



Artisan High Income Fund

MONTHLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX

As of 31 October 2024

Commentary

Our portfolio outperformed the ICE BofA US High Yield Index during the month. Across asset types, the portfolio's allocation to bank loans was the most significant contributor in a month where interest rates rose across the curve. In addition, the portfolio benefited from positive security selection effects in corporate bonds. By rating, security selection in B-rated debt as well as the portfolio's overweight to CCC-rated credit added to returns. From a sector perspective, the largest contributors included security selection in insurance and technology & electronics.

After an impressive employment report in early October and a consumer price index reading above expectations, market participants reassessed both the pace and magnitude of upcoming Federal Reserve rate cuts. The end result was a significant shift upward in Treasury yields during the month, particularly in the intermediate segment of the curve. After reaching a low of 3.6% immediately prior to the Fed's September meeting, the 10-year Treasury yield has risen nearly 70bps since, ending the month of October at 4.3% and erasing nearly all of its yield decline since June. With market participants facing an uncertain presidential election and renewed concerns about inflation reigniting from a resilient economy, it is not unreasonable to believe that rate volatility will continue to impact investors in the upcoming months.

For the high yield bond market, duration-driven price declines were partially offset by spread tightening as the strong economic backdrop proves favorable for risk assets. The ICE BofA US High Yield Index returned -0.6% for the month although spreads tightened a further 15bps at the index level, ending the month at 288bps overall. With spreads firmly below 300bps and approaching historically tight levels, it's worth reminding investors that the quality of the high yield market has changed substantially in recent years. At the end of October, nearly 54% of the high yield bond index is rated BB while the weight to CCCs—historically the market segment most prone to default risk—has been cut in half over the past 15 years. Thus, we believe historical spreads are less useful as a guide to investors given the dramatic shifts in structure that the high yield bond market has seen.

The month of October serves as a great reminder of the potential value of leveraged loans as part of a diversified portfolio. While rate volatility weighed on fixed rate assets, leveraged loans (as measured by the Credit Suisse Leveraged Loan Index) posted a gain of 0.8% during the month, led by the B-rated segment which returned nearly 1.0%. The outperformance of loans over bonds in October has brought year-to-date returns for the two asset classes to be virtually identical, with bonds at 7.4% and loans at 7.5%. As rate volatility continues, investors in leveraged loans may benefit from reduced mark-to-market risk in floating rate instruments as well as the potential for coupons remaining elevated from higher terminal base rates.

As the economy continues to perform well in aggregate, credit investors have benefited from attractive total returns so far in 2024. While spreads continue to tighten, we retain our belief that vigilance and discipline are of utmost importance. Our portfolio remains focused and high conviction as we search for selective ways to add risk in idiosyncratic situations offering above-market coupons or priced at attractive discounts to par.

Portfolio Details

	ARTFX	APDFX
Net Asset Value (NAV)	\$9.12	\$9.11
Inception	19 Mar 2014	19 Mar 2014
30-Day SEC Yield	7.98%	8.15%
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	238
Number of Issuers	121

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	4.4
Charter Communications Inc	4.3
Carnival Corp	3.6
NCL Corp Ltd	3.4
VistaJet Ltd	3.2
Virgin Media Secured Finance PLC	3.0
TKC Holdings Inc	3.0
Medline Industries Inc	2.9
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	73.6
Bank Loans	18.4
Equities	0.3
Cash and Cash Equivalents	7.7
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 October 2024	Average Annual Total Returns							
	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX	-0.19	-0.19	7.28	15.68	3.99	6.16	6.11	6.12
Advisor Class: APDFX	-0.18	-0.18	7.30	15.74	4.15	6.30	6.27	6.28
ICE BofA US High Yield Index	-0.55	-0.55	7.44	16.47	2.95	4.38	4.78	4.69
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	3.4
BB	28.1
B	44.2
CCC and Below	23.3
Unrated	1.0
TOTAL	100.0%

Source: Artisan Partners.

Maturity Distribution (%)

< 1 year	1.6
1 - <3 years	10.5
3 - <5 years	41.9
5 - <7 years	34.9
7 - <10 years	9.6
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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