



Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 31 August 2024

Commentary

Our portfolio modestly underperformed the ICE BofA US High Yield Index during the month. Our allocation to bank loans weighed on returns in a month where rates fell across the curve, though this was offset by positive security selection in corporate bonds. By rating, contributions from selection within B-rated debt were offset by negative selection effects in the CCC-rated segment. From a sector perspective, security selection within transportation was the most significant contributor, while selection within technology and electronics detracted from returns.

Volatility increased significantly at the beginning of August, as markets encountered a “growth scare” from an unexpectedly weak employment report early in the month. In response, Treasury yields fell precipitously across the curve, while the equity market experienced a sharp selloff. The 2-Year Treasury yield fell 34bps while the 10-Year yield declined 13bps; the 2-Year yield ended the month at its lowest level since May 2023, erasing all of its yield increase from earlier in the year. Equity markets quickly recovered as the month progressed, with a bevy of economic data giving investors comfort that the economy was still broadly on solid footing while the Fed admitted that its focus has clearly shifted to avoiding further cooling in the labor market, explicitly stating that “the time has come for policy to adjust.”

The early month volatility spike affected credit markets, with notable spread widening across both high yield bonds and leveraged loans. However, similar to equity markets, both high yield bonds and leveraged loans recovered quickly and rallied to end August; remarkably, high yield bond spreads ended the month 8bps tighter at 318bps overall despite widening to a high of 393bps early in the month. Coupled with a decline in interest rates, the ICE BofA US High Yield Bond Index gained 1.6%, its second-best month this year. Meanwhile, the Credit Suisse Leveraged Loan Index returned 0.6% during the month, driven by an attractive average coupon for the index that remains near 9%.

Primary market activity declined relative to July, consistent with a typical summer slowdown as the high yield market priced \$18 billion in gross issuance and the loan market priced \$26 billion. Default activity remains dominated by distressed exchanges/liability management exercises (LMEs) rather than “hard defaults” (bankruptcies or missed payments). While distressed exchanges continue to increase, it’s worth putting their size in the context of the total market; according to JP Morgan data, distressed exchange volume across bonds and loans in 2024 is less than 1.3% of the total market size.

Price action in August reminds credit investors that market sentiment can change quickly. Across our platform, we believe volatility creates opportunity, as short-term sentiment changes can enable us to lend to quality businesses at even more attractive entry points. While the volatility spike was fleeting this time, we believe these episodic periods will continue and can ultimately reward disciplined, high-conviction credit investors over the long term.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.09	\$9.08
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.29%	8.34%
Expense Ratios		
Semi-Annual Report 31 Mar 2024 ¹	0.94%	0.78%
Prospectus 30 Sep 2023 ²	0.96%	0.80%

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

Portfolio Statistics

Number of Holdings	241
Number of Issuers	122

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	4.5
Charter Communications Inc	4.4
Carnival Corp	3.7
NCL Corp Ltd	3.7
Virgin Media Secured Finance PLC	3.2
VistaJet Ltd	3.1
Medline Industries Inc	3.0
TKC Holdings Inc	2.9
Acrisure LLC	2.8
Altice France	2.0
TOTAL	33.3%

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	76.9
Bank Loans	16.7
Equities	0.2
Cash and Cash Equivalents	6.2
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 (%)

As of 31 August 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	1.50	3.15	5.71	11.91	3.69	5.97	6.00	6.07
Advisor Class: APDFX	1.51	3.05	5.71	11.97	3.84	6.12	6.16	6.23
ICE BofA US High Yield Index	1.59	3.58	6.29	12.48	2.54	4.27	4.56	4.66
As of 30 June 2024								
Investor Class: ARTFX	0.49	1.05	2.49	10.91	2.70	5.49	5.77	5.86
Advisor Class: APDFX	0.62	1.21	2.57	11.22	2.90	5.66	5.94	6.02
ICE BofA US High Yield Index	0.97	1.09	2.62	10.45	1.65	3.73	4.21	4.38

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.

Ratings Distribution (%)

BBB	3.5
BB	30.9
B	40.9
CCC and Below	23.0
Unrated	1.7
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	1.4
1 - <3 years	10.0
3 - <5 years	40.3
5 - <7 years	35.6
7 - <10 years	11.2
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.

Team Leadership



Portfolio Manager

Bryan C. Krug, CFA

Years of Investment Experience

24

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 dollar-denominated corporate bonds publicly issued in the US market. Credit Suisse (CS) Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the US dollar-denominated leveraged loan market. New issues are added to the index on their effective date if they qualify according to the following criteria: loan facilities must be rated "BB" or lower; only fully funded term loan facilities are included; and issuers must be domiciled in developed countries. 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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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. **Credit Quality** ratings are from S&P and/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 portfolio and not the portfolio itself. If securities are rated by both agencies, the higher rating was used. Securities not rated by S&P or Moody's are categorized as Unrated/Not Rated. **Maturity Distribution** represents the weighted average of the maturity dates of the securities held in the portfolio. **Par-weighted Default Rate** represents the total dollar volume of defaulted securities compared to the total face amount of securities outstanding that could have defaulted.

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