Artisan High Income Fund

QUARTERLY
Commentary

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

As of 30 September 2018

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.

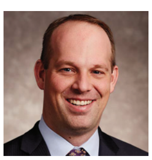
Value Identification

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 30 September 2018	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTFX	**2.19**	**3.77**	**4.66**	**8.67**	—	—	**6.54**
Advisor Class: APDFX	**2.23**	**4.01**	**4.83**	**8.86**	—	—	**6.71**
Institutional Class: APHFX	**2.36**	**4.08**	**5.02**	**8.77**	—	—	**6.60**
ICE BofAML US High Yield Master II Index	2.44	2.52	2.94	8.19	—	—	4.70

Source: Artisan Partners/ICE BofA Merrill Lynch. Returns for periods less than one year are not annualized. Class inception: Investor (19 March 2014); Advisor (19 March 2014); Institutional (3 October 2016). For the period prior to inception, Institutional Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Institutional Class and the share class's returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTFX	APDFX	APHFX
Semi-Annual Report 31 Mar 2018[1]	0.97	0.82	0.74
Prospectus 30 Sep 2017[2]	1.00	0.82	0.78

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

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.

Performance Discussion

Our portfolio modestly trailed the ICE BofAML US High Yield Index in Q3 but remains well ahead of the benchmark YTD. The portfolio saw notable contribution from select holdings in the retail and media sectors, while our underweight to health care and weakness among a handful of consumer goods issuers weighed on relative returns. Our relative performance continues to be about what we don't own, and our focus on less rate-sensitive credits—particularly our strategic allocation to bank loans—has benefited performance as short-term rates have steadily marched higher.

Investing Environment

Non-investment grade markets continued their quiet ascent in Q3, remaining generally ring-fenced from flares in macro noise that affected other risk assets. The ICE BofAML US High Yield Index returned 2.4% in the quarter to advance to 2.5% YTD. High yield spreads continued to oscillate in a narrow YTD range until spiking Treasury yields near quarter-end pushed spreads near the post-crisis low of 334bps. Spreads finished the quarter at 338bps—48bps tighter than Q2 levels—while yields inched up 9bps to 6.6%.

Similarly, leveraged loans (JPMorgan Leveraged Loan Index) returned 2.0% for YTD gains of 4.4%. The asset class has now advanced 27 of the last 28 months and is outperforming high yield bonds for just the second time in 13 years. The loan market continues to be the preferred hideout from rising rate pressures as its investment appeal—namely, lower rate sensitivity and relatively higher yields—remains intact. Strong demand forces have pushed down spreads (22bps tighter to 382bps) and yields (10bps lower to 6.7%), as heavy inflows have been met with less attractive terms for investors.

Despite pockets of weakness in August, the quarter's risk-on sentiment boosted lower-rated bonds to extend YTD outperformance relative to higher-rated bonds. Through nine months, CCC-rated debt has outperformed BB-rated bonds by 6.4% as the spread difference between the two has compressed by 151bps YTD. Rate-sensitive BBs continue to bear the brunt of investor interest-rate aversion, while several large CCC-rated capital structures can be credited with much of CCCs' outperformance.

All sectors finished in positive territory with health care (3.5%), telecom (3.3%) and media (2.9%) leading the way. In health care, the continued rally from a number of lower-rated names bolstered the sector, and in telecom, general strength of large-capital structures Sprint and T-Mobile drove outperformance. A strong quarter from television provider Dish lifted the media sector. Conversely, retail (0.5%) was the weakest-performing segment, weighed down by the bonds of distressed retailers Sears and JC Penney.

The benign default environment continued through the third quarter, with just two companies defaulting on a total of $1.1 billion in bonds and loans—the lowest quarterly total since Q4 2013. The continued light volume has kept a lid on the par-weighted default rate, which remains anchored at 2.0%. While backward-looking data provide little information about future trends, the benign environment is expected to continue for the remainder of the year and well into 2019. Looking ahead, Moody's has projected the corporate default rate to decline from the currently low levels over the next 12 months.

Portfolio Positioning

There were few material changes to portfolio positioning in the quarter. From a portfolio composition standpoint, our split between bonds and loans was largely unchanged at 73% and 23%, respectively. As always, we attach ourselves to the level of the capital structure with the best risk-adjusted potential. Our split between bonds and loans is a by-product of our bottom-up security selection, and in our opinion, notable spread compression and mounting signs of late-cycle behavior in the leveraged loan market have limited the asset class's relative value.

Our portfolio became incrementally more defensive during the period. From an interest rate standpoint, we remain in the camp that rising rates—rather than an inflection in credit fundamentals—is the bigger risk to credit investors. Accordingly, our duration sits at 3.0 years—a full year shorter than the ICE BofAML US High Yield Index. Additionally, we continued reducing our allocation to CCC-rated debt with the current streak of relative outperformance. The steady YTD collapse of credit spreads at the lower end of the credit spectrum has increased the asymmetric return profile of the CCC space, limiting the compensation for additional risk-taking.

Weighting in our top-10 holdings declined, finishing at 32%, down from 36% in Q2—in line with its historical range and consistent with our high-conviction approach. Changes to the top 10 were minimal, with the addition of HCA Healthcare and the exit of First Data.

We added to our position in acute care provider HCA Healthcare. The company is considered a best-in-class hospital operator with peer-leading performance and an investment grade credit profile. Despite the company's mega-cap structure (as one of the largest constituents in the ICE BofAML High Yield Index), elevated capital expenditures and shareholder-friendly actions, its debt has been remarkably defensive and reflects the company's skillful strategic maneuvering. The industry has been facing a number of near-to-medium-term headwinds, but we believe HCA's credit metrics provide ample cushion against most downside scenarios. Additionally, our view in the investment is bolstered by our belief the company's notes could be upgraded to investment grade status in the near term. During the quarter, we used rate-driven weakness to build positions in longer-dated secured and unsecured credits, hedging our duration risk in these bonds.

Another notable add, though outside the top 10, was to our position in the bonds of roofing materials distributor Beacon Roofing Supply. The company enjoys a strong market position in a consolidating building products category and generates solid free cash flow that can be used for deleveraging purposes. Concerns around integration issues with its early 2018 acquisition of Allied Building Supply and more recent challenges tied to passing through cost inflation have weighed on the company's capital structure. We used weakness to build a position in the senior unsecured notes at a notable discount, with a conservative thesis that free cash flow growth and merger synergies will allow the company to materially deleverage in the next 12-24 months.

Finally, our position in the term loan of moving and relocation services company SIRVA Worldwide was another noteworthy, high-conviction addition outside the top 10. The term loan was issued after the company was acquired by a private equity sponsor with broader plans to merge SIRVA with a smaller, European-based relocation services provider. SIRVA is well-positioned with a diversified, sticky customer base, providing moving services through a large agent network that allows the company to operate with low capital expenditures and fixed costs. Importantly, the combined entity will enable SIRVA to improve its positioning overseas while enjoying synergies from a lower headcount and shared services. We anticipate the company will be able to grow revenues modestly in the near term and will be able to generate sufficient cash flow to maintain its current credit profile.

Dropping out of the top 10 was the aforementioned First Data, a leading payments provider. The company has been a long-term portfolio holding that has made its way in and out of our top 10. We're attracted to the company's strong business position, high recurring revenues and a financial policy focused on deleveraging. We added to the name in Q1 after weakness pushed spreads north of 250bps—attractive value for a high-quality credit. But with spreads steadily tightening over the last two quarters to levels in line with BBB peers, we saw little room for incremental excess return and trimmed based on valuation.

Perspective

As we move forward, investors must balance the trade-off of positive economic tailwinds that are supportive of credit conditions with growing but manageable market risks. With this in mind, we believe our portfolio is well-tailored to succeed in this environment in which a disciplined approach is required and careful credit selection is essential. A key tenet of our success is our commitment to margins of safety and an unwavering focus on risk-adjusted return. It's this discipline that allows us to capitalize on market inefficiencies by way of individual security selection and to build a focused portfolio that can perform well in any environment. As always, we'll continue to focus on attractive idiosyncratic and catalyst-driven opportunities while being selective about the risks we take, believing this high-conviction process will be rewarded over our long-term investment horizon.

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 30 Sep 2018. 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 30 Sep 2018: HCA Healthcare 2.3%, Beacon Roofing Supply 2.0%, SIRVA Worldwide 1.4%, First Data Corp 2.2%. 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. **Three-year takeout** refers to the point at which a current loan is refinanced or otherwise paid off. **Duration** is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

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