Artisan High Income Fund

QUARTERLY Commentary

Investor Class: ARTFX | Advisor Class: APDFX | Institutional Class: APHFX

As of 30 September 2025

Investment Process

We seek to invest in issuers with high-quality business models that have compelling risk-adjusted return characteristics. Our research process has four primary pillars:

Business Quality

We use a variety of sources to understand an issuer's business model resiliency. We analyze the general health of the industry in which an issuer operates, the issuer's competitive position, the dynamics of industry participants and the decision-making history of the issuer's management.

Financial Strength and Flexibility

We believe that analyzing the history and trend of free cash flow generation is critical to understanding an issuer's financial health. Our financial analysis also considers an issuer's capital structure, refinancing options, financial covenants, amortization schedules and overall financial transparency.

Downside Analysis

We believe that credit instruments by their nature have an asymmetric risk profile. The risk of loss is often greater than the potential for gain, particularly when looking at below investment grade issuers. We seek to manage this risk with what we believe to be conservative financial projections that account for industry position, competitive dynamics and positioning within the capital structure.

Value Identification

We use multiple metrics to determine the value of an investment opportunity. We look for credit improvement potential, relative value within an issuer's capital structure, catalysts for business improvement and potential value stemming from market or industry dislocations.

Team Overview

Our team brings together a group of experienced credit analysts who are dedicated to a single investment philosophy and process. All team members conduct deep fundamental credit research as generalists with sector tendencies to identify issuers with high quality business models that have compelling risk-adjusted return characteristics.

Portfolio Management

Bryan C. Krug, CFA
Portfolio Manager

Investment Results (%)

As of 30 September 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
			Average Annual Total Returns				
Investor Class: ARTFX	**2.15**	**6.98**	**7.87**	**10.95**	**6.70**	**6.94**	**6.33**
Advisor Class: APDFX	**2.09**	**7.11**	**8.04**	**11.13**	**6.85**	**7.10**	**6.49**
Institutional Class: APHFX	**2.11**	**7.19**	**8.15**	**11.23**	**6.95**	**7.14**	**6.51**
ICE BofA US High Yield Index	2.40	7.06	7.23	10.97	5.53	6.07	4.99

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized. Class inception: Investor (19 March 2014); Advisor (19 March 2014); Institutional (3 October 2016). For the period prior to inception, Institutional Class performance is the Investor Class's return for that period ("Linked Performance"). Linked Performance has not been restated to reflect expenses of the Institutional Class and the share class's returns during that period would be different if such expenses were reflected.

Expense Ratios	ARTFX	APDFX	APHFX
Semi-Annual Report 31 Mar 2025[1]	0.94	0.79	0.69
Prospectus 30 Sep 2024[2]	0.96	0.80	0.71

[1]Unaudited, annualized for the six-month period. [2]See prospectus for further details.

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.

Performance Discussion

Our portfolio modestly underperformed the ICE BofA US High Yield Index during the quarter. The portfolio's allocation to bank loans contributed positively as the loan allocation outperformed the high yield index during the quarter, while security selection within corporate bonds was the largest detractor across asset types. By rating, the portfolio benefited from exposure to unrated debt, while security selection within CCC-rated debt was the largest detractor. From a sector perspective, the most notable contributors were security selection within basic industry and transportation, while security selection in media detracted.

Investing Environment

After a rollercoaster Q2 that saw considerable volatility across risk assets, overall volatility levels subsided in Q3 as market narratives shifted from discussions on potential tariff impacts to the path of monetary policy. In August, the Federal Reserve confirmed that a softening labor market was at the top of its mind, interpreted by the market as guidance toward further rate cuts. This view was only further heightened by the release of a report by the US Department of Labor in September that indicated nearly one million fewer jobs were created during the 12-month period ending March 2025 than originally reported. In line with expectations, the Federal Open Market Committee voted to reduce the federal funds rate by 25bps in September, the first rate cut since December 2024. Treasury yields fell across the curve with short end rates falling more significantly than long end, while futures pricing indicated that market participants expect the federal funds rate to fall further over the coming year.

Despite rising concerns over the labor market, credit and equity markets continued to perform. The S&P 500® Index gained 8.1% for the quarter—finishing near all-time highs—while credit markets posted positive returns buoyed by income returns and price gains in fixed rate assets. The high yield bond market (as measured by the ICE BofA US High Yield Index) returned 2.4% for the quarter, with overall index spreads tightening 16bps and the average price of the index rising approximately one point to end the quarter above 98. Meanwhile, bank loans (as measured by the S&P UBS Leveraged Loan Index) gained 1.7% for the quarter, resulting in the index's 13th straight quarter of positive returns—continuing a long-term trend of consistent, steady performance.

Credit spreads have tightened across all credit markets this year as index average prices have rallied from April's lows to pull closer to par, though it's worth noting that overall spread levels within high yield bonds remain wider than January's low. In addition, at a headline level, we believe opportunities for convexity are more prevalent today in the loan market than in the bond market. As of the end of the quarter, more than half the high yield bond market is priced above par, limiting price appreciation potential (particularly as most high yield bonds are callable). By contrast, more than 65% of the loan market is still priced below par, offering active managers a greater volume of opportunities for convexity and price appreciation.

Across credit markets, absolute yield levels remain attractive and continue to draw interest from investors looking for the potential to earn high-single-digit returns with less historical volatility than equities. At the end of the quarter, the average yield of the high yield index was 6.7% while the loan index yielded 7.8%. Importantly, loan index yields are quoted inclusive of the market's expectations surrounding the path of base rates (such as the Secured Overnight Financing Rate, or SOFR). As noted earlier, the futures market is currently pricing in expectations that the Federal Reserve will cut rates by a further 100bps over the coming year. As a result, the loan market in aggregate continues to out-yield bonds, even when incorporating expected base rate declines.

In previous letters, we discussed how credit markets have benefited in recent years from strong technical support, as demand has consistently exceeded supply dating back to the start of the Federal Reserve's tightening cycle in 2022. After a slowdown in new issuance in and around April's tariff-induced volatility, primary markets bounced back with highly active issuance across high yield bonds and bank loans in recent months. While most deals remain oriented toward refinancing and repricing, net issuance has begun to rise amid an increasingly active M&A market. Relative to last year's pace, net issuance is up 40% in bonds and 30% in loans, albeit from relatively low levels. If net supply continues to increase, we believe the multiyear long technical tailwind in our market could shift to a headwind, placing upward pressure on credit spreads—which we would seek to take advantage of by acquiring what we view as attractive assets at discounted valuations.

Toward the end of the quarter, market participants were abuzz with chatter surrounding several idiosyncratic credit issues. In particular, an auto parts supplier, First Brands, filed for a highly publicized bankruptcy in the loan market; given our focus on business quality and our credit-intensive underwriting process, we held no exposure to the name across our platform. However, in aggregate, we continue to observe relatively benign levels of leverage across the high yield bond and bank loan markets, with generally healthy interest coverage ratios that may improve further if base rates continue to decline. In addition, the amount of debt across high yield and loan markets trading at distressed levels is relatively low, well below recent peaks seen in 2020 and 2022. Historically, any jump in distressed debt volume has typically been a leading indicator of increased future defaults, and current levels seem to indicate that investors are not pricing in widespread fears of increasing credit stress.

By contrast, investors may be starting to price in doubts surrounding private credit valuations. Given the opaque nature of private credit, the performance of publicly traded business development companies (BDCs) can serve as a liquid market proxy for the performance of the private credit market overall. According to our analysis, performance of an equal-weighted basket of the 10 largest publicly traded BDCs has significantly lagged behind both public credit and equity markets this year. In addition, several notable BDCs are trading well below book value, an indication of potential investor skepticism surrounding the true value of their assets. As we have previously discussed, the growth of the private credit market has led to a notable risk transfer from public credit to private credit in recent years, which may now be beginning to be reflected in the performance of these liquid proxies.

Portfolio Positioning

As noted previously, we continue to observe a greater degree of dispersion and opportunities for price appreciation in the bank loan market, reflected in the shifts of our portfolio positioning over the past year. Our allocation to loans increased a further 1.5% during the quarter, ending September with our highest exposure to loans since January 2022. As a reminder, the loan market has evolved considerably over the past two decades—most notably through a shift from BB- to B-rated issuers and the continued rise of the collateralized loan obligation (CLO) market—which we believe has created significantly more opportunities for credit-intensive, high-conviction investors like us to add value. Consistent with our overall philosophy, we do not seek “beta” exposure to loans; we allocate in a highly selective manner to the asset class, upsizing issuers where we have high conviction. As of the end of September, we held 47 issuers in the bank loan segment of the portfolio, versus a universe of over 1,200 issuers in the loan index.

In recognition of a tighter spread environment over the past year, we have been consciously and thoughtfully high-grading the portfolio on the margin. The portfolio’s exposure to debt rated CCC and below has fallen approximately 5 percentage points since September 2024. This change is consistent with our history, where we have similarly high-graded the portfolio through lowering our weighting to CCC and below as spreads tighten, such as in 2017–2018 and late 2020 into 2021. As our investors know, we strive to maintain our discipline and selectivity and avoid reaching for yield—a common pitfall of many credit managers in environments like today. With highly active new issue markets at tight spreads, an increase in idiosyncratic credit issues like First Brands could be damaging to those managers who don’t maintain their underwriting standards. In addition, we believe the high-grading also better positions the portfolio to take advantage of volatility and lean into risk during the next period of dislocation.

Perspective

Credit markets performed well during the quarter despite headlines surrounding the state of the economy and the labor market. Overall, we continue to view the asset class as a valuable component of a diversified portfolio. At current yield levels, credit markets offer investors the potential to earn high-single-digit returns from assets that have demonstrated less historical volatility than equities. In addition, we believe active managers have the potential to outperform these yield levels, particularly those who have shown discipline in credit underwriting across multiple cycles.

We continue to evolve our portfolio as market dynamics shift, with an unwavering focus on business quality and maintaining our high underwriting standards. In turn, we remain committed to a high-conviction approach, giving us confidence that our portfolio is well positioned for the road ahead.

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Top 10 Holdings (% of total portfolio)

VistaJet Ltd	4.2
The Ardonagh Group	4.1
X Corp	4.1
Charter Communications Inc	3.9
Carnival Corp	3.6
NCL Corp Ltd	3.3
TKC Holdings Inc	2.8
Medline Industries Inc	2.5
Alliant Holdings LP	2.4
Acrisure LLC	2.3
TOTAL	**33.4%**

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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.

The portfolio managers' views are subject to change, and Artisan disclaims any obligation to advise investors of such changes.

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Contribution to Return (CTR) represents the contribution of an investment to the total portfolio return. CTR is calculated by multiplying a security's portfolio weight by its in-portfolio return daily for the period and has been derived from a transaction-based methodology, which includes the impact of transactions. **Attribution** quantifies the relationship between a portfolio's relative returns and the active management decisions differentiating the portfolio from the benchmark. **CTR and Attribution** are not exact, nor representative of actual investor returns due to several variables (e.g., fees, expenses, transactions) and therefore should be considered an approximation and examined in conjunction with the performance of the portfolio during the period. If applicable, securities of the same issuer are aggregated and may be delta-adjusted to determine the weight in the portfolio, and aggregation of corporate affiliates is subject to the determination of Artisan Partners. Further information on the methodology used is available upon request.

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Credit Quality Ratings are determined by Artisan Partners based on ratings from S&P and/or Moody's, which typically range from AAA (highest) to D (lowest). For securities rated by both S&P and Moody's, the higher of the two ratings was used, and those not rated by either agency have been categorized as Unrated/Not Rated. Ratings are applicable to the underlying portfolio securities, but not the portfolio itself, and are subject to change. **Non-Investment Grade** refers to fixed income securities with lower credit quality. **Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Leveraged Loans** are extended to companies or individuals that already have considerable amounts of debt. **Average Price** is the aggregate market value of the fixed income securities in the portfolio. **Collateralized Loan Obligation (CLO)** is a security backed by a pool of debt. **Book Value** is the net asset value of a company, calculated by total assets minus intangible assets and liabilities. **Current Yield** is the annual income (interest or dividends) divided by the current price of a security. **Interest coverage ratio** is a financial ratio measuring a company's ability to make interest payments on its debt calculated as earnings before interest and taxes divided by total interest expense. **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. **Par** represents the level a security trades at when its yield equals its coupon. **Credit spread** is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities.

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