Artisan Partners Credit Team

Investment Philosophy and Process

Artisan High Income Strategy
Artisan Credit Opportunities Strategy
Artisan Floating Rate Strategy

A R T I S A N P A R T N E R S

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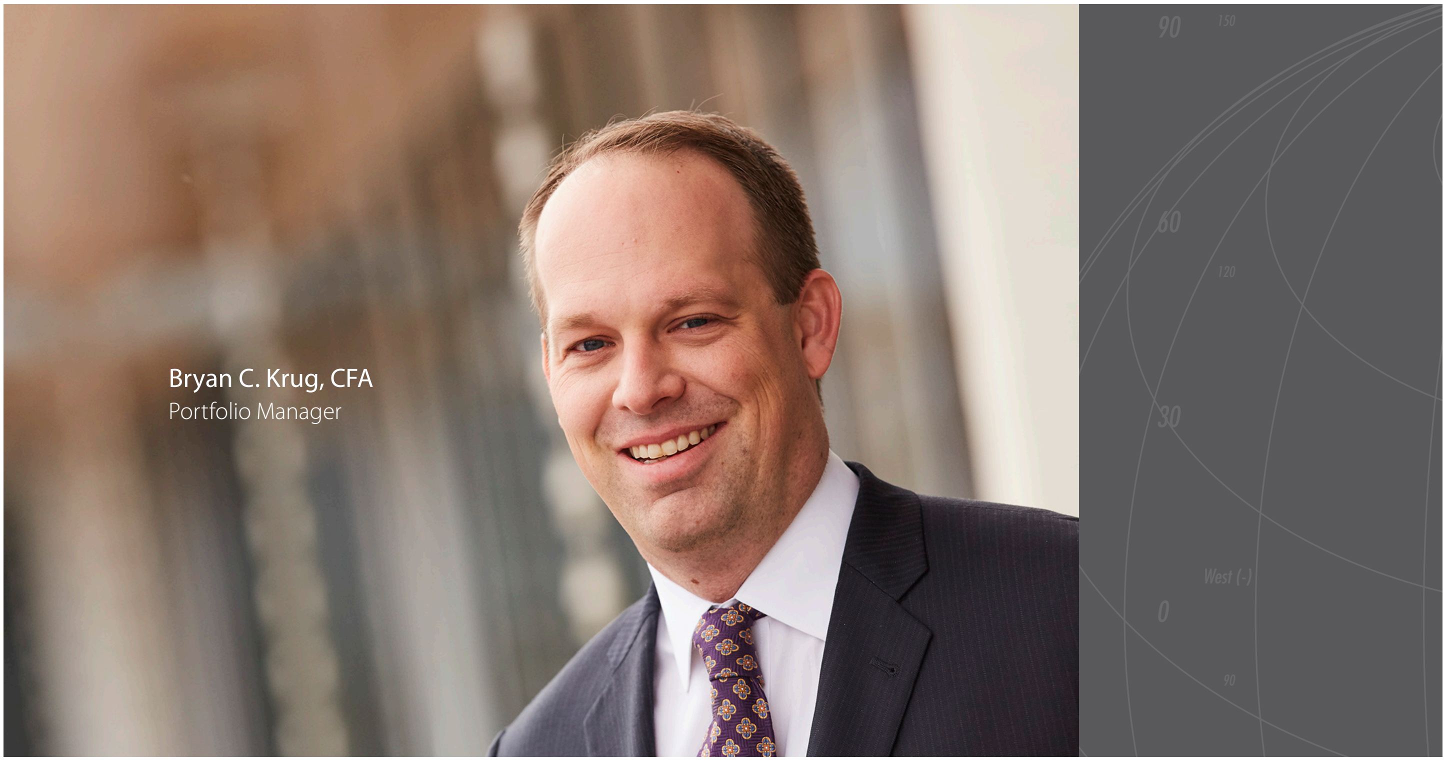


Artisan Partners Credit Team

Our Investment Team

Our investment team has been built with one simple goal—to bring together a group of experienced investment professionals who excel at performing deep, fundamental credit work. Our team is headed by Portfolio Manager Bryan Krug, who is supported by senior analysts, a data scientist, dedicated fixed income traders and a Chief Operating Officer. All members are dedicated solely to one investment philosophy and process. In addition to conducting his own research on certain names, Bryan is responsible for portfolio management and allocation. While the process is a collaborative effort that allows the team to leverage internal resources and expertise, final decision-making ability lies with Bryan. As a small and nimble team, we maintain a generalist research approach with sector tendencies. We believe our broader perspective is beneficial—avoiding strict sector designations helps eliminate blind spots and missed opportunities.

Our Investment Philosophy

We have developed foundational beliefs about the corporate credit market as a result of our many years investing in the asset class. Honed over up and down markets, these tenets form the core of our investment philosophy.

First, we believe that the corporate credit market has cyclical, industry and company-specific dislocations which we can exploit through a portfolio of idiosyncratic investment ideas that express positive views through long positions and negative views through short positions. Cyclical dislocations are typically driven by the credit cycle. Industry dislocations can stem from the profit cycle of a specific industry. Company-specific dislocations are those in which we have an out-of-consensus view about a company's trajectory from which we believe we can profit.

Second, we believe we can find the best risk-adjusted return opportunities through fundamental credit analysis and value identification across the capital structure. We believe the market is innately complex and securities are frequently mispriced, which can benefit investors who are willing to perform detailed, bottom-up analysis.

Finally, we believe attractive risk-adjusted returns can be achieved over a full credit cycle with a repeatable, high-conviction investment process. Our goal is to generate appealing risk-adjusted returns by investing across the capital structure—whether long or short—and by taking advantage of the illiquidity premium and asymmetric risk profile in credit investments.

Our Investment Process

As active managers with high degrees of freedom, we believe the disciplined execution of our process enables the building of an idiosyncratic portfolio that can deliver value regardless of the market environment.

Idea Generation

The first step of our investment process is idea generation. Because we are looking to invest along the corporate capital structure utilizing bonds, loans and other instruments of investment grade and non-investment grade issuers, the team has an ample opportunity set.

We are not geographically constrained, but our expertise and experience built over the years has led us to focus primarily on US-based issuers. Occasionally there are attractive investments outside of the US, most commonly in Canada and Europe.

Fundamental Credit Research

Our analysis is based on four pillars:

- Business Quality
- Financial Strength and Flexibility
- Downside Analysis
- Value Identification

Idea Generation for the Credit Team

Quantitative Screens
- Yield
- Relative Value
- Bond and Loan Outperformers/Underperformers

Qualitative Factors
- Market, Sector and Company-Specific Dislocations
- Capital Structure Mispricing
- Regulatory and Technological Disruptions

Fundamental Credit Research

Business Quality | Financial Strength & Flexibility | Downside Analysis | Value Identification

Portfolio Holdings

The illustration represents a simplified presentation of a complex process. Our investment process is subject to change and may differ materially from what is stated herein.

We use both quantitative and qualitative methods in idea generation. Customized quantitative screens are used to narrow down the investment universe. We focus on characteristics such as yield, performance and relative value across and within sectors. If any issue, grouping or pattern stands out, we will take a closer look.

Qualitative methods include identifying market, sector and company dislocations, mispriced and misrated securities and regulatory and technological disruptions. Our network of buy-side, sell-side and private equity relationships is also utilized.

The primary market, in which banks facilitate new transactions between borrowers and lenders, is another natural source of ideas. However, we are selective when participating in primary transactions. The deals may feature complicated corporate and capital structures and unique covenant packages. Each financing is unique. Doing a thorough, detailed review on the company as a whole, and the transaction in particular, is always necessary.

The aim of idea generation is production of a list of investment candidates to focus on during the next and most crucial step of the team's process—fundamental credit research.

Fundamental Credit Research

Fundamental credit research is the core of our investment process. It requires passion and dedication plus a significant amount of time and effort, but this is where we believe we add the most value and can ultimately drive investment outcomes.

Our fundamental analysis relies primarily on self-generated research, daily communication and collaboration and regular, ongoing review of holdings.

- **Self-Generated Research**

  We rely primarily on self-generated research. External resources serve to enhance and amplify our own proprietary models. The research process generally includes conversations with company management, industry experts and competitors. Occasionally, we engage consultants with industry expertise to provide detailed information specific to individual investment ideas. Accessing third-party resources and expert networks can help build a complete understanding of a company, its management and its capital structure. We also draw on its network of buy-side, sell-side and private equity relationships. Furthermore, extensive document review, sometimes with a third party's assistance, is performed to ensure comprehensive understanding of the debt capitalization, covenants, etc.

- Daily Communication and Collaboration

  Daily communication and collaboration are essential to the overall process, as we believe cohesion and dedication to a unified philosophy and process is necessary for successful investing. We usually gather daily. During our regular morning meeting, we cover market color, the new issuance calendar and activity and movers in the secondary market. Team members also share their focus for the day with the group.

  Our regular in-depth lunch meeting provides a forum for comprehensive discussions about current credit work, research findings and investment ideas. Team members can present ideas and challenge one another in an active dialogue. We believe this collegial approach provides analysts with relative value perspective across sectors and prevents us from developing biases in our own areas of focus. Detailed research notes and financial models are maintained within our internal research platform. Ad hoc discussions also occur on a regular basis, typically when there is company-specific news or research updates to existing or potential holdings.

- Ongoing Review

  Each portfolio position undergoes an in-depth, quarterly re-underwriting process. Meetings are held between the portfolio manager, trader and each of the analysts individually to rigorously evaluate all positions, taking into account any recent corporate developments, company earnings and current market conditions. The review is designed to determine if each investment thesis holds true and/or other current opportunities are more compelling.

  Analysts spend the vast majority of their time on research, while our trader is responsible for executing on trade decisions made by the portfolio manager. We consider trading to be a value-added process. As such, our traders are integrated with the analysts to ensure ongoing information is shared, including news related to portfolio companies, planned changes in the portfolio and market and trade activities/developments.

Fundamental credit research is the core of our investment process. This is where we believe we add the most value and ultimately drive investment outcomes.

Our analysis is based on four pillars:

- Business Quality

  A variety of sources are used to understand the resiliency of an issuer's business model, ex-capitalization. We analyze the general health of the issuer's industry, the issuer's competitive position, the dynamics of industry participants and the decision-making history of the issuer's management.

  In the corporate credit market, for long ideas, we are attracted to companies with resilient business models and strong competitive positioning which we believe can show profit improvement and financial deleveraging. Businesses with recurring revenue and low capital intensity can be appealing long investments as they tend to have predictable revenue streams. Where discernible business quality is absent, we may identify short opportunities, aiming to capitalize on competitive weakness.

- Financial Strength and Flexibility

  Every capital structure in the corporate credit market is constructed uniquely and some can be complex. Generally, we embrace complexity. A lot of investors may shy away from the work, but we appreciate the prospect of unearthing both long and short opportunities by committing time to do the research. This level of analysis allows us to participate in what we deem to be the optimal risk-adjusted portion of a company's capital structure.

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

The goal is to manage a differentiated, high-conviction portfolio built upon bottom-up, fundamental credit analysis and selection.

- Downside Analysis

  We believe that credit instruments have an inherently asymmetric risk profile. For long positions, the risk of loss is often greater than the potential for gain, particularly for below-investment grade issuers. We seek to mitigate this risk with what we believe to be conservative financial projections that account for industry position, competitive dynamics and positioning within the capital structure. A negative view of such fundamentals may result in the team establishing a short position, seeking to capture expected value destruction or capitalize on inherent asymmetry.

  We have an unwavering focus on risk-adjusted return potential. For long positions, we believe that margins of safety should not be compromised in the search for yield. When we examine valuations, our goal is to be default agnostic. This means we want to be confident the enterprise value is sufficient to support a return of our invested capital in a default. This discipline is intended to prevent permanent capital impairment in times of stress. Correspondingly, if we believe intrinsic enterprise value is less than the market valuation, we may express that negative view in a short position.

- Value Identification

  Multiple metrics are utilized to determine the value of an investment opportunity. We analyze the potential for credit improvement or deterioration, relative value within an issuer's capital structure, catalysts for business enhancement or corrosion and potential value stemming from market or industry dislocations.

  We are capital-structure agnostic: we pick our spot along the capital structure based on relative value. The portfolio's split between bonds, loans and other instruments will always be the result of our bottom-up security selection process.

How We Think About Credit Ratings

For better or worse, most players in the corporate credit market have credit ratings (as assigned by agencies like Moody's, S&P or Fitch) on their radar. We describe our investment process as "ratings-aware." However, investment decisions are made based on fundamental research to determine the creditworthiness of a given company. As a result, we oftentimes are attracted to businesses that we believe are under- or overrated. The difference can be partly attributed to divergent views on recovery: the major ratings agencies, in our view, tend to overemphasize hard assets and underemphasize cash flow generated by assets such as intellectual property. In essence, we take on the responsibility for assessing credit risk, rather than abdicating it to the rating agencies. With our own independent view, we can put positions on in anticipation of potential ratings actions.

Portfolio Construction

The goal is to manage differentiated, high-conviction portfolios built upon bottom-up, fundamental credit analysis and selection, which we believe is the best way to take advantage of the illiquidity premium and inherently asymmetric risk profile in credit investments. As career investors in the credit markets, we believe building a portfolio with an attractive overall risk-adjusted return profile is key to long-term success.

High Income Strategy

In this investment strategy, we invest along the corporate capital structure in bonds, loans and other securities of leveraged corporate issuers. We tier the High Income portfolio into three categories. This allows us to be selective and precise in the risks we take. Allocations to each category vary over time based on market conditions, but are generally the consequence of bottom-up credit selection, rather than top-down portfolio management.

- Core: Approximate Range 20%-60%

  Core investments are positions we view as having stable to improving credit profiles and lower loan-to-value ratios. Core investments represent our stable foundation of income—holdings which have higher credit quality and less volatility, relatively speaking.

- Spread Tightening: Approximate Range 10%-50%

  Spread investments are those where we have an out-of-consensus view about a company's credit improvement potential. We think these investments have significant upside potential which the broader market is mispricing. We look for scenarios where the potential for financial deleveraging can result in improved credit fundamentals, leading to spread tightening. These investments have unique, idiosyncratic risk profiles.

- Opportunistic: Approximate Range 0%-10%

  Opportunistic investments are driven by market dislocations that have created a unique investment opportunity. These selective opportunities can be driven by technicals in the loan and bond markets, where a short-term tactical scenario creates pricing dislocations. This category can also be a home for company-specific catalyst-driven ideas. If we are comfortable with an underlying credit and think a meaningful catalyst is on the horizon, we may establish an opportunistic position.

Credit Opportunities Strategy

In this investment strategy, we invest both long and short, along the corporate capital structure in bonds, loans and other securities of leveraged corporate issuers. Our aim is to take advantage of the illiquidity premium and the asymmetric risk profile in credit investments.

From a high level, the portfolio has three investment buckets: Long, Short and Capital Structure Arbitrage/Relative Value. The diagram (right) shows typical gross portfolio exposures.

- Long: Approximate Range 80%-175%

  Long investments typically make up the majority of the portfolio's exposure and focus on issuers that display:

  - Mispriced, misrated or misunderstood capital structure
  - Opportunistic, positive event-driven factors or market-related catalysts
  - Indications of potential for fundamental improvement that the team believes will lead to spread-tightening
  - Superior business quality with strong cash flow generation and deleveraging capabilities

- Short: Approximate Range 10%-40%

  The outright short portion of the portfolio gives us the ability to express contrarian credit views and to isolate what we believe to be substantially overpriced securities. Short positions may be established in:

  - Businesses facing negative company-specific, cyclical or secular headwinds
  - Issuers that show indications of catalyst-driven credit deterioration
  - Companies pressured by impending technological obsolescence, business model
  - Disintermediation or regulatory threats

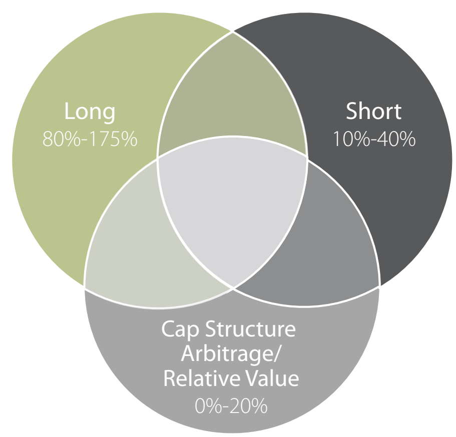
- Capital Structure Arbitrage/Relative Value: Approximate Range 0%-20%

  There typically are three types of investments included in this category of exposure:

  - Paired trades of long and short positions in the same issuer, but at different points along the debt structure. The pairing is used to take advantage of what the team views as illogical pricing between securities within the same capital structure
  - Putting on a long position with positive carry to mitigate the cost of carry on the short investment thesis
  - Positioning to capitalize on relative value dissonances within a sector

Generally, we embrace complexity. A lot of investors shy away from the work, but we appreciate the prospect of unearthing both long and short opportunities by committing time to do the research.

Credit Opportunities Strategy



The information contained herein represents a simplified presentation of a complex process. Our investment process is subject to change and the actual composition of the portfolio may differ materially from the levels described above.

Our goal is to generate appealing risk-adjusted returns, investing along the corporate capital structure in bonds, loans and other securities of leveraged corporate issuers.

Floating Rate Strategy

In this investment strategy, we employ a fundamental investment process to construct to a high conviction, focused portfolio of floating-rate debt instruments that seeks to generate high current income and excess returns relative to its benchmark, the Credit Suisse Leveraged Loan Index. The strategy has broad flexibility to invest across the quality spectrum in various industries and issuance sizes. At least 80% of the portfolio will be invested in attractively valued floating rate debt, including, without limitation, floating rate leveraged loans, which could include, among other types of loans, senior secured loans, unsecured loans, second lien loans, bridge loans and junior loans.

We believe the leveraged loan market has embedded inefficiencies that can be exploited. For example, a significant portion of the market is owned by Collateralized Loan Obligations (CLOs) which can be "forced sellers" if issuers are downgraded by rating agencies. Our rigourous and in-depth credit research allows us to look past these downgrades and potentially identify opportunities that may be oversold.

Position Size

Position sizes are based on a combination of conviction, valuation and availability of supply. We want our best ideas to have the greatest impact in the portfolio, valuation and supply permitting. Some securities are small in size and trade infrequently, limiting our ability to build a meaningful position.

Liquidity factors into our portfolio construction process as well. The portfolio's liquidity is monitored on a regular basis. From time to time, we may hold securities deemed to be illiquid. Any illiquid securities in the portfolio are a result of our fundamental investment process and are subject to the deep fundamental credit analysis that we perform.

Sell Discipline

Our sell discipline for the long positions is straightforward: If there is a change in company fundamentals and/or there are better opportunities based on relative value for the level of risk, we may sell.

Changes to company fundamentals may include scenarios in which a business is not performing as underwritten from a financial perspective or a business makes a change that is contrary to its stated strategic direction. These situations can arise when the competitive environment changes or when a company's growth or profits fail to meet our expectations. We may also sell if a business is not broadly fulfilling its promises, for example, not paying down its debt or doing more acquisitions than anticipated.

Short positions in the Credit Opportunities Strategy are typically intended to be alpha-generating ideas. Just like with long investments, we will cover the position if there is a change in company fundamentals that is adverse to the goals of the investment thesis. There is also a keen focus on other factors that play into shorting securities such as cost of carry and margin calls. If the risk-reward for these investments change for any of these reasons, a reevaluation of the investment thesis is made that could lead to the exit of the position.

When utilizing short positions in capital structure arbitrage/relative value, the value of the paired trade is consistently monitored for changes in the potential risk-reward outcome. If prices for the different points along the capital structure revert to true value, the trade can be liquidated at a profit. In markets where there is little volatility in the positions, a trade may be taken off to the extent there are more attractive investment opportunities elsewhere.

Regardless of the side of a trade, relative value is among the most common reasons for exiting a position. We may exit a position if relative value is more attractive in a different debt instrument along the issuer's capital structure or if we think market opportunities are better elsewhere.

Risk Management

Risk is considered from a number of different angles to anticipate the impact of market volatility on the portfolio.

Credit—Bottom-up, deep, fundamental analysis will always be the first line of defense. We believe the market is innately complex and securities are frequently mispriced, which can benefit investors who are willing to go beyond secondary research sources.

Duration—We believe the credit market's largest sensitivity is to the collective credit environment, not interest rates. As such, duration risk will always be secondary to credit risk for us. Any use of Treasury futures as a means to manage duration risk should be limited and at the sole discretion of the team. Our focus is to manage company-specific risk.

Currency—While not required, we usually seek to hedge against the risk of loss resulting from currency fluctuation.

Portfolio—We monitor certain portfolio characteristics, such as number of issuers, gross and net exposure, issuer size, industry and issuer exposure.

Liquidity—We try to anticipate periods of constrained liquidity through cash management, monitoring of margin and awareness of trading technicals.

In Summary

Our goal is to generate appealing risk-adjusted returns, investing along the corporate capital structure in bonds, loans and other securities of leveraged corporate issuers. We believe we can exploit the market's cyclical, industry and company-specific dislocations through a portfolio of idiosyncratic investment ideas that express both positive and negative views, and capitalize on the asymmetric risk profile of corporate debt.

Portfolio Construction

Artisan High Income Strategy

- Geography: Global mandate, US bias
- Core: 20-60%
- Spread Tightening: 10-50%
- Opportunistic: 0%-10%
- Maximum Industry Exposure: 25%
- Maximum Issuer Exposure: 10% at time of investment
- Typical Cash Exposure: <10% of total assets

Artisan Credit Opportunities Strategy

- **Number of Issuers:** 40-60
- **Typical Gross Exposure:** 100%-175%
- **Typical Net Exposure:** 8%-130%
- **Geography:** Global mandate, US bias
- **Maximum industry Exposure:** 30% net per industry
- **Maximum Issuer Exposure:** 10% net at time of investment

Artisan Floating Rate Strategy

- **Number of Issuers:** 70-125
- **Geography:** Global mandate, US bias
- **Maximum Industry Exposure:** 25% per industry
- **Maximum Issuer Exposure:** 5% at time of investment
- **Portfolio Allocation:** At least 80% in floating rate instruments

Based on a model portfolio.

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. These risks, among others, are further described in Artisan Partners Form ADV, which is available upon request.

Unless otherwise indicated, the Artisan Strategy characteristics relate to that of an investment composite or a representative account managed within a composite. It is intended to provide a general illustration of the investment strategy and considerations used by Artisan Partners in managing that strategy. Individual accounts may differ, at times significantly, from the reference data shown due to varying account restrictions, fees and expenses, and since-inception time periods, among others. Where applicable, this information is supplemental to, and not to be construed with, a current or prospective client's investment account information.

Return on Invested Capital (ROIC) is a measure of how well a company generates cash flow relative to capital invested in the business. Loan to Value Ratio (LTV) compares the size of a loan to the value of an asset that is purchased using the proceeds of the loan. Carry represents the return for holding an asset and generally refers to the interest income obtained from fixed income securities. Non-Investment Grade refers to fixed income securities with lower credit quality. Leveraged Loans are extended to companies or individuals that already have considerable amounts of debt. Duration is measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Enterprise Value is a measure of a company's value. Margin of Safety is the difference between the market price and the estimated intrinsic value of a business. The concept was developed by Benjamin Graham and is believed to be an important measure of risk and appreciation potential. A large margin of safety helps guard against permanent capital loss and improves the probability of capital appreciation; however, a margin of safety does not prevent market loss. All investments contain risk and may lose value. Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Financial Covenants are agreed upon conditions that must be met to fulfill a loan agreement. 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.

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.

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