



# Artisan Floating Rate Fund

## QUARTERLY Commentary

Investor Class: ARTUX | Advisor Class: APDUX | Institutional Class: APHUX

As of 31 March 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 (Lead)



Seth B. Yeager, CFA  
Portfolio Manager

### Investment Results (%)

	Average Annual Total Returns						
As of 31 March 2025	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Investor Class: ARTUX	0.48	0.48	5.72	6.63	—	—	5.58
Advisor Class: APDUX	0.51	0.51	5.84	6.75	—	—	5.69
Institutional Class: APHUX	0.52	0.52	5.78	6.76	—	—	5.71
S&P UBS Leveraged Loan Index	0.61	0.61	7.01	7.10	—	—	6.54

Source: Artisan Partners/S&P. Returns for periods less than one year are not annualized. Class inception: Investor (1 December 2021); Advisor (1 December 2021); Institutional (1 December 2021).

Expense Ratios (% Gross/Net)	ARTUX	APDUX	APHUX
Annual Report 30 Sep 2024 <sup>1,2,3</sup>	1.78/1.20	1.45/1.10	1.27/1.05
Prospectus 30 Sep 2024 <sup>2,3</sup>	1.80/1.22	1.47/1.12	1.29/1.07

<sup>1</sup>Excludes Acquired Fund Fees and Expenses as described in the prospectus. <sup>2</sup>Net expenses reflect a contractual expense limitation agreement in effect through 31 Jan 2026. <sup>3</sup>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.



### Performance Discussion

Our portfolio performed in line with the S&P UBS Leveraged Loan Index during the quarter. From an asset class perspective, the portfolio benefited from positive selection effects in bank loans while our allocation to corporate bonds added value. By rating, the portfolio benefited from security selection in B-rated debt while exposure to lower rated credit (CCC and below) detracted from relative returns. Across sectors, the largest contributors included an underweight and security selection within basic industry and positive selection effects in services, offset by the portfolio's exposure to consumer goods.

### Investing Environment

Market narratives shifted materially in Q1 as widespread views of continued economic strength and a pro-growth administration earlier in the quarter gave way to rising investor anxiety over economic growth. Sentiment change accelerated notably in March as increased rhetoric around tariffs began to weigh on investor confidence. After a positive January, the S&P 500® Index peaked in mid-February before falling in March and ending the quarter down 4.3%. Meanwhile, Treasury market volatility continued as the 10-Year Treasury yield reached a high of 4.79% in mid-January before falling nearly 60bps as the quarter progressed, ending March at 4.21%. The volatility in Treasury yields reflected evolving investor expectations around the path of economic growth and monetary policy. At the end of 2024, the Fed funds futures market was pricing in less than two cuts by year-end 2025. By the end of March, more than three cuts were expected by the end of the year.

Encouragingly, credit markets exhibited resiliency in the face of recent market stress and outperformed equities during the quarter, with particularly strong outperformance in March. The S&P UBS Leveraged Loan Index gained 0.6% for the quarter despite a marginal decline in average dollar price. As we have previously discussed, the level of absolute yields offered by credit markets continued to provide investors with what we believe to be an attractive cushion against spread widening, as coupon income more than offset price declines during the quarter. We continue to believe the relative resilience of credit versus equities from a total return perspective in Q1 is another testament to the diversification benefits that credit markets can bring to portfolios.

At time of writing, market volatility has picked up significantly in April following the unveiling of potential reciprocal tariffs and further trade war escalations. At peak year-to-date drawdown on April 8, the S&P 500® Index had fallen 15.0% while the high yield index (as measured by the ICE BofA US High Yield Index) and loan index had fallen just 1.8% and 0.8%, respectively. We believe the evolution of credit markets in recent years (including the migration of many lower quality issuers into the private credit market) combined with strong technicals helped provide improved downside protection versus equities in this most recent bout of volatility. As we have previously discussed at length, we believe that risky issuance is now more frequently financed in the private credit market rather than the

broadly syndicated market—with a continued bid by direct lenders to refinance riskier lenders in the loan market in order to put dry powder to work. In addition, current yield levels continued to entice technical demand from buyers, who have viewed recent spread widening as a buying opportunity.

Fundamentally, the high yield bond and leveraged loan markets entered this most recent period of volatility from a position of strength, with a declining near-term maturity wall and stable-to-improving credit metrics. According to recent reports from JP Morgan, a swath of metrics for the US loan market have been “stabilizing” in recent quarters, with room for further improvement from potential Federal Reserve rate cuts. In addition, as discussed last quarter, companies took advantage of more favorable capital markets conditions in 2024 to address maturities, with the amount of debt maturing in 2025 and 2026 falling materially as a percentage of the overall bond and loan market on a year-over-year basis. Overall, the fundamental strength of today's credit market gives us a degree of confidence that most companies in our market can manage through what may be a more volatile period in 2025.

### Portfolio Positioning

Our high-conviction approach offers investors, in our view, a materially differentiated portfolio relative to both peers and the broader loan market. The top 10 issuers comprised approximately 32% of our portfolio at the end of the quarter and the portfolio held a total of 84 issuers and 101 positions—well below the category averages from data providers such as eVestment. More broadly, the portfolio remains focused on issuers rated B or above with more than 80% of the portfolio held in these categories at the end of March. Our CCC exposure remains focused on our best ideas with just 11 issuers in total.

One of our most notable purchases in Q1 was the addition of the term loans of a social media platform, which we initially purchased at an attractive discount to par while benefiting from above-market coupons. The business has rightsized its cost structure since it was taken private in 2022 with improving profitability, and we believe the name offers compelling total return potential with ample cushion, as publicly reported valuations imply an attractive loan-to-value (LTV). At time of writing, we continued to find compelling new investment opportunities in the loan market as a result of April's market volatility, as select assets in this market offer an attractive combination of discounts to par and what we perceive to be ample compensation for true level of credit risk.

Recent market volatility serves as a useful reminder of the benefits of our differentiated approach and process. Sector dispersion has increased notably in 2025 and particularly in April (as of the time of writing). As we entered 2025, our emphasis on business quality—consistent with our process since inception—led us to focus on sectors like insurance (brokers), our largest sector exposure, as well as technology & electronics (software) and services. On a relative

basis, we believe these sectors are more insulated from tariff concerns by the very nature of their businesses. In addition, our retail exposure continues to be highly idiosyncratic with a focus on specialty retail issuers like GSM Holdings, which benefit from a recurring revenue business in the form of a cloud-based trail camera subscription fee.

Notably, what we did not own is just as important as what we did. For example, the basic industry segment of the loan market—particularly subsectors such as building materials and chemicals—has lagged materially in 2025 with declining macro sentiment weighing on businesses that exhibit a higher degree of cyclicalities in earnings. Entering 2025, we held less than 2% of our portfolio in this segment. Consistent with our philosophy and process, when the market is trading relatively tight (such as the end of 2024) we prefer cash flowing assets with less cyclicalities, as markets trading close to par typically offer little upside for cyclical risk.

We remain on the hunt for attractive assets trading at discounted prices. At time of writing, there is not yet broad-based dislocation in our market as a result of April's volatility, though we are beginning to see select opportunities that offer double-digit return potential. As always, we will apply a lens of business quality and perform rigorous due diligence when selecting assets for the portfolio and our investors.

### Perspective

In a span of just a few months, prevailing market narratives have dramatically shifted. At time of writing, investors are hotly debating the potential for an economic slowdown leading to a recession. Market volatility has considerably increased, and equity markets remained underwater year-to-date. We believe credit markets provide investors attractive diversification to equity risk while current valuations offer a more compelling entry point for first-lien paper than at the start of the year.

From a portfolio perspective, we believe the prospect of further volatility creates opportunity for discerning buyers such as us. While there has yet to be true market dislocation, we are beginning to identify attractively discounted assets offering compelling return potential as a result of the recent market moves. We retain a high bar for inclusion in the portfolio and continue to emphasize business quality and fundamental issuer strength.

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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.

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. 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. The index(es) are unmanaged; include net reinvested dividends; do not reflect fees or expenses; and are not available for direct investment.

This summary represents the views of the portfolio managers as of 31 Mar 2025. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The holdings mentioned above comprise the following percentages of the Artisan Floating Rate Fund's total net assets as of 31 Mar 2025: GSM Holdings Inc 2.9%. Securities named in the Commentary, but not listed here are not held in the Fund as of the date of this report. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. All information in this report, unless otherwise indicated, includes all classes of shares (except performance and expense ratio information) and is as of the date shown in the upper right hand corner. Portfolio statistics include accrued interest unless otherwise stated and may vary from the official books and records of the Fund. This material does not constitute investment advice.

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