Artisan High Income Fund

QUARTERLY
Commentary

Investor Class: ARTFX | Advisor Class: APDFX | Institutional Class: APHFX | As of 31 March 2026

Portfolio Manager
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Performance Discussion

Our portfolio underperformed the ICE BofA US High Yield Index during the quarter. Across asset types, the primary detractors were security selection within the corporate bond component as well as the portfolio's exposure to bank loans, which underperformed the high yield bond benchmark. These effects were partially offset by the portfolio's small exposure to post-reorg equities. By rating, the portfolio benefited from its exposure in unrated debt, while the primary detractors included security selection in B-rated debt, as well as an overweight to and selection within CCC-rated credit. From a sector perspective, the primary contributors included security selection within media and services, while the most notable detractors were the portfolio's exposure and selection in insurance (specifically, insurance brokers) and an underweight in energy.

Investing Environment

Volatility rose across asset classes during the quarter, driven by a combination of geopolitical conflicts, artificial intelligence (AI)-driven disruption fears and private credit concerns. The S&P 500® Index declined 4.3%, led by a significant compression in multiples among software companies; at the end of the quarter, the software segment of the S&P 500® Index was trading at multiples last seen in late 2022 and early 2023. While Treasury yields initially fell in January and February, they jumped sharply in March after the onset of the conflict in Iran. A shock in commodity prices contributed to investors reassessing the path forward for monetary policy, with investor expectations of 2026 rate cuts replaced with the potential for rate hikes—putting upward pressure on Treasury yields.

Relative to equities, credit markets meaningfully outperformed. Both the high yield bond market (as measured by the ICE BofA US High Yield Index) and bank loan market (as measured by the S&P UBS Leveraged Loan Index) returned -0.5%, driven by spread widening, particularly in lower rated segments. Despite producing similar returns for the quarter, high yield bonds and bank loans took different paths to essentially the same result. Loans initially underperformed high yield bonds during January and February, driven by investor concerns surrounding the loan market's relatively higher exposure to software. As the quarter progressed, high yield bonds subsequently underperformed, driven by the sharp increase in Treasury yields in March.

During the quarter, software exposure became a notable topic of discussion across risk assets, including credit markets. Increasing fears of AI-driven obsolescence for legacy software companies have highlighted the large differences in software exposure across segments of credit. While exposure varies significantly across markets, high yield bonds are estimated to have the least amount of software risk, while private credit is estimated to be the most exposed as measured by business development company (BDC) exposure to the sector. Importantly, while passive vehicles investing in the high yield and loan markets aim to closely match index exposures, skilled active managers can position portfolios to take advantage of software dislocation by avoiding "bad" (i.e., weaker positioned) software assets while upsizing exposure to "good" (i.e., durable and mission-critical) software assets.

Elsewhere, private credit issues dominated headlines, with a significant uptick in redemptions during the quarter from investors in semi-liquid vehicles such as private business development companies (BDCs) . Driven by increasing investor concerns surrounding liquidity, transparency and software exposure, many private (nontraded) BDCs received redemption requests above their typical 5% limit, with some choosing to provide additional capital above the requisite amount. As our investors are aware, we have discussed for years the potential for credit stress arising from 2020 and 2021 vintage direct lending deals, where lending standards loosened after a rush of capital invested into this corner of the market. This period can be summarized with many transactions occurring at tight spreads, base rates near zero and many companies "over-earning" during COVID stimulus. Years of elevated interest costs appear to be taking their toll on deals struck in a notably different environment than today.

We believe an important yet underrecognized side effect of the increase in BDC redemptions is the trading impact they could have on the syndicated market. Industry research suggests private BDCs typically manage portfolios utilizing a liquidity sleeve of syndicated credit, commonly comprised of bank loans. These allocations vary across managers, with the amount of FASB ASC 820 Level 2 priced assets—an approximation for public credit exposure—ranging from 10% to nearly 40% for some private BDCs. Although it is difficult to estimate a precise level of impact, we believe it's highly likely that redemption-driven technical pressures have contributed to the underperformance of the loan market in recent months, as private BDC managers sell bank loans to meet redemptions. If redemptions continue, this forced selling may create attractive opportunities for active public credit managers to acquire assets below their intrinsic value.

Valuations have improved in credit markets as a result of the market moves seen in Q1. Spreads for the high yield bond and bank loan markets widened 47bps and 59bps, respectively, with index yields climbing to 7.4% for high yield bonds and 8.7% for bank loans. It's worth highlighting that current spread levels for loans remain well above historical medians, while many other areas of fixed income continue to be priced near all-time tights. We believe there are selective opportunities to potentially earn double-digit total returns from senior secured loans through a combination of income and price appreciation.

Portfolio Positioning

From a trading perspective, Q1 was one of our most active in years, as the volatility seen week-to-week created numerous opportunities for us to deploy capital at compelling valuations. During Q1, we acquired assets in the secondary market at an average price of 94.1 for bonds and 92.6 for loans, well below average prices of the respective indices. We purchased bonds and loans from issuers across several sectors, with our largest deployment in software/services and insurance brokerage. Importantly, our portfolio remains focused on our best ideas, with the top 10 issuers representing 31% of the portfolio at quarter-end.

As our longtime investors are aware, we believe the insurance brokerage space is a fundamentally misrated area of credit markets that provides the potential for attractive risk-adjusted returns. The sector underperformed during the quarter amid fears that AI tools could replace brokers in the insurance value chain; we strongly disagree with this view. An AI chatbot may be able to facilitate placement of more commoditized forms of insurance such as auto or home policies, where consumers have been able to competitively price shop online for decades. However, our exposure is largely in brokers who place highly complex and bespoke commercial lines policies and provide corporate risk management services, both of which require high-touch expertise and nuance. We remain confident in the durability of the broker-led advisory model and increased our exposure to the sector overall during the quarter.

Within software, we came into the year light in exposure overall, with less than 4% exposure to the sector at year-end. As a result, we could play "offense" during the quarter and take advantage of the dislocation seen in many software names. Consistent with our philosophy, we were very selective in our purchases, focusing on identifying high-quality, durable assets. To us, durable assets include those that own proprietary data assets (e.g., unique datasets unlikely to be easily replaced), software that is compliance/regulatory driven or with sensitive information (e.g., HR systems), or platforms that have substantial network effects. We doubled our software exposure to 8% of the portfolio at quarter-end, with purchases of debt issued by companies such as Oracle, Ultimate Software Group (HR software provider) and Renaissance Learning (educational software provider).

Overall, we believe the portfolio has considerable embedded value, offering the potential for attractive outperformance above market indices going forward. At the end of the quarter, the average price of our portfolio was approximately 93.3 and the portfolio had a yield to worst of 8.4%; the high yield index, by contrast, had an average price of 96.2 and a yield to worst of 7.4%. This embedded value is particularly notable for our loan exposure, where the segment had a yield to worst of 12.3% at quarter-end. As noted previously, we believe select opportunities in loans offer the potential for double-digit total returns if our credit thesis proves correct, which could serve as a potential source of outperformance in the intermediate term.

We acknowledge that our recent performance over the prior quarter and year has lagged market benchmarks. Key pillars of our investment philosophy—such as our emphasis on cross-capital structure investing and a more benchmark-agnostic style regarding sector exposures and ratings—have weighed on shorter term performance when compared to market indices. It's worth noting that our longstanding partners who have entrusted us with their capital have experienced similar periods before, such as our underperformance in 2016 and Q4 2022; these periods were subsequently followed by notable outperformance in 2017 and 2023. Ultimately, we have the utmost confidence that our approach is the optimal way to invest in credit markets over the long term. The embedded value in our portfolio provides the potential for attractive performance that is more consistent with our long-term track record.

Perspective

We believe the shift in market sentiment this year has created a more attractive environment to deploy capital in credit. Geopolitical conflicts, AI-driven disruption fears and private credit concerns have all contributed toward widening credit spreads and rising yields. At the end of the quarter, current yield levels for both the high yield bond and bank loan market offer the potential for high-single-digit returns—often considered "equity like"—with historically less volatility than equity markets.

We firmly believe that periods of increased volatility can create compelling opportunities for active managers, and we have been active year-to-date in acquiring assets at attractive discounts to par. Importantly, we believe that margins of safety should not be compromised in the search for yield, and we continue to maintain our discipline in credit selection, with an unwavering focus on business quality.

Investment Results (%)

As of 31 March 2026	QTD	YTD	Average Annual Total Returns 1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTFX—Inception: 19 Mar 2014	**-0.96**	**-0.96**	**5.82**	**8.51**	**4.66**	**6.90**	**6.06**
Advisor Class: APDFX—Inception: 19 Mar 2014	**-0.93**	**-0.93**	**6.10**	**8.72**	**4.82**	**7.08**	**6.23**
Institutional Class: APHFX—Inception: 3 Oct 2016	**-0.91**	**-0.91**	**6.21**	**8.83**	**4.92**	**7.13**	**6.25**
ICE BofA US High Yield Index	-0.55	-0.55	6.90	8.50	4.19	6.05	4.85

Source: Artisan Partners/ICE BofA. Returns for periods less than one year are not annualized. 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.

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	APHFX
30-Day SEC Yield (%)*	7.47/—	7.64/—	7.74/—
Expense Ratios (%)*			
Annual Report	0.94/—	0.78/—	0.69/—
Prospectus	0.95/—	0.80/—	0.70/—

*Unsubsidized/subsidized. Annual Report: 30 Sep 2025. Prospectus: 30 Sep 2025. See prospectus for further details. Annual Report Figures: Excludes Acquired Fund Fees and Expenses as described in the prospectus.

Top 10 Holdings (% of total portfolio)

The Ardonagh Group	4.3
Charter Communications Inc	3.7
VistaJet Ltd	3.7
NCL Corp Ltd	3.5
Carnival Corp	3.0
Ancestry.com Operations Inc	2.9
Ultimate Software Group Inc	2.6
TKC Holdings Inc	2.6
Medline Industries Inc	2.4
Acrisure LLC	2.3
Total	**31.0%**

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 yield 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 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. **S&P 500® Index** measures the performance of 500 US companies focused on the large-cap sector of the market. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This material represents the views of the investment team and does not necessarily represent those of Artisan Partners. The views and opinions expressed are based on current market conditions, which will fluctuate, and those views are subject to change without notice. While the information contained herein is believed to be reliable, there is no guarantee to the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

For the purpose of determining holdings, securities of the same issuer are aggregated to determine the weight in the portfolio. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. Further portfolio holdings information is available upon request. Unless otherwise indicated, all information in this report includes all classes of shares, except performance and expenses. Totals may not sum due to rounding.

Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund.

Credit Quality Ratings are determined by Artisan Partners based on ratings from S&P and/or Moody's, which typically range from AAA/Aaa (highest) to D/C (lowest), respectively. For securities rated by both agencies, the higher of the two ratings was used, and the sole rating if the security is rated by one agency. Those not rated by either agency have been categorized as Unrated/Not Rated. Ratings are converted to the equivalent S&P major rating nomenclature. Ratings are applicable to the underlying portfolio securities, but not the portfolio itself, and are subject to change.

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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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. The unsubsidized yield excludes the effect of fee waivers. 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. **Par** represents the level a security trades at when its yield equals its coupon. **Leveraged Loans** are extended to companies or individuals that already have considerable amounts of debt. **Current Yield** is the annual income (interest or dividends) divided by the current price of a security. **Average Price** is the aggregate market value of the fixed income securities in the portfolio. **Credit Spread** is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities. **Yield to Worst (YTW)** is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

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