



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX As of 30 November 2024

Commentary

Our portfolio performed in line with the ICE BofA US High Yield Index during the month. Positive selection effects in corporate bonds were offset by the portfolio's allocation to loans, which generally lagged the index. By rating, security selection in BB-rated debt was the most notable contributor, while the portfolio's allocation to non-rated securities modestly weighed on returns. From a sector perspective, the portfolio benefited from an overweight and security selection within media, while the largest detractor was our exposure in consumer goods.

Risk markets reacted positively to a swift and decisive US presidential election result with both equities and credit rallying in November. As market participants digested a potential "red sweep," interest rates initially rose across the curve but shifted course moderately in mid-November. Overall, rates were relatively flat in the front end month-over-month while falling modestly in the long end, creating a bull-flattening effect that benefited longer duration assets. It's worth noting that there is general market consensus that currently proposed Republican policies may contribute to higher deficits and potentially reignite inflation, though the extent to which proposed policy is enacted remains to be seen.

Against this backdrop, credit markets performed well as spreads continued to grind tighter, with the ICE BofA US High Yield Index gaining 1.1%. At the index level, overall spreads fell 14bps during the month, led by CCCs, which tightened 21bps and continue to outperform other rating categories. Since reaching a YTD OAS high of 1,055bps on August 5, the CCC index has tightened 320bps, resulting in significant CCC outperformance. With valuations in this segment much tighter than only a few short months ago, we believe selectivity remains critical. Meanwhile, the leveraged loan market continues to produce consistent and steady returns. The Credit Suisse Leveraged Loan Index returned 0.8% with its 18th consecutive positive month. We'd note that although market pricing continues to imply a reduction in secured overnight financing rates (SOFR) in the coming months, expectations of higher terminal base rates—driven in part by the outcome of US elections—may benefit leveraged loan investors as coupons remain elevated.

Given the relentless tightening of spreads this year to levels not seen in decades, it's worth noting that there have been multiple instances where the high yield bond index trades at tight levels for extended periods of time. From January 1997 through May 1998, spreads at the index level traded between 244bps and 316bps for a period of more than 17 months; a similar phenomenon occurred for parts of 2004 through 2007. We believe this is important context for investors in high yield today as a strong economy, technical tailwinds and a continued high-grading of the market combine to support spreads at current levels.

As fundamental credit investors, avoidance of permanent capital impairment is critical to our success. We believe that lending to quality businesses uncovered by superior issuer selection is the best way to generate attractive risk-adjusted returns over the long term. In today's environment of freely flowing capital markets and tighter spreads, we continue to invest in a high-conviction manner—it is important as ever to "know what you own."

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$9.17	\$9.17
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	7.73%	7.90%
Expense Ratios		
Annual Report 30 Sep 2024	0.95%	0.79%
Prospectus 30 Sep 2023 ¹	0.96%	0.80%

¹See prospectus for further details.

Portfolio Statistics

Number of Holdings	242
Number of Issuers	122

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

Charter Communications Inc	4.4
The Ardonagh Group	4.3
Carnival Corp	3.5
NCL Corp Ltd	3.4
VistaJet Ltd	3.4
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	32.8%

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	73.4
Bank Loans	19.4
Equities	0.2
Cash and Cash Equivalents	7.0
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 30 November 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	1.11	0.91	8.46	12.14	4.70	6.22	6.24	6.18
Advisor Class: APDFX	1.23	1.05	8.62	12.33	4.86	6.38	6.41	6.35
ICE BofA US High Yield Index	1.15	0.59	8.67	12.67	3.70	4.56	4.97	4.76
As of 30 September 2024								
Investor Class: ARTFX	1.67	4.87	7.48	14.64	4.06	6.15	6.31	6.19
Advisor Class: APDFX	1.69	4.79	7.49	14.83	4.22	6.30	6.47	6.35
ICE BofA US High Yield Index	1.63	5.28	8.03	15.66	3.08	4.55	4.95	4.78

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	3.3
BB	27.6
B	44.4
CCC and Below	22.1
Unrated	2.6
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	0.7
1 - <3 years	12.4
3 - <5 years	40.6
5 - <7 years	35.7
7 - <10 years	9.1
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. **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.

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