proud of the franchise we have built and are aware these successes would not have been possible without the commitment provided by our clients. We believe our new location, better suited to the long-term vision of our investment franchise, puts the team on a trajectory for continued success.

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.

ICE BofAML 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 Dec 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 Dec 2017: NFP Corp 2.2%, Altice 5.4%, Weight Watchers 1.9%, Ferrellgas Partners 1.9%. 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.

Source ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC permits use of the ICE BofAML 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 BofAML 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.

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.

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.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Par-weighted US High Yield Default Rate** represents the total dollar volume of defaulted securities compared to the total face amount of securities outstanding that could have defaulted. **Beta** is a measure of the volatility of a security or a portfolio in comparison to the market as a whole. **Non-Investment Grade** refers to fixed income securities with lower credit quality.

Artisan Partners Funds offered through Artisan Partners Distributors LLC (APDLLC), member FINRA. APDLLC is a wholly owned broker/dealer subsidiary of Artisan Partners Holdings LP. Artisan Partners Limited Partnership, an investment advisory firm and adviser to Artisan Partners Funds, is wholly owned by Artisan Partners Holdings LP.

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

1/25/2018 A17728L_vR