



Artisan High Income Fund

MONTHLY Commentary

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

Commentary

Our portfolio outperformed the ICE BofA US High Yield Index during the month. Across asset types, security selection in corporate bonds added to returns while our exposure to bank loans contributed positively. By rating, our underweight to BB-rated credit added to returns, while our overweight to CCC-rated debt was a positive contributor, offset by negative selection effects in the segment. From a sector perspective, our underweight to energy and exposure within retail added to returns, while the largest detractor was the portfolio's overweight to insurance. Year-to-date, our exposure to insurance remains a significant positive contributor.

All eyes were on the Federal Reserve during September, as market participants debated whether the Federal Open Market Committee would vote to reduce rates by 25bps or 50bps. The Fed ultimately delivered a "jumbo" cut of 50bps to the surprise of some market participants who expected a 25bps initial move. The Fed's statement clearly acknowledges its dual mandate of maximum employment and stable inflation; with declining inflation showing progress toward its goal, the Fed noted "the balance of risks" led it to prefer a 50bps cut over 25bps. All told, while rates fell across the curve month over month, the 10-Year Treasury yield rose 14bps post-Fed meeting, and the Treasury curve steepened as investors digested the potential longer term impacts of the Fed's first policy rate reduction since 2020.

Amid the Fed watching, credit markets continued to post attractive returns. High yield bonds, as measured by the ICE BofA US High Yield Index, gained 1.6% with year-to-date total returns now 8.0%. Spreads at the index level tightened to 303bps, closely approaching the most recent low of 301bps in December 2021; however, it's worth noting that index yields remain nearly 300bps higher than their December 2021 level, driven by more elevated base rates. During the month, CCC-rated bonds notably outperformed other categories, tightening the spread differential between BB and CCC to their smallest difference since 2022. Nevertheless, CCCs remain well wide of their 2021 spread levels while BBs continue to price tighter.

Meanwhile, leveraged loans (as measured by the Credit Suisse Leveraged Loan Index) continued their streak of monthly positive returns, posting a gain of 0.7% and increasing year-to-date total returns to 6.6%. Similar to the high yield bond market, returns were led by lower rated credit as the market believes the Fed's decision to reduce rates may offer significant benefit to companies with higher leverage levels and interest burdens. While the loan market has fallen behind the high yield market year-to-date, the index is tracking toward its 30th positive calendar year in 33 total years since inception—a remarkable level of consistency and a reminder of the attractive benefits that loans can offer investors as part of a diversified portfolio.

With the Fed's strong signal that a new easing cycle has begun, we remind our investors of the importance of active management in credit markets. The ability to generate attractive returns in credit will be increasingly reliant on skilled credit selection and the identification of mispriced issuers. An emphasis on business quality and credit discipline continues to drive our investment process, as we seek to selectively add exposure to issuers offering above-market coupons or trading at an attractive discount to par.

Investment Results (%)

| As of 30 September 2024 | MTD | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
|------------------------------|------|------|------|-------|------|------|-------|-----------|
| 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.

| Portfolio Details | ARTFX | APDFX |
|---|-------------|-------------|
| Net Asset Value (NAV) | \$9.19 | \$9.18 |
| Inception | 19 Mar 2014 | 19 Mar 2014 |
| 30-Day SEC Yield | 7.87% | 8.03% |
| 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 | 119 |

Source: Artisan Partners.

Top 10 Holdings (% of total portfolio)

| | |
|----------------------------------|--------------|
| The Ardonagh Group | 4.4 |
| Charter Communications Inc | 4.4 |
| Carnival Corp | 3.7 |
| NCL Corp Ltd | 3.5 |
| VistaJet Ltd | 3.2 |
| Virgin Media Secured Finance PLC | 3.1 |
| TKC Holdings Inc | 3.0 |
| Medline Industries Inc | 2.9 |
| Acrisure LLC | 2.7 |
| Altice USA Inc | 2.0 |
| TOTAL | 32.9% |

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 | 75.7 |
| Bank Loans | 17.4 |
| Equities | 0.2 |
| Cash and Cash Equivalents | 6.7 |
| 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.

Average Annual Total Returns

| As of 30 September 2024 | MTD | QTD | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr | Inception |
|------------------------------|------|------|------|-------|------|------|-------|-----------|
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Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized.

Ratings Distribution (%)

| | |
|---------------|---------------|
| BBB | 3.5 |
| BB | 28.6 |
| B | 42.3 |
| CCC and Below | 23.7 |
| Unrated | 1.9 |
| TOTAL | 100.0% |

Source: Artisan Partners.

Maturity Distribution (%)

| | |
|---------------|---------------|
| < 1 year | 2.0 |
| 1 - <3 years | 9.8 |
| 3 - <5 years | 39.8 |
| 5 - <7 years | 36.5 |
| 7 - <10 years | 10.4 |
| 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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