



Artisan High Income Fund

MONTHLY Commentary

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

Commentary

Our portfolio underperformed the ICE BofA US High Yield Index during the month. Similar to June, the largest detractor was the portfolio's allocation to leveraged loans as fixed rate bonds generally outperformed floating rate paper. Year-to-date, our leveraged loan allocation remains a positive contributor. By rating, positive contributions from our overweight to CCC-rated debt was offset by security selection in the category. From a sector perspective, security selection within transportation added to returns, while the most notable detractor was security selection within retail.

In July, rate volatility continued—this time, to the benefit of fixed rate assets. Following a softer-than-expected consumer index report in mid-July and a growing narrative on a cooling (but still healthy) labor market, market participants dramatically reassessed rate cut expectations, resulting in a significant decline in interest rates across the curve. The 10-Year Treasury rate fell over 35bps during the month while the 2-Year Treasury rate dropped nearly 50bps—with both maturities erasing a majority of their yield increase this year. Concurrently, the evolving macro environment and changes in interest rates helped spark volatility in equity markets, with a significant change in market leadership from some of the previous winners (such as technology and artificial intelligence-related stocks) to those that have lagged year-to-date—namely, small-cap equities. Near the end of the month, the Federal Reserve held rates steady but noted that there has been “some progress” toward its 2% inflation target, spurring continued market speculation that the Federal Open Market Committee will vote to reduce interest rates at its upcoming September meeting.

While equity markets were volatile, credit markets held firm. Across high yield bonds, the decline in interest rates more than offset marginal spread widening to produce attractive total returns for the asset class. During July, high yield bonds (as measured by the ICE BofA US High Yield Index) gained nearly 2% at the overall index level, with CCCs returning 4%, outperforming all other rating categories. Year-to-date, high yield has returned 4.6% with the vast majority of return generated from income via attractive yields—a familiar story for those that have tracked the asset class since its inception. While leveraged loans underperformed bonds for the month, they continued to post solid gains, with the Credit Suisse Leveraged Loan Index gaining 73bps. The loan index has produced positive returns in 29 of the last 36 months (as compared to 21 of the last 36 for high yield bonds)—a remarkable level of consistency and a testament to the value of the asset class as it has historically been an attractive, income-generating component in an overall portfolio.

The month of July serves as a reminder for the potential value of leveraged credit and its role in an investor's portfolio. While a significant rotation occurred in equity markets causing volatility to increase, high yield bonds and leveraged loans posted solid returns. Income remains the primary driver of returns across credit markets this year, buoyed by yield levels that are attractive relative to history. Within our portfolio, we remain focused on fundamentals amid a highly active primary market and refinancing environment, looking to lend to high-quality businesses at attractive valuations.

Portfolio Details	ARTFX	APDFX
Net Asset Value (NAV)	\$9.01	\$9.00
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	8.03%	8.21%
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	243
Number of Issuers	124

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	4.3
Charter Communications Inc	4.3
Carnival Corp	3.7
NCL Corp Ltd	3.6
Virgin Media Secured Finance PLC	3.0
Medline Industries Inc	2.9
VistaJet Ltd	2.9
TKC Holdings Inc	2.8
Acrisure LLC	2.7
Altice France	2.0
TOTAL	32.2%

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	74.8
Bank Loans	15.9
Equities	0.2
Cash and Cash Equivalents	9.1
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 July 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	1.62	1.62	4.15	11.21	3.31	5.68	6.02	5.97
Advisor Class: APDFX	1.52	1.52	4.14	11.40	3.43	5.84	6.18	6.13
ICE BofA US High Yield Index	1.96	1.96	4.63	11.03	2.19	4.03	4.55	4.54

As of 30 June 2024								
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
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	31.4
B	42.4
CCC and Below	22.4
Unrated	0.3
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	1.4
1 - <3 years	10.2
3 - <5 years	39.1
5 - <7 years	36.9
7 - <10 years	10.9
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	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. 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.

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