Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 29 February 2024

Commentary

Our portfolio outperformed the ICE BofA US High Yield Index in February. Similar to January, our allocation to leveraged loans added the bulk of excess returns during a period of rising interest rates, although security selection in corporate bonds was an additional contributor. From a sector perspective, our allocation and selection within telecommunications contributed positively while our holdings in media detracted.

Following continued strength in the job market and an upside surprise on core inflation data, February saw a significant increase in interest rates across the Treasury curve as the 2-Year and 10-Year rose 41bps and 33bps, respectively, ending the month with yields at 4.62% and 4.25%. This change in market sentiment has materially impacted expectations on future Fed rate cuts; at the beginning of 2024, consensus expectations were six cuts of 25bps each, pushing the Federal Funds rate below 4% by year end. At the end of February, the market is now pricing between three and four cuts through 2024, with some investors expecting even fewer. Though this market dynamic has resulted in a rise in interest rates year to date, leveraged credit markets remain more insulated to this volatility versus their investment grade peers given a shorter duration profile. In particular, this volatility has benefited the leveraged loan market as index yields have increased year to date.

By credit quality, CCCs (+2.3%) materially outperformed the broader index (+0.3%). CCC spreads tightened over 70bps while the index tightened 30bps, resulting in both spread levels falling below their values to start the year. At an index spread level of 329bps, the high yield market is at the 88th percentile relative to history, though we would remind investors that the index is of materially higher quality today than in the past while all-in yields remain on the higher end of historical averages.

Default activity picked up in February, though default rates fell as elevated volumes in early 2023 rolled off the trailing default rate calculation. As a result, par-weighted default rates fell to 1.66% and 1.77% for bonds and loans, respectively, excluding distressed exchanges. The strength of the economy has contributed to a continued decline in the amount of credits priced at "distressed" levels, with the lowest dollar amount of bonds and loans priced below $80 since September 2022. The resilient economy has continued to inspire companies to borrow and opportunistically extend maturities, as new issuance was robust in February across both bonds and loans. Though a decline from January, gross new issuance totaled nearly $28 billion in high yield and nearly $64 billion in leveraged loans. Of particular note was the over $7.5 billion in leveraged buyout (LBO) financing occurring in February, the highest amount since June 2022 and an indicator of a continued recovery of the primary market after the 2022–2023 shock in interest rates.

Interest rates have been volatile year to date as market participants evolve their views on the direction of Federal Reserve policy. Leveraged credit markets continue to perform well, with a shorter duration profile than their investment grade counterparts helping to insulate investors from rate volatility while paying attractive coupons. Overall, we remain steadfastly focused on bottom-up name selection and continue to manage a high-conviction portfolio emphasizing business quality.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$8.98	$8.98
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.06%	8.26%
Expense Ratios		
Annual Report 30 Sep 2023	0.94%	0.79%
Prospectus 30 Sep 2023[1]	0.96%	0.80%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	232
Number of Issuers	122

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	5.7
Charter Communications Inc	3.9
Carnival Corp	3.8
NCL Corp Ltd	3.5
NFP Corp	3.3
Altice France	2.6
Virgin Media Secured Finance PLC	2.5
TKC Holdings Inc	2.5
Acrisure LLC	2.5
Medline Industries Inc	2.5
TOTAL	**32.8%**

Source: Artisan Partners/Bloomberg. For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the portfolio.

Portfolio Composition (% of total portfolio)

Corporate Bonds	77.1
Bank Loans	15.5
Equities	0.2
Cash and Cash Equivalents	7.2
TOTAL	**100.0%**

Source: Artisan Partners/Bloomberg. Negative cash weightings and portfolio composition greater than 100% may be due to unsettled transactions or investment in derivative instruments. Treasury futures represented net notional exposure of 0.00% of net assets.

Investment Results (%)

				Average Annual Total Returns				
As of 29 February 2024	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**0.37**	**0.67**	**0.67**	**12.05**	**3.15**	**5.64**	—	**5.87**
Advisor Class: APDFX	**0.50**	**0.71**	**0.71**	**12.24**	**3.35**	**5.80**	—	**6.04**
ICE BofA US High Yield Index	0.30	0.31	0.31	10.97	1.86	3.99	—	4.29
As of 31 December 2023								
Investor Class: ARTFX	**3.39**	**6.66**	**15.69**	**15.69**	**3.45**	**6.77**	—	**5.90**
Advisor Class: APDFX	**3.41**	**6.83**	**15.87**	**15.87**	**3.61**	**6.94**	—	**6.06**
ICE BofA US High Yield Index	3.69	7.06	13.46	13.46	2.00	5.21	—	4.33

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized.

Past performance does not guarantee and is not a reliable indicator of future results. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. Call 800.344.1770 for current to most recent month-end performance. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held by an investor for 90 days or less and, if reflected, the fee would reduce the performance quoted. Unlike the Index, the High Income Fund may hold loans and other security types. At times, this causes material differences in relative performance.

Artisan High Income Fund

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Ratings Distribution (%)

BBB	4.1
BB	26.6
B	41.8
CCC	25.0
D	0.2
Unrated	2.3
TOTAL	**100.0%**

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.6
1 - <3 years	11.5
3 - <5 years	36.8
5 - <7 years	41.3
7 - <10 years	8.3
10+ years	1.5
TOTAL	**100.0%**

Source: Artisan Partners/Bloomberg. Percentages shown are of total fixed income securities in the portfolio.

Portfolio Construction

The team generally determines the amount of assets invested in each issuer based on conviction, valuation and availability of supply. Based on the team's analysis it divides the portfolio into three parts. Core investments are generally positions with stable to improving credit profiles and lower loan to value ratios. Spread investments are those where the team has an out-of-consensus view about a company's credit improvement potential. Opportunistic investments are driven by market dislocations that have created a unique investment opportunity. Allocations to each group will vary over time based on market conditions.

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Team Leadership

Portfolio Manager	Years of Investment Experience
Bryan C. Krug, CFA	23

Carefully consider the Fund's investment objective, risks and charges and expenses. This and other important information is contained in the Fund's prospectus and summary prospectus, which can be obtained by calling 800.344.1770. Read carefully before investing.

Current and future portfolio holdings are subject to risk. The value of portfolio securities selected by the investment team may rise or fall in response to company, market, economic, political, regulatory or other news, at times greater than the market or benchmark index. A portfolio's environmental, social and governance ("ESG") considerations may limit the investment opportunities available and, as a result, the portfolio may forgo certain investment opportunities and underperform portfolios that do not consider ESG factors. Fixed income securities carry interest rate risk and credit risk for both the issuer and counterparty and investors may lose principal value. In general, when interest rates rise, fixed income values fall. High income securities (junk bonds) are speculative, experience greater price volatility and have a higher degree of credit and liquidity risk than bonds with a higher credit rating. The portfolio typically invests a significant portion of its assets in lower-rated high income securities (e.g., CCC). Loans carry risks including insolvency of the borrower, lending bank or other intermediary. Loans may be secured, unsecured, or not fully collateralized, trade infrequently, experience delayed settlement, and be subject to resale restrictions. Private placement and restricted securities may not be easily sold due to resale restrictions and are more difficult to value. Use of derivatives may create investment leverage and increase the likelihood of volatility and risk of loss in excess of the amount invested. International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging and less developed markets, including frontier markets.

ICE BofA US High Yield Index measures the performance of below investment grade $US-denominated corporate bonds publicly issued in the US market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. Securities named in the Commentary, but not listed as a Top Ten Holding or not listed here are not held in the Fund as of the date of this report. The portfolio managers' views and portfolio holdings are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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