Artisan High Income Fund

MONTHLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 December 2024

Commentary

Our portfolio outperformed the ICE BofA US High Yield Index during the month. Our exposure to bank loans was the most notable contributor as interest rates generally rose across the curve, resulting in outperformance of floating rate assets over fixed rate. By rating, security selection in B-rated debt was the largest contributor. From a sector perspective, the portfolio benefited from both an overweight and selection within insurance, while selection within media and telecommunications detracted marginally from returns.

Following strong performance in November across risk assets, market participants began the month with a renewed focus on the Federal Reserve and the potential path forward for monetary policy. As expected, on December 18 the Federal Open Market Committee (FOMC) voted to reduce the target fed funds rate a further 25bps. However, considerably more attention was placed on the so-called "dot plot" of interest rate expectations as well as commentary by the Fed post-meeting. While the Fed's primary concern in recent months had been guarding against further labor market weakness, commentary and the "dot plot" suggest that stubbornly resilient inflation is once again becoming a key issue on the minds of FOMC members. In turn, the yield on the 10-year Treasury rose over 40bps during the month while the S&P 500® Index fell -2.4%, with the bulk of the equity market decline occurring after December 18.

The rise in interest rates coupled with moderate spread widening contributed to a negative return for the high yield market in December. The ICE BofA US High Yield Index returned -0.4% for the month as spreads widened by 18bps, with the option-adjusted spread (OAS) for the index ending the month at 292bps overall. Meanwhile, leveraged loans outperformed bonds as their floating rate coupons shielded them from rate volatility. The S&P UBS Leveraged Loan Index gained 0.6% for the month, ending the year with a total return of 9.1% and outperforming bonds by 85bps in 2024. As previously discussed, we continue to find attractive opportunities in the loan market on a selective basis.

Within high yield bonds, CCCs once again outperformed other categories in December, continuing a consistent theme seen throughout 2024. For the year, CCCs gained a whopping 18.2% while BBs and Bs returned 6.3% and 7.5%, respectively. It's worth noting that returns in CCCs were led this year by the "distressed" component (bonds trading with OAS above 1,000bps), with the full CCC index tightening 156bps while spreads on the non-distressed portion of the CCC universe actually widened nearly 50bps during the year. This has been particularly pronounced since the swift "growth scare" selloff in August. Since August 31, the spread on the CCC index has tightened over 200bps while the non-distressed component has tightened by only 25bps. We remain hypervigilant in the CCC segment of the market, with an emphasis on superior business quality and fundamental issuer strength.

Credit markets posted high-single-digit returns in 2024, providing a valuable complement to portfolios—particularly when compared to investment grade bonds. With concerns over elevated valuations in equity markets and the prospect of inflation reigniting amid a still robust economy and a new presidential administration, we believe credit remains an attractive area to own as part of a diversified portfolio. The ability to potentially earn equity-like returns—driven predominantly by income—from assets more senior in the capital structure is appealing for investors looking to potentially reduce risk without sacrificing return.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	$9.11	$9.10
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	7.62%	7.80%
Expense Ratios		
Annual Report 30 Sep 2024	0.95%	0.79%
Prospectus 30 Sep 2023[1]	0.96%	0.80%

[1]See prospectus for further details.

Portfolio Statistics

Number of Holdings	238
Number of Issuers	120

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	4.4
Charter Communications Inc	4.2
Carnival Corp	3.5
VistaJet Ltd	3.3
NCL Corp Ltd	3.3
TKC Holdings Inc	3.0
Virgin Media Secured Finance PLC	3.0
Medline Industries Inc	2.8
Acrisure LLC	2.7
Ancestry.com Operations Inc	2.3
TOTAL	**32.5%**

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	72.8
Bank Loans	17.7
Equities	0.2
Cash and Cash Equivalents	9.3
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 31 December 2024	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	**-0.09**	**0.83**	**8.37**	**8.37**	**4.18**	**5.70**	**6.41**	**6.12**
Advisor Class: APDFX	**-0.18**	**0.87**	**8.43**	**8.43**	**4.30**	**5.85**	**6.58**	**6.28**
ICE BofA US High Yield Index	-0.43	0.16	8.20	8.20	2.91	4.04	5.08	4.68

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	3.4
BB	28.1
B	44.5
CCC and Below	22.4
Unrated	1.6
TOTAL	**100.0%**

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.7
1 - <3 years	14.7
3 - <5 years	39.9
5 - <7 years	33.7
7 - <10 years	9.6
10+ years	1.4
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	Years of Investment Experience
Bryan C. Krug, CFA	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. S&P 500® Index measures the performance of 500 US companies focused on the large-cap sector of the market. S&P UBS Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the US dollar-denominated leveraged loan market. Loan facilities must be rated "BB" or lower by S&P, Moody's or Fitch; 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. **Options-Adjusted Spread (OAS)** measures the portfolio's yield spread for fixed income securities relative to a benchmark, typically a treasury yield curve, adjusted to account for embedded options. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Investment Grade** indicates above-average credit quality and lower default risk and is defined as a rating of BBB or higher by Standard and Poor's and Fitch rating services and Baa or higher by Moody's ratings service.

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