

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35826

Artisan Partners Asset Management Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**875 E. Wisconsin Avenue, Suite 800
Milwaukee, WI**

(Address of principal executive offices)

45-0969585

*(I.R.S. Employer
Identification No.)*

53202

(Zip Code)

(414) 390-6100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.01 par value

(Title of each class)

APAM

(Trading Symbol)

The New York Stock Exchange

(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common equity held by non-affiliates of the registrant at June 28, 2019, which was the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.5 billion based on the closing price of \$27.52 for one share of Class A common stock, as reported on the New York Stock Exchange on that date. For purposes of this calculation only, it is assumed that the affiliates of the registrant include only directors and executive officers of the registrant.

The number of outstanding shares of the registrant's Class A common stock, par value \$0.01 per share, Class B common stock, par value \$0.01 per share, and Class C common stock, par value \$0.01 per share, as of February 14, 2020 were 56,450,900, 7,803,364 and 13,568,665, respectively.

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Except where the context requires otherwise, in this report:

- “Artisan Funds” refers to Artisan Partners Funds, Inc., a family of Securities and Exchange Commission registered mutual funds.
- “Artisan Global Funds” refers to Artisan Partners Global Funds PLC, a family of Ireland-domiciled funds organized pursuant to the European Union’s Undertaking for Collective Investment in Transferable Securities (“UCITS”).
- “Artisan Private Funds” refers to private investment funds sponsored by Artisan.
- “client” and “clients” refer to investors who access our investment management services by investing in funds, including Artisan Funds, Artisan Global Funds, or Artisan Private Funds, or by engaging us to manage a separate account in one or more of our investment strategies (such accounts include collective investment trusts and other pooled investment vehicles for which we are investment adviser, each of which we manage on a separate account basis).
- Except where the context requires otherwise, in this report, references to the “Company”, “Artisan”, “we”, “us” or “our” refer to Artisan Partners Asset Management Inc. (“APAM”) and its direct and indirect subsidiaries, including Artisan Partners Holdings LP (“Artisan Partners Holdings” or “Holdings”), and, for periods prior to our IPO, “Artisan,” the “company,” “we,” “us” and “our” refer to Artisan Partners Holdings and, unless the context otherwise requires, its direct and indirect subsidiaries. On March 12, 2013, APAM closed its IPO and related IPO Reorganization. Prior to that date, APAM was a subsidiary of Artisan Partners Holdings. The IPO Reorganization and IPO are described in the notes to our consolidated financial statements included in Part II of this Form 10-K.

- “IPO” means the initial public offering of 12,712,279 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on March 12, 2013.
- “IPO Reorganization” means the series of transactions Artisan Partners Asset Management Inc. and Artisan Partners Holdings completed on March 12, 2013, immediately prior to the IPO, in order to reorganize their capital structures in preparation for the IPO.
- “2017 Follow-On Offering” means the registered offering of 5,626,517 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on February 28, 2017.
- “2018 Follow-On Offering: means the registered offering of 644,424 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on February 27, 2018.

Forward-Looking Statements

This report contains, and from time to time our management may make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements regarding future events and our future performance, as well as management’s current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue”, the negative of these terms and other comparable terminology. Forward-looking statements are only predictions based on current expectations and projections about future events. Forward-looking statements are subject to a number of risks and uncertainties, and there are important factors that could cause actual results, level of activity, performance, actions or achievements to differ materially from the results, level of activity, performance, actions or achievements expressed or implied by the forward-looking statements. These factors include: the loss of key investment professionals or senior management, adverse market or economic conditions, poor performance of our investment strategies, change in the legislative and regulatory environment in which we operate, operational or technical errors or other damage to our reputation and other factors disclosed in the Company’s filings with the Securities and Exchange Commission, including those factors listed under the caption entitled “Risk Factors” in Item 1A of this Form 10-K. We undertake no obligation to publicly update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report, except as required by law.

Forward-looking statements include, but are not limited to, statements about:

- our anticipated future results of operations;
- our potential operating performance and efficiency;
- our expectations with respect to the performance of our investment strategies;
- our expectations with respect to future levels of assets under management, including the capacity of our strategies and client cash inflows and outflows;
- our expectations with respect to industry trends and how those trends may impact our business;
- our financing plans, cash needs and liquidity position;
- our intention to pay dividends and our expectations about the amount of those dividends;
- our expected levels of compensation of our employees, including equity compensation;
- our expectations with respect to future expenses and the level of future expenses;
- our expected tax rate, and our expectations with respect to deferred tax assets; and
- our estimates of future amounts payable pursuant to our tax receivable agreements.

Performance and Assets Under Management Information Used in this Report

We manage investments primarily through pooled investment funds and separate accounts. We serve as investment adviser to Artisan Funds, Artisan Global Funds and Artisan Private Funds. We refer to funds and other accounts that are managed by us with a broadly common investment objective and substantially in accordance with a single model account as being part of the same investment “strategy”.

We measure the results both of our individual funds and of our “composites”, which represent the aggregate performance of all discretionary client accounts, including funds, invested in the same strategy, except those accounts with respect to which we believe client-imposed investment restrictions (such as socially-based restrictions) may have a material impact on portfolio construction and those accounts managed in a currency other than U.S. dollars (the results of these excluded accounts, which represented approximately 11% of our assets under management at December 31, 2019, are maintained in separate composites, and are not presented in this report).

The performance of accounts with investment restrictions differs from the performance of accounts included in our principal composite for the applicable strategy because one or more securities may be omitted from the portfolio in order to comply with client restrictions and the weightings in the portfolio of other securities are correspondingly altered. The performance of non-U.S. dollar accounts differs from the performance of the principal composite for the applicable strategy because of the fluctuations in currency exchange rates between the currencies in which portfolio securities are traded and the currency in which the account is managed or U.S. dollars, respectively. Our assets under management in accounts with investment restrictions and non-U.S. dollar accounts represented approximately 2% and 9%, respectively, of our assets under management as of December 31, 2019. Results for any investment strategy described herein, and for different investment vehicles within a strategy, are affected by numerous factors, including: different material market or economic conditions; different investment management fee rates, brokerage commissions and other expenses; and the reinvestment of dividends or other earnings.

The returns for any strategy may be positive or negative, and past performance does not guarantee future results. In this report, we refer to the date on which we began tracking the performance of an investment strategy as that strategy’s “inception date”.

In this report, we present the average annual returns of our composites on a “gross” basis, which represent average annual returns before payment of fees payable to us by any portfolio in the composite and are net of commissions and transaction costs. We also present the average annual returns of certain market indices or “benchmarks” for the comparable period. The indices are unmanaged and have differing volatility, credit and other characteristics. You should not assume that there is any material overlap between the securities included in the portfolios of our investment strategies during these periods and those that comprise any of the strategy’s comparator index in this report. At times, this can cause material differences in relative performance. It is not possible to invest directly in any of the indices. The returns of these indices, as presented in this report, have not been reduced by fees and expenses associated with investing in securities, but do include the reinvestment of dividends.

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In this report, we present ratings from Morningstar, Inc., for the series of Artisan Funds. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The ratings which form the basis for the information reflected in this report, and the fund categories in which they are rated, relating to each Fund's Investor Share Class are: Artisan Developing World Fund—Diversified Emerging Markets; Artisan Global Equity Fund—World Large Stock; Artisan Global Opportunities Fund—World Large Stock; Artisan Global Value Fund—World Large Stock; Artisan High Income Fund—High Yield Bond; Artisan International Fund—Foreign Large Growth; Artisan International Small-Mid Fund—Foreign Small/Mid Growth; Artisan International Value Fund—Foreign Large Blend; Artisan Mid Cap Fund—Mid-Cap Growth; Artisan Mid Cap Value Fund—Mid-Cap Value; Artisan Small Cap Fund—Small Growth; Artisan Sustainable Emerging Markets Fund—Diversified Emerging Markets; and Artisan Value Fund—Large Value. Morningstar ratings are initially given on a fund's three year track record and change monthly.

Throughout this report, we present historical information about our assets under management, including information about changes in our assets under management due to gross client cash inflows and outflows, market appreciation and depreciation and transfers between investment vehicles (e.g., pooled investment vehicles and separate accounts). Gross client cash inflows and outflows represent client fundings, terminations and client initiated contributions and withdrawals (which could be in cash or in securities). Market appreciation (depreciation) represents realized gains and losses, the change in unrealized gains and losses, net income and certain miscellaneous items, immaterial in the aggregate, which may include payment of Artisan's management fees or payment of custody expenses to the extent a client causes these fees to be paid from the account we manage. The effect of translating into U.S. dollars the value of portfolio securities denominated in currencies other than the U.S. dollar is included in market appreciation (depreciation). We also present information about our average assets under management for certain periods.

We use our information management systems to track our assets under management, the components of market appreciation and depreciation, and client inflows and outflows, and we believe the information set forth in this report regarding our assets under management, market appreciation and depreciation, and client inflows and outflows is accurate in all material respects. We also present information regarding the amount of our assets under management and client inflows and outflows sourced through particular investment vehicles and distribution channels. The allocation of assets under management and client flows sourced through particular distribution channels involves estimates because precise information on the sourcing of assets invested in Artisan Funds or Artisan Global Funds through intermediaries is not available on a complete or timely basis and involves the exercise of judgment because the same assets, in some cases, might fairly be said to have been sourced from more than one distribution channel. We have presented the information on our assets under management and client inflows and outflows sourced by distribution channel in the way in which we prepare and use that information in the management of our business. Non-financial data, including information about our investment performance, client cashflows, and assets under management sourced by distribution channel are not subject to our internal controls over financial reporting.

None of the information in this report constitutes either an offer or a solicitation to buy or sell any fund securities, nor is any such information a recommendation for any fund security or investment service.

PART I**Item 1. Business****Overview**

Founded in 1994, Artisan is an investment management firm focused on providing high valued added, active investment strategies to sophisticated clients globally. Our autonomous investment teams manage a broad range of U.S., non-U.S. and global investment strategies that are diversified by asset class, market cap and investment style.

Since our founding, we have maintained a business model that is designed to maximize our ability to produce attractive investment results for our clients, and we believe this model has contributed to our success in doing so. We focus on attracting, retaining and developing talented investment professionals by creating an environment in which each investment team is provided ample resources and support, transparent and direct financial incentives, and a high degree of investment autonomy. Each of our investment teams is led by one or more experienced portfolio managers and applies its own unique investment philosophy and process. We believe this autonomous structure promotes independent analysis and accountability among our investment professionals, which we believe promotes superior investment results.

The following table sets forth our revenues and our ending and average assets under management for the periods noted:

	For the Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Total revenues	\$ 799	\$ 829	\$ 796
Ending assets under management	\$ 121,016	\$ 96,224	\$ 115,494
Average assets under management	\$ 111,023	\$ 113,769	\$ 108,754

Additional information regarding our revenues and our assets under management is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, as well as our consolidated financial statements, which are included in Item 8 of this Form 10-K.

Each of our investment strategies is designed to have a clearly articulated, consistent and replicable investment process that is well-understood by clients and managed to achieve long-term performance. Over our firm's history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk.

We launch a new strategy only when we believe it has the potential to achieve superior investment performance in an area that we believe will have sustained client demand at attractive fee rates over the long term. We strive to maintain the integrity of the investment process followed in each of our strategies by rigorous adherence to the investment parameters we have communicated to our clients. We also carefully monitor our investment capacity in each investment strategy. We believe that management of our investment capacity protects our ability to manage assets successfully, which protects the interests of our clients and, in the long term, protects our ability to retain client assets and maintain our profit margins. In order to better achieve our long-term goals, we are willing to close a strategy to new investors or otherwise take action to slow or restrict its growth, even though our short-term results may be impacted.

In addition to our investment teams, we have a management team that is focused on our business objectives of achieving profitable growth, expanding our investment capabilities, diversifying the sources of our assets under management, delivering superior client service, developing our investment teams into investment franchises with multiple decision-makers and investment strategies, and maintaining the firm's fiduciary mindset and culture of compliance. Our management team supports our investment management capabilities and manages our operational infrastructure, which allows our investment professionals to focus primarily on making investment decisions and generating returns for our clients.

We offer our investment management capabilities primarily to institutions and through intermediaries that operate with institutional-like decision-making processes by means of separate accounts and pooled vehicles. We access traditional institutional clients primarily through relationships with investment consultants. We access other institutional-like investors primarily through consultants, alliances with major defined contribution/401(k) platforms and relationships with financial advisors and broker-dealers. We derive essentially all of our revenues from investment management fees, which primarily are based on a specified percentage of clients' average assets under management. These fees are determined by the investment advisory and sub-advisory agreements that are terminable by clients upon short notice or no notice.

Investment Teams

We offer clients a broad range of actively managed investment strategies diversified by asset class, market cap and investment style. Each strategy is managed by one of the investment teams described below.

The table below sets forth total assets under management and certain performance information for our investment teams and strategies as of December 31, 2019.

Investment Team and Strategy	AUM as of December 31, 2019 (in millions)	Composite Inception Date	Value-Added Since Inception Date (⁽¹⁾ as of December 31, 2019)	Fund Rating ⁽²⁾ as of December 31, 2019
Growth Team				
Global Opportunities	19,193	February 1, 2007	570	★★★★★
Global Discovery	813	September 1, 2017	947	Not yet rated
U.S. Mid-Cap Growth	11,122	April 1, 1997	480	★★★
U.S. Small-Cap Growth	3,665	April 1, 1995	214	★★★★★
Global Equity Team				
Global Equity	1,922	April 1, 2010	467	★★★★★
Non-U.S. Growth	23,675	January 1, 1996	547	★★★
Non-U.S. Small-Mid Growth	2,263	January 1, 2019	1,601	★★★
U.S. Value Team				
Value Equity	3,016	July 1, 2005	(79)	★★
U.S. Mid-Cap Value	4,386	April 1, 1999	304	★★
International Value Team				
Non-U.S. Value	22,000	July 1, 2002	564	★★★★★
Global Value Team				
Global Value	19,707	July 1, 2007	372	★★★
Sustainable Emerging Markets Team				
Sustainable Emerging Markets	234	July 1, 2006	72	★★★
Credit Team				
High Income	3,783	April 1, 2014	233	★★★★★
Developing World Team				
Developing World	3,374	July 1, 2015	655	★★★★★
Thematic Team				
Thematic	1,235	May 1, 2017	1,389	Not yet rated
Other Assets Under Management ⁽³⁾	628		Not disclosed	Not applicable
Total AUM as of December 31, 2019	121,016			

⁽¹⁾ Value-added since inception date is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed or underperformed the broad-based market index most commonly used by our clients to compare the performance of the relevant strategy since its inception date. Value-added for periods less than one year are not annualized. The broad-based market indices used to compute the value added since inception date for each of our strategies are as follows: Non-U.S. Growth Strategy / Non-U.S. Value Strategy- MSCI EAFE Index; Global Equity Strategy / Global Opportunities Strategy / Global Value Strategy / Global Discovery Strategy- MSCI ACWI Index; Non-U.S. Small-Mid Growth Strategy- MSCI ACWI ex USA Small Cap Index; U.S. Mid-Cap Growth Strategy / U.S. Mid-Cap Value Strategy- Russell Midcap® Index; U.S. Small-Cap Growth Strategy- Russell 2000® Index; Value Equity Strategy- Russell 1000® Index; Developing World Strategy / Sustainable Emerging Markets Strategy- MSCI Emerging Markets Index; High Income Strategy- ICE BofAML US High Yield Master II Total Return Index; Thematic Strategy- S&P® 500 Index. Unlike the ICE BofAML US High Yield Master II Total Return Index, the Artisan High Income strategy may hold loans and other security types. At times, this causes material differences in relative performance.

⁽²⁾ The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-year, five-year, and ten-year (if applicable) Morningstar Ratings metrics.

⁽³⁾ Other Assets Under Management includes AUM managed by the Credit Team in the Credit Opportunities strategy and by the Thematic Team in the Thematic Long/Short strategy, respectively. Strategy specific information has been omitted.

Growth Team

Our Growth team, which was formed in 1997 and is based in Milwaukee, Wisconsin, manages four investment strategies: Global Opportunities, Global Discovery, U.S. Mid-Cap Growth and U.S. Small-Cap Growth. James D. Hamel, Matthew H. Kamm, Craigh A. Cepukenas, and Jason L. White are the portfolio managers of all four strategies. Mr. Hamel is the lead portfolio manager of the Global Opportunities strategy; Mr. White is the lead portfolio manager of the Global Discovery strategy; Mr. Kamm is the lead portfolio manager of the U.S. Mid-Cap Growth strategy; and Mr. Cepukenas is the lead portfolio manager of the U.S. Small-Cap Growth strategy.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Global Opportunities (February 1, 2007)					
Average Annual Gross Returns	37.01 %	18.75 %	14.03 %	15.07 %	11.20 %
MSCI ACWI® Index	26.60 %	12.44 %	8.40 %	8.78 %	5.50 %
Global Discovery (September 1, 2017)					
Average Annual Gross Returns	44.29 %	—	—	—	18.97 %
MSCI ACWI® Index	26.60 %	—	—	—	9.50 %
U.S. Mid-Cap Growth (April 1, 1997)					
Average Annual Gross Returns	39.78 %	18.36 %	11.45 %	15.11 %	15.20 %
Russell Midcap® Index	30.54 %	12.06 %	9.33 %	13.19 %	10.40 %
Russell Midcap® Growth Index	35.47 %	17.36 %	11.60 %	14.23 %	9.65 %
U.S. Small-Cap Growth (April 1, 1995)					
Average Annual Gross Returns	41.90 %	23.56 %	15.42 %	16.70 %	11.38 %
Russell 2000® Index	25.52 %	8.59 %	8.22 %	11.82 %	9.24 %
Russell 2000® Growth Index	28.48 %	12.49 %	9.33 %	13.00 %	7.97 %

Global Equity Team

Our Global Equity team was formed in 1996 and is primarily based in San Francisco and New York. The Global Equity team manages three investment strategies: Global Equity, Non-U.S. Growth, and Non-U.S. Small-Mid Growth.

Mark L. Yockey serves as portfolio manager of the Global Equity and Non-U.S. Growth strategies. Charles-Henri Hamker and Andrew J. Euretig are also portfolio managers of the Global Equity strategy and associate portfolio managers of the Non-U.S. Growth strategy. Rezo Kanovich serves as portfolio manager of the Non-U.S. Small-Mid Growth strategy.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Global Equity (April 1, 2010)					
Average Annual Gross Returns	32.84 %	20.20 %	12.04 %	—	13.34 %
MSCI ACWI® Index	26.60 %	12.44 %	8.40 %	—	8.67 %
Non-U.S. Growth (January 1, 1996)					
Average Annual Gross Returns	30.73 %	16.05 %	6.71 %	8.43 %	10.37 %
MSCI EAFE® Index	22.01 %	9.56 %	5.67 %	5.50 %	4.90 %
Non-U.S. Small-Mid Growth (January 1, 2019)					
Average Annual Gross Returns	38.37 %	---	---	---	38.37 %
MSCI All Country World Index Ex USA Small Mid Cap (Net)	22.36 %	---	---	---	22.36 %

U.S. Value Team

Our U.S. Value team, which was formed in 1997 and is based in Atlanta and Chicago, manages two investment strategies: Value Equity and U.S. Mid-Cap Value. James C. Kieffer, Thomas A. Reynolds, Daniel L. Kane, and Craig Inman are the portfolio managers for both strategies.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Value Equity (July 1, 2005)					
Average Annual Gross Returns	31.39 %	9.86 %	9.62 %	11.34 %	8.64 %
Russell 1000® Index	31.43 %	15.05 %	11.48 %	13.53 %	9.43 %
Russell 1000® Value Index	26.54 %	9.68 %	8.28 %	11.79 %	7.76 %
U.S. Mid-Cap Value (April 1, 1999)					
Average Annual Gross Returns	24.77 %	7.45 %	6.99 %	10.76 %	12.61 %
Russell Midcap® Index	30.54 %	12.06 %	9.33 %	13.19 %	9.57 %
Russell Midcap® Value Index	27.06 %	8.10 %	7.61 %	12.41 %	9.74 %

International Value Team

Our International Value team is based in San Francisco where it manages the Non-U.S. Value strategy. N. David Samra serves as lead portfolio manager of the strategy and Ian P. McGonigle and Joseph Vari serve as co-portfolio managers.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Non-U.S. Value (July 1, 2002)					
Average Annual Gross Returns	25.66 %	10.34 %	7.27 %	10.25 %	11.90 %
MSCI EAFE® Index	22.01 %	9.56 %	5.67 %	5.50 %	6.26 %

Global Value Team

Our Global Value team is primarily based in Chicago and manages the Global Value strategy. Daniel J. O'Keefe is the lead portfolio manager of the Global Value strategy and Justin V. Bandy and Michael J. McKinnon serve as co-portfolio managers. We expect that during the first quarter of 2020, the Global Value team will launch its second strategy, the Select Equity strategy.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Global Value (July 1, 2007)					
Average Annual Gross Returns	25.41 %	10.86 %	8.28 %	11.93 %	8.69 %
MSCI ACWI® Index	26.60 %	12.44 %	8.40 %	8.78 %	4.98 %

Sustainable Emerging Markets Team

Our Sustainable Emerging Markets team, which was formed in 2006 and is based in New York, manages a single investment strategy. Maria Negrete-Gruson is the portfolio manager for the Sustainable Emerging Markets strategy.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Sustainable Emerging Markets (July 1, 2006)					
Average Annual Gross Returns	22.03 %	13.91 %	9.02 %	4.19 %	6.20 %
MSCI Emerging Markets Index SM	18.42 %	11.57 %	5.61 %	3.68 %	5.48 %

Credit Team

Our Credit team, which was formed in 2014 and is based in Denver, Colorado, manages two investment strategies: High Income and Credit Opportunities. Bryan L. Krug is the portfolio manager for both strategies. Performance information for the Credit Opportunities strategy has been intentionally omitted.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
High Income (April 1, 2014)					
Average Annual Gross Returns	15.09 %	7.89 %	8.19 %	—	7.55 %
ICE BofA Merrill Lynch U.S. High Yield Master II Total Return Index (Net)	14.41 %	6.32 %	6.13 %	—	5.22 %

Developing World Team

Our Developing World team, which was formed in 2015 and is based in San Francisco, manages a single investment strategy. Lewis S. Kaufman is the portfolio manager for the Developing World strategy.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Developing World (July 1, 2015)					
Average Annual Gross Returns	43.40 %	18.82 %	—	—	12.11 %
MSCI Emerging Markets Index	18.42 %	11.57 %	—	—	5.56 %

Thematic Team

Our Thematic team, which was formed in 2016 and is based in New York, manages two investment strategies: Thematic and Thematic Long/Short. Chris Smith is the portfolio manager for both strategies. Performance information for the Thematic Long/Short strategy has been intentionally omitted.

Investment Strategy (Composite Inception Date)	As of December 31, 2019				
	1 Year	3 Years	5 Years	10 Years	Inception
Thematic (May 1, 2017)					
Average Annual Gross Returns	34.10 %	—	—	—	28.20 %
S&P 500 Index	31.49 %	—	—	—	14.31 %

Distribution, Investment Products and Client Relationships

The goal of our marketing, distribution and client service efforts is to grow and maintain a client base that is diversified by investment strategy, investment vehicle (for example, across mutual funds and separate accounts), distribution channel and geographic region. We focus our distribution and marketing efforts on sophisticated investors and asset allocators, including institutions and intermediaries that operate with institutional-like, centralized decision-making processes and longer-term investment horizons. We have designed our distribution strategies and structured our distribution teams to use knowledgeable, seasoned marketing and client service professionals in a way intended to limit the time our investment professionals spend on marketing and client service activities. We believe that minimizing other demands allows our portfolio managers and other investment professionals to focus their energies and attention on the investment decision-making process, which we believe enhances the opportunity to achieve superior investment returns. Our distribution efforts are centrally managed by our Head of Global Distribution, who oversees and coordinates the efforts of our marketing and client service professionals.

Institutional Channel

Our institutional distribution channel includes institutional clients, such as U.S.-registered mutual funds, non-U.S. funds and collective investment trusts we sub-advise; state and local governments; employee benefit plans including Taft-Hartley plans; foundations; and endowments. Our institutional channel also includes assets under management sourced from defined contribution plans. We offer our investment products to institutional clients directly and by marketing our services to the investment consultants and advisors that advise them. As of December 31, 2019, approximately 45% of our assets under management were attributed to clients represented by investment consultants.

As of December 31, 2019, 66% of our assets under management were sourced through our institutional channel.

Intermediary Channel

We maintain relationships with a number of major brokerage firms and larger private banks and trust companies at which the process for identifying which funds to offer has been centralized to a relatively limited number of key decision-makers that exhibit institutional decision-making behavior. We also maintain relationships with a number of financial advisory firms and broker-dealer advisors that offer our investment products to their clients. These advisors range from relatively small firms to large organizations.

As of December 31, 2019, approximately 30% of our assets under management were sourced through our intermediary channel.

Retail Channel

We primarily access retail investors indirectly through mutual fund supermarkets through which investors have the ability to purchase and redeem fund shares. U.S. investors can also invest directly in the series of Artisan Funds. Our subsidiary, Artisan Partners Distributors LLC, a registered broker-dealer, distributes shares of Artisan Funds. Publicity and ratings and rankings from Morningstar, Lipper and others are important in building the Artisan Partners brand, which is important in attracting retail investors. As a result, we publicize the ratings and rankings received by the series of Artisan Funds and work to ensure that potential retail investors have appropriate information to evaluate a potential investment in Artisan Funds. We do not generally use direct marketing campaigns as we believe that their cost outweighs their potential benefits.

As of December 31, 2019, approximately 4% of our assets under management were sourced from investors we categorize as retail investors.

Access Through a Range of Investment Vehicles

Our clients access our investment strategies through a range of investment vehicles, including separate accounts and pooled vehicles. As of December 31, 2019, approximately 53% of our assets under management were in separate accounts, and Artisan Funds and Artisan Global Funds accounted for approximately 47% of our total assets under management.

Separate Accounts

We manage separate account assets within most of our investment strategies. As of December 31, 2019, we managed 211 separate accounts spanning 132 client relationships and our largest separate account relationship represented approximately 8% of our assets under management. Our separate account clients include both institutional and intermediary channel relationships. We generally require a minimum relationship of \$20 million to \$100 million, depending on the strategy, to manage a separate account. We also offer access to a number of our strategies through Artisan-branded collective investment trusts and through funds (both public and private) that we advise. The fees we charge on separate accounts vary by client, investment strategy and the size of the account. Fees are accrued monthly, but generally are paid quarterly in arrears.

In our reporting materials, unless otherwise stated, our separate account AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in Artisan Private Funds.

Artisan Funds and Artisan Global Funds

U.S. investors that do not meet our minimum account size for a separate account, or who otherwise prefer to invest through a mutual fund, can invest in our strategies through Artisan Funds. We serve as the investment adviser to each series of Artisan Funds, SEC-registered mutual funds that offer no-load, no 12b-1 share classes designed to meet the needs of a range of investors. Each series of Artisan Funds corresponds to an investment strategy we offer to clients. We earn investment management fees, which are based on the average daily net assets of each Artisan Fund and are paid monthly, for serving as investment adviser to these funds. As of December 31, 2019, Artisan Funds represented approximately 44% of our assets under management.

We also serve as investment manager of Artisan Global Funds, a family of Ireland-based UCITS funds. Artisan Global Funds, which began operations in 2011, provides non-U.S. investors with access to a number of our investment strategies. We earn investment management fees, which are based on the average daily net assets of each sub-fund and are generally paid monthly, for serving as investment adviser to these funds. As of December 31, 2019, Artisan Global Funds represented approximately 3% of our assets under management.

Regulatory Environment and Compliance

Our business is subject to extensive regulation in the United States at the federal level and, to a lesser extent, the state level, as well as by self-regulatory organizations and regulators located outside the United States. Under these laws and regulations, agencies that regulate investment advisers, investment funds and other entities have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity from conducting business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. A regulatory proceeding, regardless of whether it results in a sanction, can require substantive expenditures and can have an adverse effect on our reputation or business.

U.S. Regulation

Artisan Partners Limited Partnership and Artisan Partners UK LLP are registered with the SEC as investment advisers under the Investment Advisers Act of 1940, or Advisers Act, and Artisan Funds and several of the investment companies we sub-advise are registered under the Investment Company Act of 1940, or 1940 Act. The Advisers Act and the 1940 Act, together with the SEC's regulations and interpretations thereunder, impose substantive and material restrictions and requirements on the operations of investment advisers and mutual funds. The SEC is authorized to institute proceedings and impose sanctions for violations of these acts, ranging from fines and censures to, in the case of investment advisers, the termination of an adviser's registration.

As an investment adviser, we have a fiduciary duty to our clients. The SEC has interpreted that duty to impose standards, requirements and limitations on, among other things: trading for proprietary, personal and client accounts; allocations of investment opportunities among clients; use of soft dollars; execution of transactions; and recommendations to clients. As a registered adviser, we are subject to many additional requirements that cover, among other things, disclosure of information about our business to clients; maintenance of written policies and procedures; maintenance of extensive books and records; restrictions on the types of fees we may charge; custody of client assets; client privacy; advertising; and solicitation of clients. The SEC has authority to, and typically does, inspect a registered adviser periodically to determine whether the adviser is conducting its activities (i) in accordance with applicable laws, (ii) in a manner that is consistent with disclosures made to clients and (iii) with adequate controls, systems and procedures to ensure compliance.

For the year ended December 31, 2019, 59% of our revenues were derived from our advisory services to investment companies registered under the 1940 Act, including 57% from our advisory services to Artisan Funds. The 1940 Act imposes significant requirements and limitations on a registered fund, including with respect to its capital structure, investments and transactions. While we exercise broad discretion over the day-to-day management of the business and affairs of Artisan Funds and the investment portfolios of the funds we sub-advise, those operations are subject to oversight and management by each fund's board of directors. Under the 1940 Act, a majority of the directors must not be "interested persons" (sometimes referred to as the "independent director" requirement). The responsibilities of each fund's board include, among other things, approving our investment management agreement with the fund; approving other service providers; determining the method of valuing assets; and monitoring transactions involving affiliates.

Our investment management agreements with these funds may be terminated by the funds on minimal notice, and are subject to annual renewal by each fund's board after the initial term of one to two years. The 1940 Act also imposes on the investment adviser to a mutual fund a fiduciary duty with respect to the receipt of the adviser's investment management fees. That fiduciary duty may be enforced by the SEC, by administrative action or by litigation by investors in the fund pursuant to a private right of action.

As required by the Advisers Act, our investment management agreements may not be assigned without client consent. Under the 1940 Act, investment management agreements with registered funds (such as the mutual funds we manage) terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur upon the transfer, directly or indirectly, of a controlling interest in us.

Artisan Partners Distributors LLC, our SEC-registered broker-dealer subsidiary, is subject to the rules and regulations of the Financial Industry Regulatory Authority. Artisan Partners Distributors LLC is also subject to the SEC's Uniform Net Capital Rule and the National Securities Clearing Corporation's excess net capital requirement, which require that at least a minimum part of a registered broker-dealer's assets be kept in relatively liquid form.

Artisan Partners Limited Partnership is a fiduciary under the Employee Retirement Income Security Act of 1974 with respect to assets that we manage for benefit plan clients subject to ERISA. ERISA, regulations promulgated thereunder and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions.

Non-U.S. Regulation

In addition to the extensive regulation we are subject to in the United States, a number of our subsidiaries and certain non-U.S. operations are subject to regulation in non-U.S. jurisdictions. One of our subsidiaries, Artisan Partners UK LLP, is authorized and regulated by the U.K. Financial Conduct Authority, which is responsible for the conduct of business and supervision of financial firms in the United Kingdom. Another subsidiary, Artisan Partners Europe, is authorized and regulated by the Central Bank of Ireland. In addition, Artisan Global Funds are regulated as UCITS funds under the supervision of the Central Bank of Ireland. Artisan Partners Europe has a branch office in Sweden, which is also regulated by the Central Bank of Ireland and is further subject to the regulation of the Swedish financial supervisory authority. We are also subject to regulation internationally by the Australian Securities and Investments Commission, where we operate pursuant to orders of exemption, and by various Canadian regulatory authorities in the Canadian provinces where we operate pursuant to exemptions from registration. Certain Artisan Private Funds are regulated as mutual funds under the Mutual Funds Law (as amended) of the Cayman Islands, and the Cayman Islands Monetary Authority has supervisory and enforcement powers to ensure the funds' compliance with the Mutual Funds Law. Our business is also subject to the rules and regulations of the countries in which we market our funds or services and conduct investment management activities, including the countries in which our investment strategies make investments.

We may become subject to additional regulatory demands in the future to the extent we expand our business in existing and new jurisdictions. See "Risk Factors—Risks Related to our Industry—We are subject to extensive, complex and sometimes overlapping rules, regulations and legal interpretations" and "Risk Factors—Risks Related to our Industry—The regulatory environment in which we operate is subject to continual change, and regulatory developments may adversely affect our business."

Competition

In order to grow our business, we must be able to compete effectively for assets under management. We compete to attract clients and investors principally on the basis of:

- the performance of our investment strategies
- the continuity of our investment and distribution professionals
- the quality of the service we provide to our clients
- the range of investment strategies and vehicles we offer
- our brand recognition and reputation within the investing community

We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. For additional information concerning the competitive risks that we face, see "Risks Factors—Risks Related to Our Industry—The investment management industry is intensely competitive."

Operations, Systems and Technology

With respect to our equity strategies, we perform most middle- and back-office functions internally, generally using third-party software and technology for functions such as trade confirmation, trade settlement, custodian reconciliations, corporate action processing, performance calculation and client reporting, customized as necessary to support our investment processes and operations. With respect to our fixed income strategies, we outsource most of the middle- and back-office functions to service providers that we supervise. We have back-up and disaster recovery systems in place.

Employees

As of December 31, 2019, we employed approximately 440 employees.

Our Structure and Reorganization

Holding Company Structure

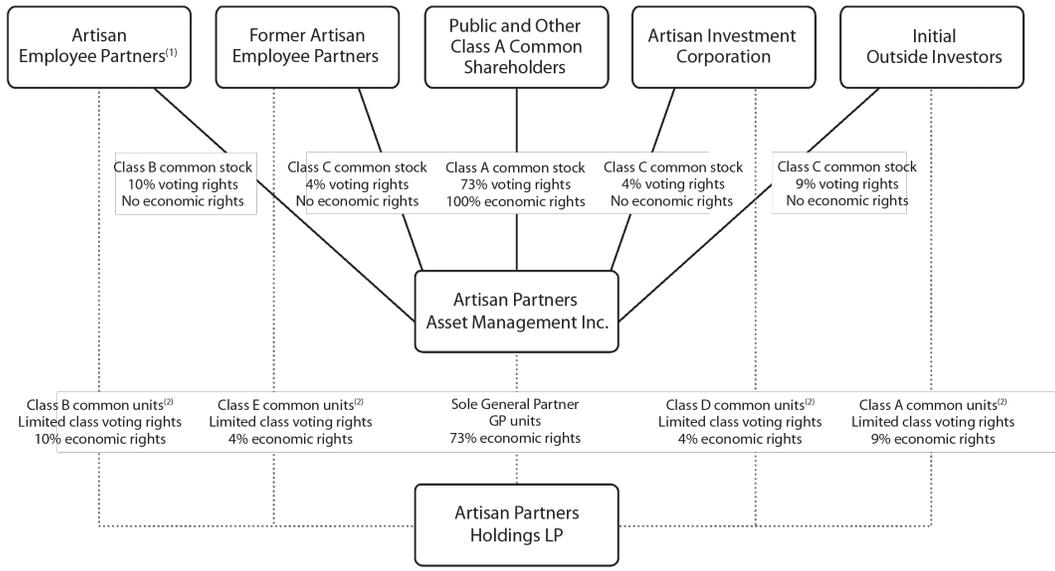
We are a holding company and our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash. As the sole general partner of Artisan Partners Holdings, we operate and control all of its business and affairs, subject to certain voting rights of its limited partners. We conduct all of our business activities through operating subsidiaries of Artisan Partners Holdings. Net profits and net losses are allocated based on the ownership of partnership units of Artisan Partners Holdings. As of December 31, 2019, we owned approximately 73% of Artisan Partners Holdings, and the other 27% was owned by the limited partners of Artisan Partners Holdings.

IPO Reorganization

In March 2013, we completed our IPO. In connection with the IPO, we and Artisan Partners Holdings completed a series of reorganization transactions, which we refer to as the IPO Reorganization, in order to reorganize our capital structures in preparation for the IPO. The IPO Reorganization included, among other changes, the following:

- Our appointment as the sole general partner of Artisan Partners Holdings.
- The modification of our capital structure into three classes of common stock and a series of convertible preferred stock. We issued shares of our Class B common stock, Class C common stock and convertible preferred stock to pre-IPO partners of Artisan Partners Holdings. Each share of Class B common stock corresponds to a Class B common unit of Artisan Partners Holdings. Each share of Class C common stock corresponds to either a Class A, Class D or Class E common unit of Artisan Partners Holdings. Subject to certain restrictions, each common unit of Artisan Partners Holdings (together with the corresponding share of Class B or Class C common stock) is exchangeable for a share of our Class A common stock.
- A corporation (“H&F Corp”) merged with and into Artisan Partners Asset Management, which we refer to in this document as the H&F Corp Merger. As consideration for the merger, the shareholder of H&F Corp received shares of our convertible preferred stock, contingent value rights, or CVRs, issued by Artisan Partners Asset Management and the right to receive an amount of cash. In November 2013, the CVRs issued by Artisan Partners Asset Management were terminated with no amounts paid or payable thereunder. In June 2014, the shareholder of H&F Corp converted all of its then-remaining shares of convertible preferred stock into shares of Class A common stock and sold those shares. We no longer have any outstanding shares of convertible preferred stock, and Artisan Partners Holdings no longer has any outstanding preferred units.
- The voting and certain other rights of each class of limited partnership units of Artisan Partners Holdings were modified. In addition, Artisan Partners Holdings separately issued CVRs to the holders of the preferred units. In November 2013, the CVRs issued by Artisan Partners Holdings were terminated with no amounts paid or payable thereunder.
- We entered into two tax receivable agreements (“TRAs”), one with a private equity fund (the “Pre-H&F Corp Merger Shareholder”) and the other with each limited partner of Artisan Partners Holdings. Pursuant to the first TRA, APAM pays to the assignees of the Pre-H&F Corp Merger Shareholder a portion of certain tax benefits APAM realizes as a result of the H&F Corp Merger. Pursuant to the second TRA, APAM pays to current or former limited partners of Artisan Partners Holdings (or their assignees) a portion of certain tax benefits APAM realizes as a result of the purchase or exchange of their limited partnership units of Artisan Partners Holdings.

The diagram below depicts our organizational structure as of December 31, 2019:



- (1) Our employees to whom we have granted equity have entered into a stockholders agreement with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future, pursuant to which they granted an irrevocable voting proxy to a stockholders committee currently consisting of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). The stockholders committee, by vote of a majority of its members, will determine the vote of all of the shares subject to the stockholders agreement. In addition to owning all of the shares of our Class B common stock, our employee-partners, together with our other employees, owned unvested restricted shares of our Class A common stock representing approximately 9% of our outstanding Class A common stock as of December 31, 2019.
- (2) Each class of common units generally entitles its holders to the same economic and voting rights in Artisan Partners Holdings as each other class of common units, except that the Class E common units have no voting rights except as required by law.

Available Information

Our website address is www.artisanpartners.com. We make available free of charge through our website all of the materials we file or furnish with the SEC as soon as reasonably practicable after we electronically file or furnish such materials with the SEC. Information contained on our website is not part of, nor is it incorporated by reference into, this Form 10-K. The company was incorporated in Wisconsin on March 21, 2011 and converted to a Delaware corporation on October 29, 2012.

Item 1A. Risk Factors

An investment in our Class A common stock involves substantial risks and uncertainties. You should carefully consider each of the risks below, together with all of the other information contained in this document, before deciding to invest in shares of our Class A common stock. If any of the following risks develops into an actual event, our business, financial condition or results of operations could be negatively affected, the market price of your shares could decline and you could lose all or part of your investment.

Risks Related to our Business

The loss of key investment professionals or senior members of our distribution and management teams could have a material adverse effect on our business.

Our success depends on our ability to retain the portfolio managers who manage our investment strategies and have been primarily responsible for the historically strong investment performance we have achieved. Because of the long tenure and stability of many of our portfolio managers, our clients generally attribute the investment performance we have achieved to these individuals. The departure of a portfolio manager, even for strategies with multiple portfolio managers, could cause clients to withdraw funds from the strategy which would reduce our assets under management, investment management fees and our net income, and these reductions could be material if our assets under management in that strategy and the related revenues were material. The departure of a portfolio manager or other senior members of investment teams also could cause consultants and intermediaries to stop recommending a strategy, and clients to refrain from allocating additional funds to a strategy or delay such additional funds until a sufficient new track record has been established.

In addition to our key investment professionals, we also depend on the contributions of our senior management team led by Eric R. Colson, and our senior marketing and client service personnel who have direct contact with our institutional clients, consultants, intermediaries and other key individuals within each of our distribution channels. The loss of any of these key professionals could limit our ability to successfully execute our business strategy and may prevent us from sustaining the historically strong investment performance we have achieved or adversely affect our ability to retain existing and attract new client assets and related revenues.

Any of our key professionals may resign at any time, join our competitors or form a competing company. Although many of our portfolio managers and each of our named executive officers are subject to post-employment non-compete obligations, these non-competition provisions may not be enforceable or may not be enforceable to their full extent. In addition, we may agree to waive non-competition provisions or other restrictive covenants applicable to former key professionals in light of the circumstances surrounding their relationship with us. We do not carry “key man” insurance that would provide us with proceeds in the event of the death or disability of any of our key professionals.

If we are unable to maintain or evolve our investment environment or compensation structures in a way that attracts, develops and retains talented investment professionals, there could be a negative impact to the performance of our investment strategies, our financial results and our ability to grow. In addition, our efforts to maintain and evolve our investment environment and compensation structures could themselves cause instability within our existing investment teams and/or negatively impact our financial results and ability to grow.

Attracting, developing and retaining talented investment professionals is an essential component of our business strategy. To do so, it is critical that we continue to foster an environment and provide compensation that is attractive for our existing investment professionals and for prospective investment professionals. If we are unsuccessful in maintaining such an environment (for instance, because of changes in management structure, corporate culture, corporate governance arrangements, or applicable laws and regulations) or compensation levels or structures for any reason, our existing investment professionals may leave our firm or fail to produce their best work on a consistent, long-term basis and/or we may be unsuccessful in attracting talented new investment professionals, any of which could negatively impact the performance of our investment strategies, our financial results and our ability to grow.

Over our firm’s history we have sought to successfully design and implement compensation structures that align our investment professionals’ economic interests with those of our clients, investors, partners, and shareholders. We believe our historical structures have been important to our long-term growth and that objective, predictable, and transparent structures work best to incentivize investment professionals to perform over the long-term.

With respect to asset-based revenues, we use a single revenue share arrangement across all of our investment teams. Under the revenue share, each team shares a bonus pool consisting of 25% of the asset-based revenues earned by the strategies managed by the respective team. The revenue share directly links the majority of the investment teams’ cash compensation to long-term growth in revenues, which, over the long-term, we believe is primarily linked to investment performance. The asset-based revenue share is objective, predictable, transparent, and the same for all teams. In addition, each team is generally entitled to a share of performance-based revenues earned by the strategies managed by the team. In the future, we expect that performance fees will represent a higher proportion of our total revenues.

Over our firm's history we have used a variety of equity incentives to align the long-term interests of our investment professionals and other senior personnel with the interests of clients, investors, partners and shareholders. Until our IPO in 2013, firm equity awards were in the form of partnership profits interests, which entitled recipients to a percentage of future profits and future appreciation in the value of the firm. Award recipients had the right to cash out their profits interests only after the end of their careers, and 50% of the awards were subject to forfeiture if the recipient left Artisan without proper notice or was terminated. Prior to the IPO Reorganization, the profits interests were converted into partnership units and, as part of the IPO Reorganization, the 50% forfeiture feature was eliminated and employee-partners were given the right to liquidate a portion of their partnership units during each year that they remained employed with Artisan. At the time of our IPO, the partnership units held by employee-partners represented 53% of the ownership interests in our firm. At the time of this report, the partnership units held by employee-partners represented approximately 10% of the ownership interests in our firm.

Since our IPO, our equity incentives have been in the form of APAM restricted share-based awards. Initially, 100% of the restricted share-based awards were standard restricted shares vesting pro rata over five years from the date of grant. In 2014, as we continued to evolve our equity incentives, we introduced career shares, which are restricted share-based awards that, in general, remain subject to forfeiture until the recipient's qualifying retirement. For these purposes, a qualifying retirement generally requires that the employee have ten years or more of service at the date of retirement and offered one year's advance written notice (or eighteen months' notice in the case of employees who are portfolio managers or executive officers) of the intention to retire, subject to our right to accept a shorter period of notice. Career shares and standard restricted shares also vest upon a termination of employment due to death or disability and, for employees other than executive officers, upon a change in control. In addition, after the fifth anniversary of the grant date, if the Company terminates an employee without cause (as defined in the award agreement), career shares will fully vest. Prior to February 2019, the eighteen months' written notice requirement for career shares was three years, subject to the Company's discretion to waive the period to no less than one year.

In February 2019 we further evolved our equity incentives by introducing franchise shares for our investment professionals. Franchise shares are identical to career shares, except with respect to the Franchise Protection Clause, which applies to current or future portfolio managers. The Franchise Protection Clause provides that the total number of franchise shares ultimately vesting will be reduced to the extent that cumulative net client cash outflows from the portfolio manager's investment team during a 3-year measurement period beginning on the date of the portfolio manager's retirement notice exceeds a set threshold.

In general, since 2014, excluding sign-on or walk away awards, approximately 50% of the awards we have made to our senior employees have been career shares or franchise shares, and the other 50% standard restricted shares.

Unlike our pre-IPO profits interests, the APAM restricted share-based awards are "full value" awards (as opposed to "option-style" awards) and the standard restricted shares provide recipients with liquidity prior to the end of their careers. The percentage ownership in our firm represented by the newly granted restricted stock each year is less than the percentage ownership represented by the partnership units that employee-partners may exchange and sell each year. Therefore, the amount of our firm owned by employees, including our portfolio managers, is expected to continue to decline.

As we have since our founding, we continue to assess the effectiveness of our compensation arrangements and equity structures in aligning the long-term interests of our investment professionals, clients, investors, partners, and shareholders and whether different types of, or modified, awards or structures would enhance incentives for long-term growth and succession planning.

The implementation of new or modified compensation arrangements or equity structures could cause instability within our existing investment teams and/or impact our ability to attract and retain new investment talent. As with our historical and current compensation arrangements and equity structures, any future or modified arrangements or structures could materially impact our financial performance and financial results (or expectations about our future financial performance and financial results) and result in dilution to other shareholders.

Poor investment performance could lead to a loss of assets under management which could reduce our revenues and negatively impact our financial condition.

The performance of our investment strategies is critical in retaining existing client assets and in attracting new client assets. Poor performance may cause financial intermediaries, advisors and consultants to remove our investment products from recommended lists and may result in lower Morningstar and Lipper ratings and rankings. Our existing clients may decide to withdraw funds from, or refrain from allocating additional funds to, our investment strategies or to end their relationships with us entirely. In addition, our ability to attract new client assets could also be adversely affected. A decrease in the value of our assets under management as a result of poor performance would have an adverse impact on our revenues, as nearly all of the investment management fees we earn are based on a specified percentage of clients' average assets under management. Poor performance would also adversely affect the portion of our revenues attributed to performance-based fees.

Our investment strategies can perform poorly for a number of reasons, including general market conditions; investor sentiment about market and economic conditions; investment styles and philosophies; investment decisions; the performance of the companies in which our investment strategies invest and the currencies in which those investments are made; the liquidity of securities or instruments in which our investment strategies invest; and our inability to identify sufficient appropriate investment opportunities for existing and new client assets on a timely basis. In addition, while we seek to deliver long-term value to our clients, volatility may lead to under-performance in the near term, which could adversely affect our results of operations.

In contrast, when our strategies experience strong results relative to the market, clients' allocations to our strategies typically increase relative to their other investments and we sometimes experience withdrawals as our clients rebalance their investments to fit their asset allocation preferences despite our strong results.

While clients do not have legal recourse against us solely on the basis of poor investment results, if our investment strategies perform poorly, we are more likely to become subject to litigation brought by dissatisfied clients. In addition, to the extent clients are successful in claiming that their losses resulted from fraud, negligence, willful misconduct, breach of contract or similar misconduct, these clients may have remedies against us, the mutual funds and other funds we advise and/or our investment professionals under various U.S. and non-U.S. laws.

Difficult market conditions can adversely affect our business in many ways, including by reducing the value of our assets under management and causing clients to withdraw funds, each of which could materially reduce our revenues and impact our financial condition.

The fees we earn under our investment management agreements are typically based on the market value of our assets under management, and to a much lesser extent based directly on investment performance. Investors in the mutual funds we advise can redeem their investments in those funds at any time without prior notice and our clients may reduce the aggregate amount of assets under management with us with minimal or no notice for any reason, including financial market conditions and the absolute or relative investment performance we achieve for our clients. In addition, the prices of the securities held in the portfolios we manage may decline due to any number of factors beyond our control, including, among others, a declining market, general economic downturn, political uncertainty or acts of terrorism. In connection with the severe market dislocations of 2008 and 2009, for example, the value of our assets under management declined substantially due primarily to the sizable decline in stock prices worldwide. In the period from June 30, 2008 through March 31, 2009, our assets under management decreased by approximately 43%, primarily as a result of general market conditions. More recently, during the fourth quarter of 2018, our assets under management declined by 17.5% due to market conditions and \$4.9 billion of net client cash outflows.

The growth of our assets under management since 2009 has benefited from the prolonged bull market in equity securities around the world. That prolonged bull market may increase the likelihood of a severe or prolonged downturn in world-wide equity prices which would directly reduce the value of our assets under management and could also accelerate client redemptions or withdrawals. If any of these factors cause a decline in our assets under management, our investment management fees would decline as well. If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced.

Our efforts to establish and develop new teams and strategies may be unsuccessful, which could impact our results of operations, our reputation and culture.

We seek to recruit new investment teams that manage high value-added investment strategies and would allow us to grow strategically. We also look to offer new, differentiated strategies managed by our existing teams. We expect the costs associated with establishing a new team or strategy to initially exceed the revenues generated, which will likely negatively impact our results of operations. New strategies, whether managed by a new team or by an existing team may invest in instruments (such as certain types of derivatives) or present operational, legal, regulatory, or distribution-related issues and risks with which we have little or no experience. Our lack of experience could strain our resources and increase the likelihood of an error or failure. The establishment of new teams or strategies (in particular, alternative investment teams or strategies) may also cause us to depart from our traditional compensation and economic model, including the allocation of resources among investment teams, which could reduce our profitability and harm our firm's culture.

Historical returns of our existing investment strategies may not be indicative of the investment performance of any new strategy and new strategies may have higher performance expectations that are more difficult to meet. Poor performance of any new strategy could negatively impact our reputation and the reputation of our other investment strategies.

We generally support the development of new strategies by making one or more seed investments using capital that would otherwise be available for our general corporate purposes. Making such seed investments exposes us to capital losses.

Failure to properly address conflicts of interest could harm our reputation or cause clients to withdraw funds, each of which could adversely affect our business and results of operations.

The SEC and other regulators have increased their scrutiny of potential conflicts of interest. We have implemented procedures and controls that we believe are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputational damage, litigation or regulatory proceedings or penalties, any of which may adversely affect our results of operations.

As we expand the scope of our business and our client base, we must continue to monitor and address any conflicts between the interests of our stockholders and those of our clients. Our clients may withdraw funds if they perceive conflicts of interest between the investment decisions we make for strategies in which they have invested and our obligations to our stockholders. For example, we may limit the growth of assets in or close strategies when we believe it is in the best interest of our clients even though our assets under management and investment management fees may be negatively impacted in the short term. Similarly, we may establish new investment teams or strategies or expand operations into other geographic areas if we believe such actions are in the best interest of our clients, even though our profitability may be adversely affected in the short term. Although we believe such actions enable us to retain client assets and maintain our profitability, which benefits both our clients and

stockholders, if clients perceive a change in our investment or operations decisions in favor of a strategy to maximize short term results, they may withdraw funds, which could adversely affect our investment management fees.

Several of our investment strategies invest principally in the securities of non-U.S. companies, which involve foreign currency exchange, tax, political, social and economic uncertainties and risks.

As of December 31, 2019, approximately 52% of our assets under management were invested in strategies that primarily invest in securities of non-U.S. companies. Some of our other strategies also invest on a more limited basis in securities of non-U.S. companies. Approximately 45% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. Fluctuations in foreign currency exchange rates could negatively affect the returns of our clients who are invested in these strategies. In addition, an increase in the value of the U.S. dollar relative to non-U.S. currencies is likely to result in a decrease in the U.S. dollar value of our assets under management, which, in turn, would likely result in lower revenue and profits. See “Qualitative and Quantitative Disclosures Regarding Market Risk-Exchange Rate Risk” in Item 7A of this report for more information about exchange rate risk.

Investments in non-U.S. issuers may also be affected by tax positions taken in countries or regions in which we are invested as well as political, social and economic uncertainty. Declining tax revenues may cause governments to assert their ability to tax the local gains and/or income of foreign investors (including our clients), which could adversely affect clients’ interests in investing outside their home markets. Many financial markets are not as developed, or as efficient, as the U.S. financial markets, and, as a result, those markets may have limited liquidity and higher price volatility, and may lack established regulations. Liquidity may also be adversely affected by political or economic events, government policies, and social or civil unrest within a particular country, and our ability to dispose of an investment may also be adversely affected if we increase the size of our investments in smaller non-U.S. issuers. Non-U.S. legal and regulatory environments, including financial accounting standards and practices, may also be different, and there may be less publicly available information about such companies. These risks could adversely affect the performance of our strategies that are invested in securities of non-U.S. issuers and may be particularly acute in the emerging or less developed markets in which we invest. In addition to our Sustainable Emerging Markets and Developing World strategies, a number of our other investment strategies are permitted to invest, and do invest, in emerging or less developed markets.

We may not be able to maintain our current fee rates as a result of poor investment performance, competitive pressures, as a result of changes in our business mix or for other reasons, which could have a material adverse effect on our profit margins and results of operations.

We may not be able to maintain our current fee rates for any number of reasons, including as a result of poor investment performance, competitive pressures, changes in global markets and asset classes, or as a result of changes in our business mix. Although our investment management fees vary by client and investment strategy, we historically have been successful in maintaining an attractive overall rate of fee and profit margin due to the strength of our investment performance and our focus on high value-added investment strategies. In recent years, however, there has been a general trend toward lower fees in the investment management industry as a result of competition and regulatory and legal pressures. In order to maintain our fee structure in a competitive environment, we must retain the ability to decline additional assets to manage from potential clients who demand lower fees even though our revenues may be adversely affected in the short term. In addition, we must be able to continue to provide clients with investment returns and service that our clients believe justify our fees.

We may be forced to lower our fees in order to retain current, and attract additional, assets to manage. We may also make fee concessions in order to attract early investors in a new strategy or increase marketing momentum in a strategy. Downward pressure on fees may also result from the growth and evolution of the universe of potential investments in a market or asset class. Changes in how clients choose to access asset management services may also exert downward pressure on fees. Some investment consultants, for example, have implemented programs in which the consultant provides a range of services, including selection, in a fiduciary capacity, of asset managers to serve as sub-adviser at lower fee rates than the manager’s otherwise applicable rates, with the expectation of a larger amount of assets under management through that consultant. The expansion of those and similar programs could, over time, make it more difficult for us to maintain our fee rates. Over time, a larger part of our assets under management could be invested in our larger capacity, lower fee strategies, which could adversely affect our profitability. In addition, plan sponsors of 401(k) and other defined contribution assets that we manage may choose to invest plan assets in vehicles with lower cost structures than mutual funds (such as a collective investment trust, if one is available) or may choose to access our services through a separate account. We provide a lesser array of services to collective investment trusts and separate accounts than we provide to Artisan Funds and we receive fees at lower rates.

The investment management agreements pursuant to which we advise mutual funds are subject to an annual process of review and renewal by the funds’ boards. As part of that process, the fund board considers, among other things, the level of compensation that the fund has been paying us for our services. That process may result in the renegotiation of our fee structure or an increase in the cost of the performance of our obligations. Any fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

We derive substantially all of our revenues from contracts and relationships that may be terminated upon short or no notice.

We derive substantially all of our revenues from investment advisory and sub-advisory agreements, all of which are terminable by clients upon short notice or no notice. Our investment management agreements with mutual funds, as required by law, are generally terminable by the funds' boards or a vote of a majority of the funds' outstanding voting securities on not more than 60 days' written notice. After an initial term, each fund's investment management agreement must be approved and renewed annually by that fund's board, including by its independent members. In addition, all of our separate account clients and some of the mutual funds that we sub-advise have the ability to re-allocate all or any portion of the assets that we manage away from us at any time with little or no notice. The decrease in revenues that could result from the termination of a material client relationship or the re-allocation of assets away from us could have a material adverse effect on our business.

Investors in most of the pooled vehicles that we advise can redeem their investments in those funds at any time without prior notice, which could adversely affect our earnings.

Investors in the mutual funds, UCITS, and some other pooled investment vehicles that we advise may redeem their investments in those funds at any time without prior notice or on fairly limited prior notice, thereby reducing our assets under management. These investors may redeem for any number of reasons, including general financial market conditions, the absolute or relative investment performance we have achieved, or their own financial condition and requirements. In a declining stock market, the pace of redemptions could accelerate. Poor investment performance tends to result in decreased purchases and increased redemptions. For the year ended December 31, 2019, we generated approximately 80% of our revenues from advising mutual funds and other pooled vehicles (including Artisan Funds, Artisan Global Funds, Artisan Private Funds, and other entities we advise). The redemption of investments in those funds could adversely affect our revenues.

We depend on third parties to market our investment strategies.

Our ability to attract additional assets to manage is highly dependent on our access to third-party intermediaries. We gain access to investors primarily through consultants, 401(k) platforms, mutual fund platforms, broker-dealers and financial advisors through which shares of the funds are sold. We have relationships with some third-party intermediaries through which we access clients in multiple distribution channels. Our two largest relationships across multiple distribution channels represented approximately 9% and 7% of our total assets under management as of December 31, 2019.

We compensate most of the intermediaries through which we gain access to investors in Artisan Funds by paying fees, most of which are a percentage of assets invested in Artisan Funds through that intermediary and with respect to which that intermediary provides shareholder and administrative services. The allocation of such fees between us and Artisan Funds is determined by the board of Artisan Funds, based on information and a recommendation from us, with the goal of allocating to us, at a minimum, all costs attributable to marketing and distribution of shares of Artisan Funds.

In the future, our expenses in connection with those intermediary relationships could increase if the portion of those fees determined to be in connection with marketing and distribution, or otherwise allocated to us or payable by us, increased. In addition, as the fees described above have declined and consistent with the experience of other investment managers, we have seen increased requests from intermediaries for alternative forms of compensation. To date, such alternative forms of compensation have not been material, but they could be over time. In addition, clients of these intermediaries may not continue to be accessible to us on terms we consider commercially reasonable, or at all. The absence of such access could have a material adverse effect on our results of operations.

Recently, a number of intermediaries have significantly culled the number of products available on their platforms, making it increasingly challenging for smaller funds with shorter track records or highly differentiated strategies to gain platform access. If we are unable to gain access to investors through such platforms, our ability to attract new assets for our funds and strategies will be impaired.

We access institutional clients primarily through consultants upon whose referrals our institutional business is highly dependent. Many of these consultants review and evaluate our products and our firm from time to time. As of December 31, 2019, the investment consultant advising the largest portion of our assets under management represented approximately 8% of our total assets under management. Poor reviews or evaluations of either a particular strategy or us as an investment management firm may result in client withdrawals or may impair our ability to attract new assets through these consultants.

Substantially all of our existing assets under management are managed in primarily long-only, equity investment strategies, which exposes us to greater risk than certain of our competitors who may manage significant amounts of assets in more diverse strategies.

15 of our 17 existing investment strategies invest primarily in publicly-traded equity securities. Our Credit team, which primarily invests in fixed income securities, manages the High Income strategy and the Credit Opportunities strategy. Together, these strategies accounted for only \$3.8 billion of our \$121.0 billion in total assets under management as of December 31, 2019. Under market conditions in which there is a general decline in the value of equity securities, the assets under management in each of our 15 equity strategies is likely to decline. The amount of assets that we manage in strategies that can take short positions in equity securities, which could offset some of the poor performance of our long-only equity strategies under such market conditions, accounted for less than \$1.0 billion of our total assets under management as of December 31, 2019. Even if our investment performance remains strong during such market conditions relative to other long-only, equity strategies, investors may choose to

withdraw assets from our management or allocate a larger portion of their assets to non-long-only or non-equity strategies. In addition, the prices of equity securities may fluctuate more widely than the prices of other types of securities, making the level of our assets under management and related revenues more volatile.

Our failure to comply with investment guidelines set by our clients and limitations imposed by applicable law could result in damage awards against us and a loss of assets under management, either of which could adversely affect our results of operations or financial condition.

When clients retain us to manage assets on their behalf, they generally specify certain investment guidelines that we are required to follow in managing their portfolios. In addition, some of our clients are subject to laws that impose restrictions and limitations on the investment of their assets. For example, U.S. mutual fund assets that we manage must be invested in accordance with limitations under the 1940 Act and applicable provisions of the Internal Revenue Code of 1986, as amended. Our failure to comply with any of these guidelines and other limitations could result in losses to clients or investors in a fund which, depending on the circumstances, could result in our obligation to reimburse clients or fund investors for such losses. If we believed that the circumstances did not justify a reimbursement, or clients and investors believed the reimbursement we offered was insufficient, they could seek to recover damages from us or could withdraw assets from our management or terminate their investment management agreement with us. Any of these events could harm our reputation and adversely affect our business.

Operational risks may disrupt our business, result in losses or limit our growth.

We are heavily dependent on the capacity and reliability of the communications, information and technology systems supporting our operations, whether developed, owned and operated by us or by third parties. We also rely on manual workflows and a variety of manual user controls. Operational risks such as trading or other operational errors or interruption or failure of our financial, accounting, trading, compliance and other data processing systems, whether caused by human error, fire, other natural disaster or pandemic, power or telecommunications failure, cyber-attack or viruses, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially adversely affect our business. The potential for some types of operational risks, including trading errors, may be increased in periods of increased volatility, which can magnify the cost of an error. Although we have not suffered material operational errors, including material trading errors, in the past, we may experience such errors in the future, the losses related to which we would absorb. Insurance and other safeguards might not be available or might only partially reimburse us for our losses.

Although we have back-up systems in place, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate, and the fact that we operate our business out of multiple physical locations may make such failures and interruptions difficult to address on a timely and adequate basis. As our client base, number and complexity of investment strategies, client relationships and/or physical locations increase, and as our employees become increasingly mobile, developing and maintaining our operational systems and infrastructure may become increasingly challenging.

Any changes, upgrades or expansions to our operations and/or technology or implementation of new technology systems to replace manual workflows or to accommodate increased volumes or complexity of transactions or otherwise may require significant expenditures and may increase the probability that we will experience operational errors or suffer system degradations and failures.

We depend substantially on our Milwaukee, Wisconsin offices, where a majority of our employees, administration and technology resources are located, for the continued operation of our business. Any significant disruption to those offices could have a material adverse effect on us. We also depend on a number of key vendors for trading, middle- and back-office functions, various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure of any key vendor to fulfill its obligations could result in financial losses for us and/or our clients.

Our operational systems and networks are subject to evolving cybersecurity and other technological risks, which could result in the disclosure of confidential client information, loss of our proprietary information, business interruptions, damage to our reputation, additional costs to us, regulatory penalties and other adverse impacts.

We are heavily reliant upon internal and third party technology systems and networks to view, process, transmit and store information, including sensitive client and proprietary information, and to conduct many of our business activities and transactions with our clients, vendors/service providers (collectively, “vendors”) and other third parties. In addition, in recent years we have increased our use of and reliance on mobile and cloud technologies. Maintaining the integrity of these systems, networks and technologies is critical to the success of our business operations. We rely on our (and our vendors’) information and cybersecurity infrastructure, policies, procedures and capabilities to protect those systems, networks and technologies and the data that reside on or are transmitted through them.

We are subject to international, federal and state regulations, and in some cases contractual obligations, designed to protect sensitive client, employee, contractor and vendor information. In addition to the European Union's general data protection regulation, we may also be or become subject to or affected by new laws, regulations and guidance impacting consumer privacy, such as the recently enacted California Consumer Privacy Act effective January 2020, which provides for enhanced consumer protections for California residents and statutory fines for data security breaches or other CCPA violations. As the regulatory focus on privacy continues to intensify and laws and regulations concerning the protection of personal data expand, risks related to privacy and data collection within our business will increase and we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain.

To date, we have not experienced any known material breaches of or interference with our systems, networks or technologies; however, we routinely encounter and address such threats. Our experiences with and preparation for cybersecurity and other technology threats have included phishing scams, introductions of malware, attempts at electronic break-ins, and unauthorized payment requests. Any such breaches or interference that may occur in the future could have a material adverse impact on our business, financial condition or results of operations.

Despite the measures we have taken and may in the future take to address and mitigate cybersecurity and other technology risks, we cannot guarantee that our systems, networks and technologies, and those of third parties on whom we rely, will not be subject to breaches, unauthorized access, outages, or other interference. Any such event may result in operational disruptions as well as unauthorized access to or the disclosure, corruption or loss of our proprietary information or our clients' or employees' information, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, or the loss of clients or other damage to our business. In addition, any required public notification of such incidents could exacerbate the harm to our business, financial condition or results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we may incur significant expenses in connection with our responses to any such attacks and the adoption and maintenance of additional appropriate security measures. Although we maintain insurance to mitigate the expense associated with a potential incident, the damage or claims arising from an incident may not be covered or may exceed the amount of any insurance available. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our or our vendors' systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems we use.

Our newest investment strategies and strategies we may establish in the future present certain investment, operational, distribution and other risks that are different in kind and/or degree from those presented by our earlier investment strategies, and we have less experience with those risks.

The below-investment-grade instruments in which the High Income and Credit Opportunities strategies invest and the debtors to which the strategies are exposed present different risks and/or degrees of risk (including liquidity and legal risks) than our other strategies, which invest primarily in publicly-traded equity securities. In particular, the instruments in which the strategies invest may be less liquid than higher-rated bonds and are not as liquid as most of the publicly-traded equity securities in which our other strategies primarily invest. This potential lack of liquidity may make it more difficult for Artisan High Income Fund to accurately value these securities for purposes of determining the fund's net asset value per share and, under certain circumstances, may make it more difficult for the fund to manage redemption requests. In order to identify, monitor and mitigate our exposure to these new or increased risks, we implemented or modified a number of policies, procedures and systems and hired new individuals with relevant experience. However, neither the measures we have taken, nor the Credit team's investment decision-making and execution, can eliminate the risks associated with investing in the instruments described above. Any real or perceived problems with respect to our fixed income strategies (or any of our individual strategies) could negatively impact our reputation and business more generally.

During 2017 we established two strategies primarily offered through private funds. Prior to the launch of those strategies, external investors had not invested in our strategies through private funds. Offering private funds presents new and different operational, regulatory and distribution-related risks. Establishing our private funds required that we engage new service providers for purposes of administration, operation and advice, with whom we had not previously had a relationship or with whom we only had a limited relationship, and build out new operational infrastructure and systems to support new processes, reporting and controls. Our private funds may invest in instruments (such as derivative securities) and engage in activities (such as shorting and use of leverage) with which we previously had no or limited operational experience. These instruments and activities present different types and higher degrees of investment risk than our other investment strategies. In addition, our lack of experience with these instruments and activities could strain our resources and increase the likelihood of an error.

Offering private funds also poses risks associated with side by side management and the potential for real or perceived conflicts of interest, which, if not managed correctly, could cause reputational damage, litigation or regulatory proceedings or penalties. We have created or modified a number of policies and procedures, brought in expertise from third party advisors, and implemented training programs in order to identify and mitigate exposure to these new risks. However, we are unable to completely eliminate the risks associated with offering private funds.

Our newer investment strategies and investment vehicles and those that we establish in the future may have more limited capacity and provide less room for growth than our earlier large capacity investment strategies. Despite their limited capacity, these newer strategies, with broader degrees of freedom may require increased access to market data and resources, including bespoke operational solutions. Requests for resources that are disproportionate to the size of the investment team may put pressure on the resource allocation model among teams and cause friction and instability among the investment teams.

New investment strategies and investment vehicles that we establish in the future will likely present new and different investment, regulatory, operational, distribution and other risks than those presented by our existing strategies. Any real or perceived problems with future strategies or investment vehicles could cause a disproportionate negative impact on our business and reputation.

Employee misconduct, or perceived misconduct, could expose us to significant legal liability and/or reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our clients are of critical importance. Our employees or other third parties that are affiliated with us could engage in misconduct (such as fraud), or perceived misconduct, that adversely affects our business. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, client relationships and ability to attract new clients. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct or perceived misconduct by our employees, or even unsubstantiated allegations of such conduct, could result in significant legal liability and/or an adverse effect on our reputation and our business.

If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and mitigate our exposure to operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design or implementation, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or operating results. Additionally, we could be subject to litigation, particularly from our clients or investors, and sanctions or fines from regulators.

Our techniques for managing operational, legal and reputational risks may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate. Because our clients invest in our strategies in order to gain exposure to the portfolio securities of the respective strategies, we have not adopted corporate-level risk management policies to manage market, interest rate, or exchange rate risks that would affect the value of our overall assets under management.

Our indebtedness may expose us to material risks.

We have substantial indebtedness outstanding in the amount of \$200 million in unsecured notes, which exposes us to risks associated with the use of leverage. In addition, we maintain a \$100 million revolving credit agreement, though no amounts are outstanding as of the date of this filing. Our substantial indebtedness may make it more difficult for us to withstand or respond to adverse or changing business, regulatory and economic conditions or to take advantage of new business opportunities or make necessary capital expenditures. To the extent we service our debt from our cash flow, such cash will not be available for our operations or other purposes. Because our debt service obligations are fixed, the portion of our cash flow used to service those obligations could be substantial if our revenues have declined, whether because of market declines or for other reasons. Our Series C, Series D and Series E notes bear interest at a rate equal to 5.82%, 4.29%, and 4.53% per annum, respectively, and each rate is subject to a 100 basis point increase in the event Artisan Partners Holdings receives a below-investment grade rating. Each series requires a balloon payment at maturity. Any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations. Our ability to repay the principal amount of our notes or any outstanding loans under our revolving credit agreement, to refinance our debt or to obtain additional financing through debt or the sale of additional equity securities will depend on our performance, as well as financial, business and other general economic factors affecting the credit and equity markets generally or our business in particular, many of which are beyond our control. Any such alternatives may not be available to us on satisfactory terms or at all.

Our note purchase agreements and revolving credit agreement contain, and our future indebtedness may contain, various covenants that may limit our business activities.

Our note purchase agreements and revolving credit agreement contain financial and operating covenants that limit our business activities, including restrictions on our ability to incur additional indebtedness and pay dividends to our stockholders. The agreements also restrict Artisan Partners Holdings from making distributions to its partners (including us), other than tax distributions or distributions to fund our ordinary expenses, if a default (as defined in the respective agreements) has occurred and is continuing or would result from such a distribution. In addition, if our average assets under management for a fiscal quarter falls below \$45 billion, Artisan Partners Holdings will generally be required to offer to pre-pay the unsecured notes. The failure to comply with any of these restrictions could result in an event of default, giving our lenders the ability to accelerate repayment of our obligations. As of December 31, 2019, we believe we are in compliance with all of the covenants and other requirements set forth in the agreements.

We provide a range of services to Artisan Funds, Artisan Global Funds, Artisan Private Funds and sub-advised funds which may expose us to liability.

We provide a broad range of administrative services to Artisan Funds, including providing personnel to serve as directors and officers of Artisan Funds and to serve on the valuation and liquidity committee of Artisan Funds. We prepare or supervise the preparation of Artisan Funds' regulatory filings and financial statements, and manage compliance and regulatory matters. We provide shareholder services, accounting services including the supervision of the activities of Artisan Funds' accounting services provider in the calculation of the funds' net asset values, and tax services including calculation of dividend and distribution amounts. We also coordinate the audits of financial statements and supervise tax return preparation. Although less extensive than the range of services we provide to Artisan Funds, we also provide a range of similar services to Artisan Global Funds and Artisan Private Funds, including providing personnel to serve as directors. In addition, from time to time we provide information to other funds we advise (or to a person or entity providing administrative services to such a fund) which may be used by those funds in their efforts to comply with various regulatory requirements.

The services we provide to Artisan Funds, Artisan Global Funds, Artisan Private Funds, and other funds we advise may expose us to liability. For example, if we make a mistake in the provision of such services, a fund could incur costs for which we might be liable. If it were determined that a fund failed to comply with applicable regulatory requirements as a result of our action or our employees' failure to act, we could be responsible for losses suffered or penalties imposed. In addition, we could have penalties imposed on us, be required to pay fines or be subject to private litigation, any of which could decrease our future income or negatively affect our current business or our future growth prospects.

The expansion of our business inside and outside of the United States raises tax and regulatory risks, may adversely affect our profit margins and places additional demands on our resources and employees.

We have expanded and continue to expand our distribution efforts into non-U.S. markets, including the United Kingdom, other European countries, Canada, Australia and certain Middle Eastern, Asian, and African countries. Our client relationships outside the United States have grown from 32 as of December 31, 2012 to 161 as of December 31, 2019. Clients outside the United States may be adversely affected by political, social and economic uncertainty in their respective home countries and regions, which could result in a decrease in the net client cash flows that come from such clients. These clients also may be accustomed to certain practices that differ from and may conflict with practices that are customary in the United States. For example, non-U.S. clients may be less accepting of the U.S. practice of payment for certain research products and services through soft dollars or such practices may not be permissible in some jurisdictions. The Markets in Financial Instruments Directive II, effective on January 3, 2018, regulates the use of soft dollars to pay for research and other soft dollar services. MiFID II's soft dollar rules do not directly apply to our business because we currently conduct our investment management activities in the United States. However, in response to MiFID II and the industry-wide changes prompted by it, we have experienced increasing requests from clients to bear research expenses that are currently paid for using soft dollars. In response to such requests or as a result of changes in our operations, we may eventually bear a significant portion or all of the costs of research that are currently paid for using soft dollars, which would increase our operating expenses materially.

Operating our business in non-U.S. markets is generally more expensive than in the United States. Among other expenses, the effective tax rates applicable to our income allocated to some non-U.S. markets may be higher than the effective rates applicable to our income allocated to the United States. In addition, costs related to our distribution and marketing efforts in non-U.S. markets have often been more expensive than comparable costs in the United States. To the extent that our revenues do not increase to the same degree our expenses increase in connection with our continuing expansion outside the United States, our profitability could be adversely affected. Expanding our business into non-U.S. markets may also place significant demands on our existing infrastructure and employees.

The U.K.'s exit from the European Union could affect our future operations in the U.K. and in the other countries of the European Union. Negotiations between the U.K. and the European Union are ongoing and, as a result, the terms of the separation remain unclear. We have established an Irish subsidiary, regulated by the Central Bank of Ireland, which we expect will distribute our funds and services in the European Union following Brexit. Brexit has added complexity and costs to our global operations and imposed additional risks. Moreover, it has led to regulatory changes and uncertainty and resulted in additional legal and compliance costs. However, we do not currently expect Brexit to have a major impact on our business.

Our U.S.-based employees routinely travel inside and outside the United States as a part of our investment research process, to market our services and to supervise and manage our business and may spend time in one or more states or non-U.S. jurisdictions. Their activities in such states or non-U.S. jurisdictions on our behalf may raise both tax and regulatory issues. If and to the extent we are incorrect in our analysis of the applicability or impact of state or non-U.S. taxes or regulatory requirements, we could incur costs, penalties or be the subject of an enforcement or other action.

Changes in tax laws or exposure to additional tax liabilities could have a material impact on our financial condition, results of operations and liquidity.

We are subject to taxes in both the United States and various foreign jurisdictions. We cannot predict future changes in the tax regulations to which we are subject. Any such changes could have a material impact on our tax liability or result in increased costs associated with our tax compliance efforts.

From time to time, we are subject to tax audits in the jurisdictions in which we operate. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and regulations in a number of jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes and, in certain cases, interest, fines or penalties. We evaluate whether to record tax liabilities for possible tax audit issues based on our estimate of whether, and the extent to which, additional income taxes will be due. We adjust these liabilities in light of changing facts and circumstances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our estimates.

A change of control could result in termination of our investment advisory agreements with SEC-registered mutual funds and could trigger consent requirements in our other investment advisory agreements.

Under the U.S. Investment Company Act of 1940, as amended, or the 1940 Act, each of the investment advisory agreements between SEC-registered mutual funds and our subsidiary, Artisan Partners Limited Partnership, will terminate automatically in the event of its assignment, as defined in the 1940 Act. Upon the occurrence of such an assignment, our subsidiary could continue to act as adviser to any such fund only if that fund's board and shareholders approved a new investment advisory agreement, except in the case of certain funds that we sub-advise for which only board approval would be necessary. In addition, as required by the U.S. Investment Advisers Act of 1940, as amended, or the Advisers Act, each of the investment advisory agreements for the separate accounts we manage provides that it may not be assigned, as defined in the Advisers Act, without the consent of the client. An assignment occurs under the 1940 Act and the Advisers Act if, among other things, Artisan Partners Limited Partnership undergoes a change of control as recognized under the 1940 Act and the Advisers Act. If such an assignment were to occur, we cannot be certain that we will be able to obtain the necessary approvals from the boards and shareholders of the mutual funds we advise or the necessary consents from our separate account clients.

Risks Related to our Industry

We are subject to extensive, complex and sometimes overlapping rules, regulations and legal interpretations.

We are subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the 1940 Act and the Advisers Act, by the U.S. Department of Labor under ERISA, and by the Financial Industry Regulatory Authority. The U.S. mutual funds we manage are registered with and regulated by the SEC as investment companies under the 1940 Act. The Advisers Act imposes numerous obligations on investment advisers including record keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities. The 1940 Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies, which must be adhered to by their investment advisers.

We have expanded and continue to expand our distribution effort into non-U.S. markets, including the United Kingdom, other European countries, Canada, Australia and certain Middle Eastern, African and Asian countries, among others. One of our subsidiaries, Artisan Partners UK LLP, is authorized and regulated by the U.K. Financial Conduct Authority, which is responsible for the conduct of business and supervision of financial firms in the United Kingdom. The FCA imposes a comprehensive system of regulation that is primarily principles-based (compared to the primarily rules-based U.S. regulatory system). Due to our business activities in Ireland, including as an investment manager of Artisan Global Funds, we are subject to regulation by the Central Bank of Ireland which imposes requirements on Ireland-based UCITS funds and investment firms. Our Swedish branch office is also regulated by the Central Bank of Ireland as well as the Swedish financial supervisory authority. We are also subject to the requirements of the Australian Securities and Investments Commission, where we operate pursuant to an order of exemption. Certain Artisan Private Funds are regulated as mutual funds under the Mutual Funds Law (as amended) of the Cayman Islands, and the Cayman Islands Monetary Authority has supervisory and enforcement powers to ensure the funds' compliance with the Mutual Funds Law.

Our business is also subject to the rules and regulations of countries in which we conduct distribution, marketing and investment management activities. Failure to comply with applicable laws and regulations (including private placement regimes) in the foreign countries where we invest and/or where our clients or prospective clients reside could result in a wide range of penalties and disciplinary actions, including fines, suspensions of personnel, revocations of authorizations, or other sanctions. The requirements imposed by these regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities.

In the future, we may further expand our business outside of the United States in such a way that we may be required to register with additional foreign regulatory agencies or otherwise comply with additional non-U.S. laws and regulations that do not currently apply to us and with respect to which we do not have compliance experience. Our lack of experience in complying with any such non-U.S. laws and regulations may increase our risk of becoming party to litigation and/or subject to regulatory actions.

As a result of the extensive and complex regulatory environment in which we operate, we face risk of regulatory actions and litigation, which could consume substantial expenditures of time and capital. While we have focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the U.S. or abroad could result in sanctions against us, which could adversely affect our reputation and business.

The regulatory environment in which we operate is subject to continual change, and regulatory developments may adversely affect our business.

We operate in a legislative and regulatory environment that is subject to continual change, the nature of which we cannot predict. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations, as well as by courts. It is impossible to determine the extent of the impact of any new U.S. or non-U.S. laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations, or changes in the interpretation or enforcement of existing laws or regulations, could be more difficult and expensive and affect the manner in which we conduct business.

The investment management industry is intensely competitive.

The investment management industry is intensely competitive, with competition based on a variety of factors, including investment performance, investment management fee rates, continuity of investment professionals and client relationships, the quality of client service, corporate positioning and business reputation, continuity of selling arrangements with intermediaries and differentiated products. A number of factors, including the following, serve to increase our competitive risks:

- Unlike some of our competitors, we do not currently offer passive investment strategies or “solutions” products like target-date funds.
- A number of our competitors have greater financial, technical, marketing and other resources, more comprehensive name recognition and more personnel than we do.
- Potential competitors have a relatively low cost of entering the investment management industry.
- Some investors may prefer to invest with an investment manager that is not publicly traded based on the perception that a publicly-traded asset manager may focus on the manager’s own growth to the detriment of investment performance.
- Other industry participants may seek to recruit our investment professionals.
- Many competitors charge lower fees for their investment management services than we do.

For example, the trend in favor of low-fee passive products such as index and certain exchange-traded funds will favor those of our competitors who provide passive investment strategies. In recent years, across the investment management industry, passive products have experienced inflows and traditional actively managed products have experienced outflows, in each case, in the aggregate. That trend has presented, and will continue to present, a headwind to our business. Separately, intermediaries through which we distribute our mutual funds may also sell their own proprietary funds and investment products, which could limit the distribution of our investment strategies. If we are unable to compete effectively, our earnings would be reduced and our business could be materially adversely affected.

The investment management industry faces substantial litigation risks which could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

We depend to a large extent on our network of relationships and on our reputation in order to attract and retain client assets. If a client is not satisfied with our services, its dissatisfaction may be more damaging to our business than client dissatisfaction would be to other types of businesses. We make investment decisions on behalf of our clients that could result in substantial losses to them. If our clients suffer significant losses, or are otherwise dissatisfied with our services, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, breach of contract, unjust enrichment and/or fraud. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time, even after an action has been commenced.

We may incur significant legal expenses in defending against litigation whether or not we engaged in conduct as a result of which we might be subject to legal liability. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

Risks Related to Our Structure

Control by our stockholders committee of approximately 17% of the combined voting power of our capital stock and the rights of holders of limited partnership units of Artisan Partners Holdings may give rise to conflicts of interest.

As of February 14, 2020, our employees to whom we have granted equity (including our employee-partners) held approximately 17% of the combined voting power of our capital stock and have entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future to a stockholders committee. Any additional shares of our common stock that we issue to our employees will be subject to the stockholders agreement so long as the agreement has not been terminated. Shares held by an employee cease to be subject to the stockholders agreement upon termination of employment.

The stockholders committee currently consists of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). All shares subject to the stockholders agreement are voted in accordance with the majority decision of those three members. The stockholders committee's control of approximately 17% of the combined voting power gives the committee considerable influence in determining the outcome of any shareholder vote, including the election of directors and the approval of transactions.

Our employee-partners (through their ownership of Class B common units), AIC (through its ownership of Class D common units) and the holders of Class A common units have the right, each voting as a single and separate class, to approve or disapprove certain transactions and matters, including material corporate transactions, such as a merger, consolidation, dissolution or sale of greater than 25% of the fair market value of Artisan Partners Holdings' assets. These voting and class approval rights may enable our employee-partners, AIC or the holders of Class A common units to prevent the consummation of transactions that may be in the best interests of holders of our Class A common stock.

In addition, because the majority of our pre-IPO owners (including members of our board of directors) hold all or a portion of their ownership interests in our business through Artisan Partners Holdings, rather than through Artisan Partners Asset Management, these pre-IPO owners may have conflicting interests with holders of our Class A common stock. For example, our pre-IPO owners may have different tax positions from us which could influence their decisions regarding whether and when we should dispose of assets, whether and when we should incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreements, and whether and when Artisan Partners Asset Management should terminate the tax receivable agreements and accelerate its obligations thereunder. In addition, the structuring of future transactions may take into consideration these pre-IPO owners' tax or other considerations even where no similar benefit would accrue to us.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our structure and applicable provisions of Delaware law.

We intend to pay dividends to holders of our Class A common stock as described in "Dividend Policy". Our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, as a holding company, we are dependent upon the ability of our subsidiaries to generate earnings and cash flows and distribute them to us so that we may pay dividends to our stockholders. We expect to cause Artisan Partners Holdings, which is a Delaware limited partnership, to make distributions to its partners, including us, in an amount sufficient for us to pay dividends. However, its ability to make such distributions will be subject to its and its subsidiaries' operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution to its partners, its compliance with covenants and financial ratios related to existing or future indebtedness, including under our notes and our revolving credit agreement, its other agreements with third parties, as well as its obligation to make tax distributions under its partnership agreement (which distributions would reduce the cash available for distributions by Artisan Partners Holdings to us).

In addition, each of the companies in our corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our Class A common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our Class A common stock.

Our ability to pay taxes and expenses, including payments under the tax receivable agreements, may be limited by our holding company structure.

As a holding company, our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash and we have no independent means of generating revenue. Artisan Partners Holdings is a partnership for U.S. federal income tax purposes and, as such, is not subject to U.S. federal income tax. Instead, Artisan Partners Holdings' taxable income is allocated to holders of its partnership units, including us. Accordingly, we incur income taxes on our proportionate share of Artisan Partners Holdings' taxable income and also may incur expenses related to our operations. Under the terms of its amended and restated limited partnership agreement, Artisan Partners Holdings is obligated to make tax distributions to holders of its partnership units, including us. In addition to tax expenses, we are also required to make payments under the tax receivable agreements, which will be significant, and we incur other expenses related to the tax receivable agreements and our operations. We intend to fund the payment of amounts due under the TRAs out of the reduced tax payments that APAM realizes in respect of the tax attributes to which the TRAs relate. We also intend to cause Artisan Partners Holdings to make distributions in an amount sufficient to allow us to pay our taxes and pay any additional operating expenses. However, its ability to make such distributions will be subject to various limitations and restrictions as set forth in the preceding risk factor. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds and thus our liquidity and financial condition could be materially adversely affected. To the extent that we are unable to make payments when due under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 300 basis points until paid.

We will be required to pay the tax receivable agreement beneficiaries for certain tax benefits we claim, and we expect that the payments we will be required to make will be substantial.

We are party to two tax receivable agreements. The first tax receivable agreement generally provides for the payment by APAM to the assignees of the Pre-H&F Corp Merger Shareholder of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) the tax attributes of the preferred units APAM acquired in the merger of a wholly-owned subsidiary of the Pre-H&F Corp Merger Shareholder into APAM in March 2013, (ii) net operating losses available as a result of the merger, and (iii) tax benefits related to imputed interest.

The second tax receivable agreement generally provides for the payment by APAM to current or former limited partners of Artisan Partners Holdings or their assignees of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of their partnership units sold to us or exchanged (for shares of Class A common stock, convertible preferred stock or other consideration) and that are created as a result of such sales or exchanges and payments under the TRAs and (ii) tax benefits related to imputed interest.

The payment obligation under the tax receivable agreements is an obligation of APAM, not Artisan Partners Holdings, and we expect that the payments we will be required to make under the tax receivable agreements will be substantial. Assuming no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with (i) the merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2019; and (iii) projected future purchases or exchanges of partnership units would aggregate to approximately \$646 million over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of \$32.32 per share of our Class A common stock, the closing price of our Class A common stock on December 31, 2019. Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately \$577 million, over generally a minimum of 15 years. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock at the time of purchase or exchange and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit. As of December 31, 2019, we recorded a \$375.3 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expected to realize from the H&F Corp merger described above, our purchase of partnership units from limited partners of Holdings and the exchange of partnership units from March 2013 through December 31, 2019, assuming no material changes in the related tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the tax receivable agreements.

The liability will increase upon future purchases or exchanges of limited partnership units with the increase representing amounts payable under the tax receivable agreements equal to 85% of the estimated future tax benefits, if any, resulting from such purchases or exchanges. Payments under the tax receivable agreements are not conditioned on the counterparties' continued ownership of us. The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the tax receivable agreements constituting imputed interest or depreciable basis or amortizable basis. Payments under the tax receivable agreements are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest, depending on the tax receivable agreement and the circumstances. Any such benefits are covered by the tax receivable agreements and will increase the amounts due thereunder. In addition, the tax receivable agreements provide for interest, at a rate equal to one-year LIBOR plus 100 basis points, accrued from the due date (without extensions) of the corresponding APAM tax return to the actual payment date, provided that the actual payment date is on or before the payment due date, as specified in the tax receivable agreements. In addition, to the extent that we are unable to make payments when due under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 300 basis points until paid.

Payments under the tax receivable agreements will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the IRS or other taxing authority to challenge a tax basis increase or other tax attributes subject to the tax receivable agreements, we will not be reimbursed for any payments previously made under the tax receivable agreements if such basis increases or other benefits are subsequently disallowed (however, any such additional payments may be netted against future payments (if any) that are made under the tax receivable agreements). As a result, in certain circumstances, payments could be made under the tax receivable agreements in excess of the benefits that we actually realize in respect of the attributes to which the tax receivable agreements relate.

In certain cases, payments under the tax receivable agreements may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreements.

The tax receivable agreements provide that (i) upon certain mergers, asset sales, other forms of business combinations or other changes of control, (ii) in the event that we materially breach any of our material obligations under the agreements, whether as a result of failure to make any payment within six months of when due (provided we have sufficient funds to make such payment), failure to honor any other material obligation required thereunder or by operation of law as a result of the rejection of the agreements in a bankruptcy or otherwise, or (iii) if, at any time, we elect an early termination of the agreements, our (or our successor's) obligations under the agreements (with respect to all units, whether or not units have been exchanged or acquired before or after such transaction) would be based on certain assumptions. In the case of a material breach or if we elect early termination, those assumptions include that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreements. In the case of a change of control, the assumptions include that in each taxable year ending on or after the closing date of the change of control, our taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) will equal the greater of (i) the actual taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) for the taxable year and (ii) the highest taxable income (calculated without taking into account extraordinary items of income or deduction and prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) in any of the four fiscal quarters ended prior to the closing date of the change of control, annualized and increased by 10% for each taxable year beginning with the second taxable year following the closing date of the change of control. In the event we elect to terminate the agreements early or we materially breach a material obligation, our obligations under the agreements will accelerate. As a result, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual benefits we realize in respect of the tax attributes subject to the agreements and (ii) if we materially breach a material obligation under the agreements or if we elect to terminate the agreements early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits, which payment may be made significantly in advance of the actual realization of such future benefits. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements. If we were to elect to terminate the tax receivable agreements associated with (i) the merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2019; and (iii) projected future purchases or exchanges of partnership units, as of December 31, 2019, based on an assumed discount rate equal to one-year LIBOR plus 100 basis points and a price of \$32.32 per share of our Class A common stock, the closing price of our Class A common stock on December 31, 2019, we estimate that we would be required to pay approximately \$472 million in the aggregate under the tax receivable agreements.

If we were deemed an investment company under the 1940 Act as a result of our ownership of Artisan Partners Holdings, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and, absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company", as such term is defined in either of those sections of the 1940 Act.

As the sole general partner of Artisan Partners Holdings, we control and operate Artisan Partners Holdings. On that basis, we believe that our interest in Artisan Partners Holdings is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of Artisan Partners Holdings, our interest in Artisan Partners Holdings could be deemed an "investment security" for purposes of the 1940 Act.

We and Artisan Partners Holdings intend to continue to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Risks Related to Our Class A Common Stock

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, investors may be unable to sell shares of Class A common stock at or above their purchase price, if at all. The market price of our Class A common stock may fluctuate or decline significantly in the future.

Future sales of our Class A common stock in the public market could lower our stock price, and any future sale of equity or convertible securities may dilute existing stockholders' ownership in us.

The market price of our Class A common stock could decline as a result of future sales of a large number of shares of our Class A common stock, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

We are party to a resale and registration rights agreement pursuant to which the shares of our Class A common stock issued upon exchange of limited partnership units are eligible for resale. Such shares of Class A common stock may be transferred only in accordance with the terms and conditions of the resale and registration rights agreement. The common units of Artisan Partners Holdings discussed below are exchangeable for shares of our Class A common stock on a one-for-one basis.

There is no limit on the number of shares of our Class A common stock that our Class A limited partners or AIC are permitted to sell. As of December 31, 2019, our Class A limited partners owned approximately 7.0 million Class A common units and AIC owned approximately 3.5 million Class D common units.

For an employee-partner, in each one-year period, the first of which began in the first quarter of 2014, the partner is generally permitted to sell up to (i) a number of vested shares of our Class A common stock representing 15% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units he or she held as of the first day of that period or, (ii) if greater, shares of our Class A common stock having a market value as of the time of sale of approximately \$250,000, as well as, in either case, the number of shares such holder could have sold in any previous period or periods but did not sell in such period or periods. In February 2018, our Board approved the sale of additional shares by certain employee-partners. In 2019, these employee-partners were permitted to sell 20% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units each held as of February 1, 2018. We expect to permit them to sell the same number of shares during the first quarter of 2020, 2021, 2022 and 2023, subject to their maintaining a minimum dollar amount of firm equity. As of December 31, 2019, our employee-partners owned 7.8 million Class B common units. Approximately 3.8 million of those units are eligible for exchange and sale in the first quarter of 2020. An additional 3.0 million units are eligible for exchange and sale by retired employee-partners in the first quarter of 2020. As of the date of this filing, we expect approximately 1.6 million units to be exchanged on February 27, 2020. We may waive or modify these restrictions.

We may also purchase limited partnerships units of Holdings at any time and may issue and sell additional shares of our Class A common stock to fund such purchases. We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock may have on the market price of our Class A common stock. Sales or distributions of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our Class A common stock to decline.

In addition, we have filed a registration statement registering 15,000,000 shares of our Class A common stock for issuance pursuant to our 2013 Omnibus Incentive Compensation Plan and 2013 Non-Employee Director Plan. Including the grant in the first quarter of 2020, we have awarded 9,531,616 restricted stock units, performance share units or restricted shares of Class A common stock to our employees and employees of our subsidiaries. 5,961,118 of these awards vest pro rata over the five years from the date of issuance and may be sold upon vesting. 30,000 of these awards are performance share units, which vest three years from the date of issuance and may be sold upon vesting. 3,540,498 of these awards are career awards or franchise awards, which generally will only vest upon the grantee's qualifying retirement. We may increase the number of shares registered for this purpose from time to time. Once these shares have been issued and have vested, they will be able to be sold in the public market.

Anti-takeover provisions in our restated certificate of incorporation and amended and restated bylaws and in the Delaware General Corporation Law, as well as the terms of our equity awards, could discourage a change of control that our stockholders may favor, which could negatively affect the market price of our Class A common stock.

Provisions in our restated certificate of incorporation, amended and restated bylaws and in the Delaware General Corporation Law, as well as the terms of our equity awards, may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. Those provisions include:

- The right of the various classes of our capital stock to vote, as separate classes, on certain amendments to our restated certificate of incorporation and certain fundamental transactions.
- The ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, which could be used to thwart a takeover attempt.
- Advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.
- A limitation that, generally, stockholder action may only be taken at an annual or special meeting or by unanimous written consent.
- A requirement that a special meeting of stockholders may be called only by our board of directors or our Chairman and Chief Executive Officer, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors.
- The ability of our board of directors to adopt, amend and repeal our amended and restated bylaws by majority vote, while such action by stockholders would require a super majority vote, which makes it more difficult for stockholders to change certain provisions described above.
- Except with respect to awards held by our named executive officers, single trigger vesting upon a change in control for all unvested employee equity awards, including all unvested equity awards held by investment team members. Prior to February 2019, our awards generally included double-trigger vesting upon a change in control.

The market price of our Class A common stock could be adversely affected to the extent that the above discourage potential takeover attempts that our stockholders may favor.

Our restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our restated certificate of incorporation or our amended and restated bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents. Alternatively, if a court were to find this provision of our restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Our indemnification obligations may pose substantial risks to our financial condition.

Pursuant to our restated certificate of incorporation, we will indemnify our directors and officers to the fullest extent permitted by Delaware law against all liability and expense incurred by them in their capacities as directors or officers of us. We also are obligated to pay their expenses in connection with the defense of claims. Our bylaws provide for similar indemnification of, and advancement of expenses to, our directors, officers, employees and agents and members of our stockholders committee. We have also entered into indemnification agreements with each of our directors and executive officers and each member of our stockholders committee, pursuant to which we will indemnify them to the fullest extent permitted by Delaware law in connection with their service in such capacities. Artisan Partners Holdings will indemnify and advance expenses to AIC, as its former general partner, the former members of its pre-IPO Advisory Committee, the members of our stockholders committee, our directors and officers and its officers and employees against any liability and expenses incurred by them and arising as a result of the capacities in which they serve or served Artisan Partners Holdings.

We have obtained liability insurance insuring our directors, officers and members of our stockholders committee against liability for acts or omissions in their capacities as directors, officers or committee members subject to certain exclusions. These indemnification obligations may pose substantial risks to our financial condition, as we may not be able to maintain our insurance or, even if we are able to maintain our insurance, claims in excess of our insurance coverage could be material. In addition, these indemnification obligations and other provisions of our restated certificate of incorporation, and the amended and restated partnership agreement of Artisan Partners Holdings, may have the effect of reducing the likelihood of derivative litigation against indemnified persons, and may discourage or deter stockholders or management from bringing a lawsuit against such persons, even though such an action, if successful, might otherwise have benefited us and our stockholders.

Our restated certificate of incorporation provides that certain of our investors do not have an obligation to offer us business opportunities.

Our restated certificate of incorporation provides that, to the fullest extent permitted by applicable law, certain of our investors and their respective affiliates (including affiliates who serve on our board of directors) have no obligation to offer us an opportunity to participate in the business opportunities presented to them, even if the opportunity is one that we might reasonably have pursued (and therefore they may be free to compete with us in the same business or similar business). Furthermore, we renounce and waive and agree not to assert any claim for breach of any fiduciary or other duty relating to any such opportunity against those investors and their affiliates by reason of any such activities unless, in the case of any person who is our director or officer, such opportunity is expressly offered to such director or officer in writing solely in his or her capacity as an officer or director of us. This may create actual and potential conflicts of interest between us and certain of our investors and their affiliates (including certain of our directors).

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

We lease all of our office space, including our largest office in Milwaukee, Wisconsin, where a majority of our employees are based. We believe our existing and contracted-for facilities are adequate to meet our requirements.

Item 3. Legal Proceedings

In the normal course of business, we may be subject to various legal and administrative proceedings. Currently, there are no legal or administrative proceedings that management believes may have a material adverse effect on our consolidated financial position, cash flows or results of operations.

Item 4. Mine Safety Disclosures

Not applicable

Information about our Executive Officers

Information regarding our executive officers is as follows:

Eric R. Colson, age 50, has been President, Chief Executive Officer and a director of Artisan Partners Asset Management since March 2011 and has served as Chairman of the Company's board of directors since August 1, 2015. He has also been a director of Artisan Partners Funds, Inc. since November 2013. Mr. Colson has served as the Chief Executive Officer of Artisan Partners since January 2010. Before serving as Artisan Partners' Chief Executive Officer, Mr. Colson served as Chief Operating Officer of Investment Operations from March 2007 through January 2010. Mr. Colson has been a managing director of Artisan Partners since he joined the firm in January 2005.

Charles J. Daley, Jr., age 57, has been Executive Vice President, Chief Financial Officer and Treasurer of Artisan Partners Asset Management since March 2011. He has served as the Chief Financial Officer of Artisan Partners since August 2010 and has been a managing director since July 2010 when he joined the firm.

Jason A. Gottlieb, age 50, has been Executive Vice President of Artisan Partners Asset Management since February 2017. Mr. Gottlieb joined Artisan Partners in October 2016 as a managing director and the Chief Operating Officer of Investments. Prior to joining the firm in October 2016, Mr. Gottlieb was a partner and managing director at Goldman Sachs where, since 2005, he was a leader in Goldman Sachs' Alternative Investment & Manager Selection Group. He also served as a portfolio manager on the Goldman Sachs Multi-Manager Alternatives Fund from the fund's inception in April 2013 until he left the firm in August 2016.

James S. Hamman, Jr., age 50, has been Executive Vice President of Artisan Partners Asset Management since February 2016 and has been a managing director of Artisan Partners since April 2014. Mr. Hamman currently has responsibility for leading the firm's corporate development efforts. Mr. Hamman's prior roles with the firm include head of global distribution, head of human capital, head of corporate development, and associate counsel. Mr. Hamman also served as a director of Artisan Partners Global Funds from June 2010 to January 2018. Mr. Hamman joined Artisan Partners in March 2010.

Sarah A. Johnson, age 48, has been Executive Vice President, Chief Legal Officer and Secretary of Artisan Partners Asset Management and General Counsel of Artisan Partners since October 2013. From April 2013 to October 2013 she served as Assistant Secretary of Artisan Partners Asset Management. She has been the General Counsel of Artisan Partners Funds, Inc. since February 2011. Ms. Johnson was named a managing director of Artisan Partners in March 2010.

Christopher J. Krein, age 48, has been Executive Vice President of Artisan Partners Asset Management and Artisan Partners' Head of Global Distribution since January 2020. Prior to becoming Head of Global Distribution, Mr. Krein was responsible for institutional marketing and client service for the Artisan Developing World team. Mr. Krein has been a managing director of Artisan Partners since he joined the firm in September 2015. Prior to joining the firm, Mr. Krein was head of institutional distribution at WisdomTree Asset Management.

Gregory K. Ramirez, age 49, was appointed Executive Vice President of Artisan Partners Asset Management in February 2016. From October 2013 to February 2016 he served as Senior Vice President and from April 2013 to October 2013 as Assistant Treasurer. Mr. Ramirez currently has responsibility for overseeing vehicle administration and facilities and serves as chair of the Artisan Risk and Integrity Committee. He has served as a director of Artisan Partners Funds, Inc. since January 2020 and prior to that served as the Chief Financial Officer, Vice President and Treasurer of the funds since February 2011. In addition, he has served as a director of Artisan Partners Global Funds since June 2010 and of certain private funds sponsored by Artisan Partners since 2017. Mr. Ramirez was named a managing director of Artisan Partners in April 2003.

PART II

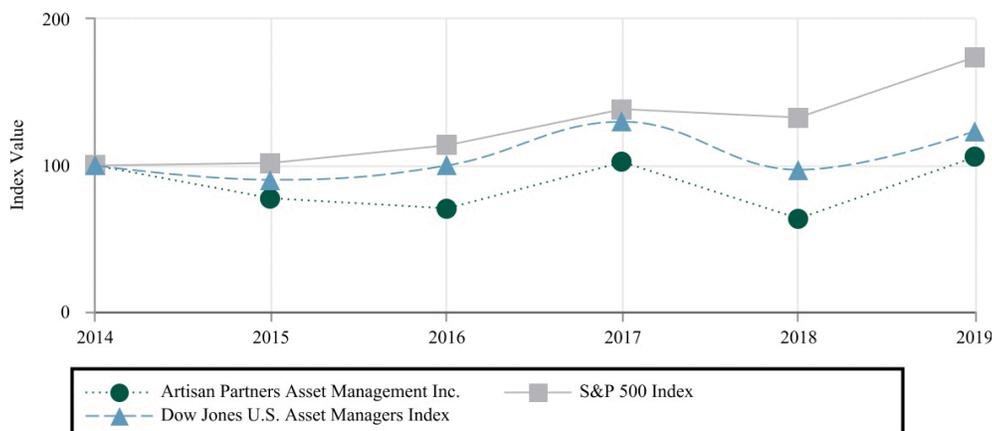
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Shares of our Class A common stock have been listed and traded on the NYSE under the symbol “APAM” since March 7, 2013. As of February 14, 2020, there were approximately 106 stockholders of record of our Class A common stock, 33 stockholders of record of our Class B common stock, and 33 stockholders of record of our Class C common stock. These figures do not reflect beneficial ownership or shares held in nominee name, nor do they include holders of any restricted stock units. There is no trading market for shares of our Class B common stock or Class C common stock.

Performance Graph

The following graph compares the year-end cumulative total stockholder return on our Class A common stock during the five-year period ended December 31, 2019, with the year-end cumulative total return of the S&P 500® and the Dow Jones U.S. Asset Managers Index. The graph assumes the investment of \$100 in our common stock and in the market indices and the reinvestment of all dividends.

Stock Performance Graph



For the years ended December 31,

	2015	2016	2017	2018	2019
Artisan Partners Asset Management Inc.	\$ 77.02	\$ 70.50	\$ 102.27	\$ 63.28	\$ 105.38
S&P 500 Index	\$ 101.38	\$ 113.51	\$ 138.29	\$ 132.23	\$ 173.86
Dow Jones U.S. Asset Managers Index	\$ 89.82	\$ 99.90	\$ 129.52	\$ 97.08	\$ 123.02

The above table is provided pursuant to SEC regulations and the outcomes are impacted significantly by beginning- and end-point stock price, as well as the price at which dividends are reinvested. A shareholder who invested in APAM at its IPO on March 7, 2013, at the IPO price of \$30 per share, and retained all dividends (instead of reinvesting them) would have experienced an 8.6% annual total return as of December 31, 2019. The information contained in the performance graph and table shall not be deemed to be “soliciting material” or “filed” or incorporated by reference in future filings with the SEC, except to the extent that the company specifically incorporates the information by reference into a document filed under the Securities Act or the Exchange Act.

Dividend Policy

During the first quarter of 2020, our board of directors declared a variable quarterly dividend of \$0.68 per share with respect to the fourth quarter of 2019 and a special annual dividend of \$0.60 per share. The variable quarterly dividend of \$0.68 per share represents approximately 80% of the cash generated in the fourth quarter of 2019. Subject to board approval each quarter, we currently expect to pay a quarterly dividend of approximately 80% of the cash the Company generates each quarter. After the end of the year, our board will consider paying a special annual dividend. We expect cash generation will approximately equal adjusted net income plus equity-based compensation expense, adjusting for certain other sources and uses of cash, including capital expenditures.

We intend to fund dividends from our portion of distributions made by Artisan Partners Holdings from its available cash generated from operations. The holders of our Class B common stock and Class C common stock are not entitled to any cash dividends in their capacity as stockholders but, in their capacity as holders of limited partnership units of Artisan Partners Holdings, they generally participate on a pro rata basis in distributions by Artisan Partners Holdings.

The declaration and payment of all future dividends, if any, will be at the sole discretion of our board of directors. In determining the amount of any future dividends, our board of directors will take into account: (i) our financial results, (ii) our available cash, as well as anticipated cash requirements (including debt servicing), (iii) our capital requirements and the capital requirements of our subsidiaries (including Artisan Partners Holdings), (iv) contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our stockholders or by our subsidiaries (including Artisan Partners Holdings) to us, including the obligation of Artisan Partners Holdings to make tax distributions to the holders of partnership units (including us), (v) general economic and business conditions and (vi) any other factors that our board of directors may deem relevant.

As a holding company, our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash. Accordingly, we depend on distributions from Artisan Partners Holdings to fund any dividends we may pay. We intend to cause Artisan Partners Holdings to distribute cash to its partners, including us, in an amount sufficient to cover dividends, if any, declared by us. If we do cause Artisan Partners Holdings to make such distributions, holders of Artisan Partners Holdings limited partnership units will be entitled to receive equivalent distributions on a pro rata basis.

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, Artisan Partners Holdings is unable to make distributions to us as a result of its operating results, cash requirements and financial condition, the applicable laws of the State of Delaware (which may limit the amount of funds available for distribution), its compliance with covenants and financial ratios related to indebtedness (including the notes and the revolving credit agreement) and its other agreements with third parties. Our note purchase and revolving credit agreements contain covenants limiting Artisan Partners Holdings' ability to make distributions if a default has occurred and is continuing or would result from such a distribution. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

Under the Delaware General Corporation Law, we may only pay dividends from legally available surplus or, if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess of the fair value of our total assets over the sum of the fair value of our total liabilities plus the par value of our outstanding capital stock. Capital stock is defined as the aggregate of the par value of all issued capital stock. To the extent we do not have sufficient cash to pay dividends, we may decide not to pay dividends.

Unregistered Sales of Equity Securities

As described in Note 8, "Stockholders' Equity", to the Consolidated Financial Statements included in Item 8 of this report, upon termination of employment with Artisan, an employee-partner's Class B common units are exchanged for Class E common units and the corresponding shares of Class B common stock are canceled. APAM issues the former employee-partner a number of shares of Class C common stock equal to the former employee-partner's number of Class E common units. Class E common units are exchangeable for Class A common stock subject to the same restrictions and limitations on exchange applicable to the other common units of Holdings. There were no such issuances during the three months ended December 31, 2019.

Securities Authorized for Issuance Under Equity Compensation Plans

All of our equity compensation plans were approved by our sole stockholder prior to our IPO in March 2013. The following table sets forth the total shares of our Class A common stock authorized and issued (or to be issued) under our equity compensation plans as of December 31, 2019.

	As of December 31, 2019		
	Issued (or to be issued upon settlement of restricted stock units)⁽¹⁾	Number of Securities remaining available for future issuance under equity compensation plans	Type of Equity Outstanding
2013 Omnibus Incentive Compensation Plan	8,398,712	5,601,288	Restricted Share Awards Restricted Stock Units
2013 Non-Employee Director Plan	195,494	804,506	Restricted Stock Units

⁽¹⁾Excludes securities forfeited by grantees and available for future issuance.

The shares of Class A common stock underlying restricted stock units awarded to employees under the 2013 Omnibus Incentive Compensation Plan will generally be issued and delivered promptly following the vesting of the awards. As of December 31, 2019, there were 107,125 restricted stock units outstanding under the 2013 Omnibus Incentive Compensation Plan.

The shares of Class A common stock underlying the restricted stock units awarded to our non-employee directors under the 2013 Non-Employee Director Plan will be issued and delivered upon the earlier to occur of (i) a change in control and (ii) the termination of the director's service on the Board.

Item 6. Selected Financial Data

The following tables set forth selected historical consolidated financial data of Artisan Partners Asset Management as of the dates and for the periods indicated. The selected consolidated statements of operations data for the years ended December 31, 2019, 2018 and 2017 and the selected consolidated statements of financial condition data as of December 31, 2019 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this document. The selected consolidated statements of operations data for the years ended December 31, 2016 and 2015 and the consolidated statement of financial condition as of December 31, 2017, 2016 and 2015 have been derived from consolidated financial statements not included elsewhere in this document.

You should read the following selected historical consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes.

For the Years Ended December 31,				
2019	2018	2017	2016	2015

(in millions, except per-share data)

Statements of Operations Data:

Revenues

Management fees					
Artisan Funds & Artisan Global Funds	\$ 484.9	\$ 522.0	\$ 502.6	\$ 470.6	\$ 543.3
Separate accounts	309.5	303.6	292.7	249.2	260.4
Performance fees	4.6	3.0	0.3	1.1	1.8
Total revenues	\$ 799.0	\$ 828.6	\$ 795.6	\$ 720.9	\$ 805.5

Operating Expenses

Salaries, incentive compensation and benefits	400.5	413.2	390.2	355.8	372.2
Pre-offering related compensation-share-based awards	—	—	12.7	28.1	42.1
Total compensation and benefits	400.5	413.2	402.9	383.9	414.3
Distribution, servicing and marketing	23.2	26.5	29.6	32.5	43.6
Occupancy	23.3	18.7	14.5	13.1	12.5
Communication and technology	39.5	37.2	34.1	32.2	25.5
General and administrative	29.0	28.1	28.1	25.0	27.2
Total operating expenses	515.5	523.7	509.2	486.7	523.1
Operating income (loss)	283.5	304.9	286.4	234.2	282.4

Non-operating income (expense)

Interest expense	(11.1)	(11.2)	(11.4)	(11.7)	(11.7)
Net investment gain (loss) of consolidated investment products	10.1	5.7	4.2	—	—
Other investment gain (loss)	6.4	2.1	1.1	1.3	0.4
Net gain (loss) on the tax receivable agreements	(19.6)	0.3	290.9	0.7	(12.2)
Total non-operating income (expense)	(14.2)	(3.1)	284.8	(9.7)	(23.5)

Income before income taxes

	269.3	301.8	571.2	224.5	258.9
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Provision for income taxes

	27.8	47.6	420.5	51.5	46.8
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Net income before noncontrolling interests

	241.5	254.2	150.7	173.0	212.1
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Less: Net income attributable to noncontrolling interests-Artisan Partners Holdings LP

	80.1	91.1	99.0	100.0	130.3
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Less: Net income attributable to noncontrolling interests - consolidated investment products

	4.9	4.8	2.1	—	—
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Net income attributable to Artisan Partners Asset Management Inc.

	\$ 156.5	\$ 158.3	\$ 49.6	\$ 73.0	\$ 81.8
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Earnings per basic and diluted common share	\$ 2.65	\$ 2.84	\$ 0.75	\$ 1.57	\$ 1.86
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Weighted average basic and diluted common shares outstanding	51.1	48.9	44.6	38.1	35.4
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Dividends declared per Class A common share	\$ 3.39	\$ 3.19	\$ 2.76	\$ 2.80	\$ 3.35
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	As of December 31,				
	2019	2018	2017	2016	2015
Statement of Financial Condition Data:	(in millions)				
Cash and cash equivalents	\$ 134.6	\$ 160.5	\$ 137.3	\$ 156.8	\$ 166.2
Total assets	933.6	805.0	837.2	936.2	946.5
Borrowings ⁽¹⁾	200.0	200.0	200.0	200.0	200.0
Total liabilities	752.0	630.2	666.5	818.5	829.9
Redeemable noncontrolling interests	43.1	34.3	62.6	—	—
Total equity	\$ 138.5	\$ 140.5	\$ 108.1	\$ 117.7	\$ 116.6

⁽¹⁾ See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources”.

The following table sets forth certain of our selected operating data as of the dates and for the periods indicated:

	As of and for the Years Ended December 31,				
	2019	2018	2017	2016	2015
Selected Unaudited Operating Data:	(in millions)				
Assets under management ⁽¹⁾	\$ 121,016	\$ 96,224	\$ 115,494	\$ 96,845	\$ 99,848
Net client cash flows ⁽²⁾	(3,288)	(7,419)	(5,408)	(4,824)	(5,848)
Market appreciation/(depreciation) ⁽³⁾	\$ 28,080	\$ (11,851)	\$ 24,057	\$ 1,821	\$ (2,219)

⁽¹⁾ Reflects the dollar value of assets we managed for our clients in our investment strategies as of the last day of the period.

⁽²⁾ Reflects the dollar value of assets our clients placed with us for management, and withdrew from our management, during the period, excluding appreciation (depreciation) due to market performance and fluctuations in exchange rates.

⁽³⁾ Represents the appreciation (depreciation) of the value of our assets under management during the period due to market performance and fluctuations in exchange rates, as well as income, such as dividends, earned on assets under management.

The following table shows net income, operating income, operating margin and the corresponding adjusted measures for Artisan Partners Asset Management for the periods indicated:

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in millions)				
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	\$ 156.5	\$ 158.3	\$ 49.6	\$ 73.0	\$ 81.8
Adjusted net income (Non-GAAP)	\$ 208.0	\$ 226.1	\$ 182.1	\$ 158.7	\$ 197.3
Operating income (GAAP)	\$ 283.5	\$ 304.9	\$ 286.4	\$ 234.2	\$ 282.4
Adjusted operating income (Non-GAAP)	\$ 283.5	\$ 304.9	\$ 299.1	\$ 262.3	\$ 324.5
Operating margin (GAAP)	35.5 %	36.8 %	36.0 %	32.5 %	35.1 %
Adjusted operating margin (Non-GAAP)	35.5 %	36.8 %	37.6 %	36.4 %	40.3 %

For a further discussion of our adjusted non-GAAP measures and a reconciliation from GAAP financial measures to non-GAAP measures, including adjusted net income per adjusted share and adjusted EBITDA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Non-GAAP Financial Information”.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Recent Highlights

We are an investment management firm focused on providing high-value added, active investment strategies to sophisticated clients globally. As of December 31, 2019, our nine autonomous investment teams managed a total of 17 investment strategies across multiple asset classes and investment styles. Over our firm's history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk.

We focus our distribution efforts on sophisticated investors and asset allocators, including institutions and intermediaries that operate with institutional-like decision-making processes. We offer our investment strategies to clients and investors through multiple investment vehicles, including separate accounts and different types of pooled vehicles. As of December 31, 2019, approximately 79% of our assets under management were managed for clients and investors domiciled in the U.S. and 21% of our assets under management were managed for clients and investors domiciled outside of the U.S.

As a high-value added investment manager we expect that long-term investment performance will be the primary driver of our long-term business and financial results. If we maintain and evolve existing investment strategies and launch new investment strategies that meet the needs of and generate attractive outcomes for sophisticated asset allocators, we believe that we will continue to generate strong business and financial results.

Over shorter time periods, changes in our business and financial results are largely driven by market conditions and fluctuations in our assets under management that may not necessarily be the result of our long-term investment performance or the long-term demand for our strategies. For this reason, we expect that our business and financial results will be lumpy over time.

We strive to maintain a financial model that is transparent and predictable. We derive essentially all of our revenues from investment management fees, nearly all of which are based on a specified percentage of clients' average assets under management. A majority of our expenses, including most of our compensation expense, vary directly with changes in our revenues. We invest thoughtfully to support our investment teams and future growth, while also paying out to shareholders and partners a majority of the cash that we generate from operations through distributions and dividends.

Business and financial highlights for 2019 included:

- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Net of fees, fifteen of our seventeen strategies have generated meaningful out-performance relative to their broad-based benchmarks since inception. In 2019, on an asset-weighted basis, our investment strategies generated approximately 578 basis points of gross returns in excess of broad-based benchmarks. 13 of 17 of our investment strategies out-performed their broad-based benchmarks, net of fees. Six Artisan Funds finished 2019 in the top decile of their Morningstar peer groups, and 10 of 15 Artisan Funds finished in the top quartile of their peer groups.
- During the year ended December 31, 2019, our assets under management increased to \$121.0 billion, an increase of \$24.8 billion, or 26%, compared to \$96.2 billion at December 31, 2018, as a result of \$28.1 billion of market appreciation partially offset by \$3.3 billion of net client cash outflows.
- 11 of our 17 strategies had positive net inflows in 2019, with five of our strategies having net inflows in excess of \$500 million. Our Third Generation strategies (with inception dates beginning in 2014) had \$3.9 billion in net inflows, an organic growth rate of 63%.
- Average assets under management for the year ended December 31, 2019 was \$111.0 billion, a decrease of 2.4% from the average of \$113.8 billion for the year ended December 31, 2018.
- We earned \$799 million in revenue for the year ended December 31, 2019, a 4% decrease from revenues of \$829 million for the year ended December 31, 2018.
- Our operating margin was 35.5%, down slightly from 36.8% in 2018.
- We generated \$2.65 of earnings per basic and diluted share and \$2.67 of adjusted EPS.
- We declared and distributed dividends of \$3.39 per share of Class A common stock during 2019, and have declared a total of \$3.08 of dividends per share with respect to 2019.

During the year ended December 31, 2019, the Company's deferred tax rate increased as a result of a change in estimated state income tax expense. The higher deferred tax rate increased deferred tax assets by \$23.0 million with a corresponding decrease to the provision for income taxes. The remeasurement of deferred tax assets also resulted in a \$19.6 million increase to the amounts payable under the tax receivable agreements with a corresponding increase to non-operating expense. The Company's statutory corporate tax rate and adjusted tax rate increased during 2019 from 23.5% to 24.1%. We currently expect the 2020 adjusted tax rate to be in the range of 24.5% to 25.0%.

Organizational Structure

Organizational Structure

Our operations are conducted through Artisan Partners Holdings (“Holdings”) and its subsidiaries. On March 12, 2013, Artisan Partners Asset Management Inc. (“APAM”) and Artisan Partners Holdings LP completed a series of transactions (the “IPO Reorganization”) to reorganize their capital structures in connection with the initial public offering (“IPO”) of APAM’s Class A common stock. The IPO Reorganization and IPO were completed on March 12, 2013. The IPO Reorganization was designed to create a capital structure that preserves our ability to conduct our business through Holdings, while permitting us to raise additional capital and provide access to liquidity through a public company.

Our employees and other limited partners of Holdings held approximately 27% of the equity interests in Holdings as of December 31, 2019. As a result, our results reflect that significant noncontrolling interest.

We operate our business in a single segment.

2019 Holdings Unit Exchanges

During the year ended December 31, 2019, certain limited partners of Holdings exchanged 1,499,655 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 1,499,655 shares of Class A common stock. In connection with the exchanges, APAM received 1,499,655 GP units of Holdings.

APAM’s equity ownership interest in Holdings increased from 70% at December 31, 2018 to 73% at December 31, 2019, as a result of these transactions and other equity transactions during the period.

Financial Overview

Economic Environment

Global equity and debt market conditions can materially affect our financial performance. The following table presents the total returns of relevant market indices for the years ended December 31, 2019, 2018 and 2017:

	For the Years Ended December 31,		
	2019	2018	2017
S&P 500 total returns	31.5 %	(4.4)%	21.8 %
MSCI All Country World total returns	26.6 %	(9.4)%	24.0 %
MSCI EAFE total returns	22.0 %	(13.8)%	25.0 %
Russell Midcap® total returns	30.5 %	(9.1)%	18.5 %
MSCI Emerging Markets Index	18.4 %	(14.6)%	37.3 %
ICE BofA Merrill Lynch U.S. High Yield Master II Total Return Index	14.4 %	(2.3)%	7.5 %

Key Performance Indicators

When we review our business and financial performance we consider, among other things, the following:

	For the Years Ended December 31,		
	2019	2018	2017
	(dollars in millions)		
Assets under management at period end	\$ 121,016	\$ 96,224	\$ 115,494
Average assets under management ⁽¹⁾	\$ 111,023	\$ 113,769	\$ 108,754
Net client cash flows	\$ (3,288)	\$ (7,419)	\$ (5,408)
Total revenues	\$ 799	\$ 829	\$ 796
Weighted average fee ⁽²⁾	72.0 bps	72.9 bps	73.1 bps
Operating margin	35.5 %	36.8 %	36.0 %
Adjusted operating margin ⁽³⁾	35.5 %	36.8 %	37.6 %

⁽¹⁾ We compute average assets under management by averaging day-end assets under management for the applicable period.

⁽²⁾ We compute our weighted average fee by dividing annualized investment management fees and performance fees by average assets under management for the applicable period.

⁽³⁾ Adjusted measures are non-GAAP measures and are explained and reconciled to the comparable GAAP measures in “Supplemental Non-GAAP Financial Information” below.

Management fees and assets under management within our consolidated investment products are excluded from the weighted average fee calculations and from total revenues, since any such revenues are eliminated upon consolidation. Assets under management within Artisan Private Funds are included in the reported firm-wide, separate account, and institutional assets under management figures reported below.

Assets Under Management and Investment Performance

Changes to our operating results from one period to another are primarily caused by changes in the amount of our assets under management. Changes in the relative composition of our assets under management among our investment strategies and vehicles and the effective fee rates on our products also impact our operating results.

The amount and composition of our assets under management are, and will continue to be, influenced by a variety of factors including, among others:

- investment performance, including fluctuations in both the financial markets and foreign currency exchange rates and the quality of our investment decisions;
- flows of client assets into and out of our various strategies and investment vehicles;
- our decision to close strategies or limit the growth of assets in a strategy or a vehicle when we believe it is in the best interest of our clients; as well as our decision to re-open strategies, in part or entirely;
- our ability to attract and retain qualified investment, management, and marketing and client service professionals;
- industry trends towards products, strategies, vehicles or services that we do not offer;
- competitive conditions in the investment management and broader financial services sectors; and
- investor sentiment and confidence.

The table below sets forth changes in our total assets under management:

	For the Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Beginning assets under management	\$ 96,224	\$ 115,494	\$ 96,845
Gross client cash inflows	17,594	18,693	16,380
Gross client cash outflows	(20,882)	(26,112)	(21,788)
Net client cash flows	(3,288)	(7,419)	(5,408)
Market appreciation (depreciation) ⁽¹⁾	28,080	(11,851)	24,057
Ending assets under management	\$ 121,016	\$ 96,224	\$ 115,494
Average assets under management	\$ 111,023	\$ 113,769	\$ 108,754

⁽¹⁾ Includes the impact of translating the value of assets under management denominated in non-USD currencies into US dollars. The impact was immaterial for the periods presented.

During 2019 our AUM increased by \$24.8 billion due to \$28.1 billion in market appreciation, partially offset by \$3.3 billion of net client cash outflows. Eleven of our 17 investment strategies had net inflows, totaling \$4.6 billion of net inflows. Our 7 Third Generation strategies (with inception dates beginning in 2014) had \$3.9 billion in net inflows, representing an organic growth rate of 63%. We expect the Third Generation strategies to continue to experience net inflows.

The net inflows across most of our business were offset by \$7.9 billion of net outflows across the remaining six of our 17 strategies, including the Non-U.S. Growth, U.S. Mid-Cap Growth, and U.S. Mid-Cap Value strategies, where we expect net outflows to continue in the near term.

Net client cash flows for the years ended December 31, 2019, 2018 and 2017 included net outflows of approximately \$470 million, \$852 million, and \$510 million, respectively, from Artisan Funds annual income and capital gains distributions, net of reinvestments.

Over the long-term, we expect market appreciation to generate the majority of our AUM growth, which has been our historical experience.

We monitor the availability of attractive investment opportunities relative to the amount of assets we manage in each of our investment strategies. When appropriate, we will close a strategy to new investors or otherwise take action to slow or restrict its growth, even though our aggregate assets under management may be negatively impacted in the short term. We may also re-open a strategy, widely or selectively, to fill available capacity or manage the diversification of our client base in that strategy. We believe that management of our investment capacity protects our ability to manage assets successfully, which protects the interests of our clients and, in the long term, protects our ability to retain client assets and maintain our profit margins.

As of the date of this filing, our U.S. Small-Cap Growth strategy is closed to most new investors and client relationships, but remains open to existing investors and client relationships. Our Global Opportunities strategy is open across pooled vehicles, but closed to most new separate account clients. Our Non-U.S. Value strategy is open to new separate account relationships, but closed to most new pooled vehicle investors.

When we close or otherwise restrict the growth of a strategy, we typically continue to allow additional investments in the strategy by existing clients and certain related entities. We may also permit new investments by other eligible investors in our discretion. As a result, during a given period we may have net client cash inflows in a closed strategy. However, when a strategy is closed or its growth is restricted we expect there to be periods of net client cash outflows.

The table on the following page sets forth the average annual total returns for each composite (gross of fees) and its respective broad-based benchmark (and style benchmark, if applicable) over a multi-horizon time period as of December 31, 2019. Returns for periods less than one year are not annualized.

Investment Team and Strategy	Composite Inception Date	Strategy AUM (in \$MM)	Average Annual Total Returns (Gross)					Average Annual Value-Added ⁽¹⁾ Since Inception (bps)
			1 YR	3 YR	5 YR	10 YR	Inception	
Growth Team								
Global Opportunities Strategy	2/1/2007	\$ 19,193	37.01%	18.75%	14.03%	15.07%	11.20%	570
<i>MSCI All Country World Index</i>			26.60%	12.44%	8.40%	8.78%	5.50%	
Global Discovery	9/1/2017	813	44.29%	---	---	---	18.97%	947
<i>MSCI All Country World Index</i>			26.60%	---	---	---	9.50%	
U.S. Mid-Cap Growth Strategy	4/1/1997	11,122	39.78%	18.36%	11.45%	15.11%	15.20%	480
<i>Russell® Midcap Index</i>			30.54%	12.06%	9.33%	13.19%	10.40%	
<i>Russell® Midcap Growth Index</i>			35.47%	17.36%	11.60%	14.23%	9.65%	
U.S. Small-Cap Growth Strategy	4/1/1995	3,665	41.90%	23.56%	15.42%	16.70%	11.38%	214
<i>Russell® 2000 Index</i>			25.52%	8.59%	8.22%	11.82%	9.24%	
<i>Russell® 2000 Growth Index</i>			28.48%	12.49%	9.33%	13.00%	7.97%	
Global Equity Team								
Global Equity Strategy	4/1/2010	1,922	32.84%	20.20%	12.04%	---	13.34%	467
<i>MSCI All Country World Index</i>			26.60%	12.44%	8.40%	---	8.67%	
Non-U.S. Growth Strategy	1/1/1996	23,675	30.73%	16.05%	6.71%	8.43%	10.37%	547
<i>MSCI EAFE Index</i>			22.01%	9.56%	5.67%	5.50%	4.90%	
Non-U.S. Small-Mid Growth Strategy	1/1/2019	2,263	38.37%	---	---	---	38.37%	1,601
<i>MSCI ACWI ex US SMID Index</i>			22.36%	---	---	---	22.36%	
U.S. Value Team								
Value Equity Strategy	7/1/2005	3,016	31.39%	9.86%	9.62%	11.34%	8.64%	(79)
<i>Russell® 1000 Index</i>			31.43%	15.05%	11.48%	13.53%	9.43%	
<i>Russell® 1000 Value Index</i>			26.54%	9.68%	8.28%	11.79%	7.76%	
U.S. Mid-Cap Value Strategy	4/1/1999	4,386	24.77%	7.45%	6.99%	10.76%	12.61%	304
<i>Russell® Midcap Index</i>			30.54%	12.06%	9.33%	13.19%	9.57%	
<i>Russell® Midcap Value Index</i>			27.06%	8.10%	7.61%	12.41%	9.74%	
International Value Team								
Non-U.S. Value Strategy	7/1/2002	22,000	25.66%	10.34%	7.27%	10.25%	11.90%	564
<i>MSCI EAFE Index</i>			22.01%	9.56%	5.67%	5.50%	6.26%	
Global Value Team								
Global Value Strategy	7/1/2007	19,707	25.41%	10.86%	8.28%	11.93%	8.69%	372
<i>MSCI All Country World Index</i>			26.60%	12.44%	8.40%	8.78%	4.98%	
Sustainable Emerging Markets Team								
Sustainable Emerging Markets Strategy	7/1/2006	234	22.03%	13.91%	9.02%	4.19%	6.20%	72
<i>MSCI Emerging Markets Index</i>			18.42%	11.57%	5.61%	3.68%	5.48%	
Credit Team								
High Income Strategy	4/1/2014	3,783	15.09%	7.89%	8.19%	---	7.55%	233
<i>ICE BofA ML US High Yield Master II Total Return Index</i>			14.41%	6.32%	6.13%	---	5.22%	
Developing World Team								
Developing World Strategy	7/1/2015	3,374	43.40%	18.82%	---	---	12.11%	655
<i>MSCI Emerging Markets Index</i>			18.42%	11.57%	---	---	5.56%	
Thematic Team								
Thematic Strategy	5/1/2017	1,235	34.10%	---	---	---	28.20%	1,389
<i>S&P 500 Index</i>			31.49%	---	---	---	14.31%	
Other Assets Under Management ⁽²⁾		628						
Total Assets Under Management		\$ 121,016						

⁽¹⁾ Value-added is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed the broad-based market index most commonly used by our clients to compare the performance of the relevant strategy. Value-added for periods less than one year is not annualized. The Artisan High Income strategy may hold loans and other security types that may not be included in the ICE BofA Merrill Lynch High Yield Master II Index. At times, this causes material differences in relative performance. The Global Equity, Global Discovery and Thematic strategies' investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future.

⁽²⁾ Other Assets Under Management includes AUM managed by the Credit Team in the Credit Opportunities strategy and by the Thematic Team in the Thematic Long/Short strategy, respectively. Strategy specific information has been omitted.

The tables below set forth changes in our assets under management by investment team:

Year Ended	By Investment Team									
	Growth	Global Equity	U.S. Value	International Value ⁽³⁾	Global Value ⁽³⁾	Sustainable Emerging Markets	Credit	Developing World	Thematic	Total
December 31, 2019	(unaudited; in millions)									
Beginning assets under management	\$ 26,251	\$ 22,967	\$ 6,577	\$ 17,681	\$ 17,113	\$ 179	\$ 2,860	\$ 1,993	\$ 603	\$ 96,224
Gross client cash inflows	4,207	3,557	644	3,607	1,412	29	1,791	1,305	1,042	17,594
Gross client cash outflows	(5,385)	(5,347)	(1,468)	(3,673)	(2,814)	(14)	(1,250)	(780)	(151)	(20,882)
Net client cash flows	(1,178)	(1,790)	(824)	(66)	(1,402)	15	541	525	891	(3,288)
Market appreciation (depreciation)	9,720	6,683	1,649	4,385	3,996	40	449	856	302	28,080
Net transfers ⁽¹⁾	—	—	—	—	—	—	—	—	—	—
Ending assets under management	\$ 34,793	\$ 27,860	\$ 7,402	\$ 22,000	\$ 19,707	\$ 234	\$ 3,850	\$ 3,374	\$ 1,796	\$ 121,016
Average assets under management	\$ 31,861	\$ 25,744	\$ 7,113	\$ 20,072	\$ 18,559	\$ 203	\$ 3,586	\$ 2,634	\$ 1,251	\$ 111,023
December 31, 2018										
Beginning assets under management	\$ 30,628	\$ 29,235	\$ 8,765	\$ 21,757	\$ 19,930	\$ 282	\$ 2,554	\$ 2,253	\$ 90	\$ 115,494
Gross client cash inflows	5,121	3,466	1,027	3,758	2,405	28	1,443	893	552	18,693
Gross client cash outflows	(7,967)	(7,044)	(2,177)	(4,434)	(2,540)	(97)	(1,079)	(742)	(32)	(26,112)
Net client cash flows	(2,846)	(3,578)	(1,150)	(676)	(135)	(69)	364	151	520	(7,419)
Market appreciation (depreciation)	(1,531)	(2,690)	(1,038)	(3,400)	(2,682)	(34)	(58)	(411)	(7)	(11,851)
Net transfers ⁽¹⁾	—	—	—	—	—	—	—	—	—	—
Ending assets under management	\$ 26,251	\$ 22,967	\$ 6,577	\$ 17,681	\$ 17,113	\$ 179	\$ 2,860	\$ 1,993	\$ 603	\$ 96,224
Average assets under management	\$ 30,967	\$ 27,908	\$ 8,207	\$ 20,962	\$ 19,909	\$ 237	\$ 2,945	\$ 2,379	\$ 255	\$ 113,769
December 31, 2017										
Beginning assets under management	\$ 25,714	\$ 25,510	\$ 8,588	\$ 17,855	\$ 16,085	\$ 228	\$ 1,878	\$ 987	\$ —	\$ 96,845
Gross client cash inflows	4,399	2,942	1,592	2,822	2,277	14	1,168	1,080	86	16,380
Gross client cash outflows	(6,153)	(6,818)	(2,517)	(3,043)	(2,278)	(53)	(672)	(253)	(1)	(21,788)
Net client cash flows	(1,754)	(3,876)	(925)	(221)	(1)	(39)	496	827	85	(5,408)
Market appreciation (depreciation)	6,668	7,601	1,102	4,235	3,734	93	180	439	5	24,057
Net transfers ⁽¹⁾	—	—	—	(112)	112	—	—	—	—	—
Ending assets under management	\$ 30,628	\$ 29,235	\$ 8,765	\$ 21,757	\$ 19,930	\$ 282	\$ 2,554	\$ 2,253	\$ 90	\$ 115,494
Average assets under management ⁽²⁾	\$ 29,366	\$ 28,060	\$ 8,719	\$ 19,896	\$ 18,487	\$ 280	\$ 2,294	\$ 1,632	\$ 28	\$ 108,754

⁽¹⁾ Net transfers represent certain amounts that we have identified as having been transferred out of one investment strategy or investment vehicle into another strategy or vehicle.

⁽²⁾ For the Thematic team, average assets under management is for the period between April 24, 2017, when the team's first strategy began investment operations, and December 31, 2017.

⁽³⁾ Effective October 1, 2018, the Global Value Team became two distinct and autonomous investment teams, the International Value team and Global Value team. For comparability purposes, historical assets under management for both teams are presented as though they were distinct teams prior to October 1, 2018.

The goal of our marketing, distribution and client services efforts is to establish and maintain a client base that is diversified by investment strategy, investment vehicle and distribution channel. As distribution channels have evolved to have more institutional-like decision making processes and longer-term investment horizons, we have expanded our distribution efforts into those areas. The table below sets forth our assets under management by distribution channel:

	As of December 31, 2019		As of December 31, 2018		As of December 31, 2017	
	\$ in millions (unaudited)	% of total	\$ in millions (unaudited)	% of total	\$ in millions (unaudited)	% of total
Institutional	\$ 80,274	66.3 %	\$ 63,543	66.0 %	\$ 76,176	66.0 %
Intermediary	35,574	29.4 %	28,363	29.5 %	34,172	29.6 %
Retail	5,168	4.3 %	4,318	4.5 %	5,146	4.4 %
Ending Assets Under Management ⁽¹⁾	\$ 121,016	100.0 %	\$ 96,224	100.0 %	\$ 115,494	100.0 %

⁽¹⁾The allocation of assets under management by distribution channel involves the use of estimates and the exercise of judgment.

Our institutional channel includes assets under management sourced from defined contribution plan clients, which made up approximately 13% of our total assets under management as of December 31, 2019.

The following tables set forth the changes in our assets under management for Artisan Funds, Artisan Global Funds and separate accounts:

Year Ended	Artisan Funds & Artisan Global Funds		Separate Accounts ⁽²⁾	Total
	(unaudited; in millions)			
December 31, 2019				
Beginning assets under management	\$ 46,654	\$ 49,570	\$	96,224
Gross client cash inflows	12,545	5,049		17,594
Gross client cash outflows	(14,541)	(6,341)		(20,882)
Net client cash flows	(1,996)	(1,292)		(3,288)
Market appreciation (depreciation)	13,003	15,077		28,080
Net transfers ⁽¹⁾	(373)	373		—
Ending assets under management	\$ 57,288	\$ 63,728	\$	121,016
Average assets under management	\$ 52,974	\$ 58,049	\$	111,023
December 31, 2018				
Beginning assets under management	\$ 57,349	\$ 58,145	\$	115,494
Gross client cash inflows	13,863	4,830		18,693
Gross client cash outflows	(18,155)	(7,957)		(26,112)
Net client cash flows	(4,292)	(3,127)		(7,419)
Market appreciation (depreciation)	(6,065)	(5,786)		(11,851)
Net transfers ⁽¹⁾	(338)	338		—
Ending assets under management	\$ 46,654	\$ 49,570	\$	96,224
Average assets under management	\$ 56,792	\$ 56,978	\$	113,769
December 31, 2017				
Beginning assets under management	\$ 49,367	\$ 47,478	\$	96,845
Gross client cash inflows	12,448	3,932		16,380
Gross client cash outflows	(15,584)	(6,204)		(21,788)
Net client cash flows	(3,136)	(2,272)		(5,408)
Market appreciation (depreciation)	11,674	12,383		24,057
Net transfers ⁽¹⁾	(556)	556		—
Ending assets under management	\$ 57,349	\$ 58,145	\$	115,494
Average assets under management	\$ 54,552	\$ 54,225	\$	108,754

⁽¹⁾Net transfers represent certain amounts that we have identified as having been transferred out of one investment strategy, investment vehicle, or account and into another strategy, vehicle, or account.

⁽²⁾Separate account AUM consists of the assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds. Separate account AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in Artisan Private Funds.

Artisan Funds and Artisan Global Funds

As of December 31, 2019, Artisan Funds comprised \$53.0 billion, or 44%, of our assets under management. For the year ended December 31, 2019, fees from Artisan Funds represented \$452.5 million, or 57%, of our revenues. Our contractual tiered fee rates for the series of Artisan Funds range from 0.625% to 1.05% of fund assets, depending on the strategy, the amount invested and other factors.

As of December 31, 2019, Artisan Global Funds comprised \$4.3 billion, or 3%, of our assets under management. For the year ended December 31, 2019, fees from Artisan Global Funds represented \$32.4 million, or 4%, of our revenues. Our contractual fee rates for Artisan Global Funds range from 0.75% to 1.85% of assets under management.

The weighted average rate of fee paid by our Artisan Funds and Artisan Global Funds clients in the aggregate was 0.915%, 0.919%, and 0.921%, for the years ended December 31, 2019, 2018 and 2017, respectively.

Separate Accounts

Separate accounts comprised \$63.7 billion, or 53%, of our assets under management as of December 31, 2019. For the year ended December 31, 2019, fees from separate accounts represented \$314.1 million, or 39%, of our revenues. Separate account assets under management consist of the assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds, including assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in Artisan Private Funds.

For traditional separate account clients, we generally impose standard fee schedules that vary by investment strategy and, through the application of standard breakpoints, reflect the size of the account and client relationship, with tiered rates of fee currently ranging from 0.40% of assets under management to 1.00% of assets under management. There are a number of exceptions to our standard fee schedules, including exceptions based on the nature of our relationship with the client and the value of the assets under our management in that relationship. In general, our effective rate of fee for a particular client relationship declines as the assets we manage for that client increase, which we believe is typical for the asset management industry.

The weighted average rate of fee paid by our separate account clients in the aggregate was 0.542%, 0.538%, and 0.540% for the years ended December 31, 2019, 2018 and 2017, respectively. Because, as is typical in the asset management industry, our rates of fee decline as the assets under our management in a relationship increase, and because of differences in our fees by investment strategy, a change in the composition of our assets under management, in particular a shift to strategies, clients or relationships with lower effective rates of fees, could have a material impact on our overall weighted average rate of fee. See “—Qualitative and Quantitative Disclosures Regarding Market Risk—Market Risk” for a sensitivity analysis that demonstrates the impact that certain changes in the composition of our assets under management could have on our revenues.

Revenues

Essentially all of our revenues consist of investment management fees earned from managing clients’ assets. Our investment management fees fluctuate based on a number of factors, including the total value of our assets under management, the composition of assets under management among investment vehicles and our investment strategies, changes in the investment management fee rates on our products, the extent to which we enter into fee arrangements that differ from our standard fee schedules, which can be affected by custom and the competitive landscape in the relevant market, and, for the accounts on which we earn performance-based fees, the investment performance of those accounts.

The different fee structures associated with Artisan Funds, Artisan Global Funds and separate accounts and the different fee schedules of our investment strategies make the composition of our assets under management an important determinant of the investment management fees we earn. Historically, we have received higher effective rates of investment management fees from Artisan Funds and Artisan Global Funds than from our separate accounts, reflecting, among other things, the different array of services we provide to Artisan Funds and Artisan Global Funds. Investment management fees for non-U.S. funds may also be higher because they include fees to offset higher distribution costs. Our investment management fees also differ by investment strategy, with higher-capacity strategies having lower standard fee schedules than strategies with more limited capacity.

Certain separate account clients pay us fees according to the performance of their accounts relative to agreed-upon benchmarks, which typically results in a lower base fee, but allows us to earn higher fees if the performance we achieve for that client is superior to the performance of an agreed-upon benchmark. We may also receive performance fees or incentive allocations from Artisan Private Funds. Management fees, performance fees and incentive allocations earned from consolidated investment products are eliminated from revenue upon consolidation. Less than 2% of the \$121.0 billion of assets under management as of December 31, 2019 have performance fee billing arrangements. The majority of our AUM with performance fee billing arrangements have a measurement period ending on June 30, which could result in higher performance fee revenue recognized during the June quarter. However, there is potential for performance fees to be earned and recognized in each quarter throughout the year. We have realized and recognized approximately \$3 million of performance fee revenue during the first quarter of 2020 as of the date of this filing.

The following table sets forth revenues we earned under our investment management agreements with Artisan Funds and Artisan Global Funds and on the separate accounts that we managed for the years ended December 31, 2019, 2018 and 2017:

	For the Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Revenues			
Management fees			
Artisan Funds & Artisan Global Funds	\$ 484.9	\$ 522.0	\$ 502.6
Separate accounts	309.5	303.6	292.7
Performance fees	4.6	3.0	0.3
Total revenues	<u>\$ 799.0</u>	<u>\$ 828.6</u>	<u>\$ 795.6</u>
Average assets under management for period	\$ 111,023	\$ 113,769	\$ 108,754

For the years ended December 31, 2019, 2018 and 2017, approximately 83%, 84% and 85%, respectively, of our investment management fees were earned from clients located in the United States.

Operating Expenses

Our operating expenses consist primarily of compensation and benefits, distribution and marketing, occupancy, communication and technology, and general and administrative.

Our expenses may fluctuate due to a number of factors, including the following:

- variations in the level of total compensation expense due to, among other things, incentive compensation, equity awards, changes in our employee count (including the addition of new investment teams) and product mix and competitive factors; and
- expenses, such as distribution fees, rent, professional service fees, technology and data-related costs, incurred, as necessary, to operate and grow our business.

A significant portion of our operating expenses are variable and fluctuate in direct relation to our assets under management and revenues. Even if we experience declining revenues, we expect to continue to make the expenditures necessary for us to manage our business. As a result, our profits may decline.

Compensation and Benefits

Compensation and benefits includes (i) salaries, incentive compensation and benefits costs, (ii) compensation expense related to post-IPO equity awards granted to employees and (iii) in years prior to 2018, pre-offering related compensation, which consists of amortization expense on unvested Class B awards.

We expect the fixed portion of compensation and benefits to increase by approximately \$7 million in 2020. The fixed components of compensation and benefits, which generally do not fluctuate directly with revenues, includes salaries, benefits and payroll taxes.

Incentive compensation is one of the most significant parts of the total compensation of our senior employees. The amount of cash incentive compensation paid to members of our investment teams and senior members of our marketing and client service teams is based in large part on formulas that are tied directly to revenues. For each of our investment teams, incentive compensation generally represents 25% of the asset-based management fees and a share of performance-based fees generated by assets under management in the team's strategy or strategies. Incentive compensation paid to other employees is discretionary and subjectively determined based on individual performance and our overall results during the applicable year.

Certain compensation and benefits expenses are generally higher in the beginning of the year, such as employer funded retirement and health care contributions and payroll taxes. We expect these costs to add approximately \$4 million to our expenses in the first quarter of 2020, compared to the fourth quarter of 2019.

We grant equity awards to our employees pursuant to the Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan. The awards consist of standard restricted awards that generally vest on a pro rata basis over 5 years and career awards that vest when both of the following conditions are met (1) pro-rata annual time vesting over 5 years and (2) qualifying retirement (as defined in the award agreements). In 2019, members of investment teams who otherwise would have received career awards instead received an equal number of franchise awards. Franchise awards are identical to career awards, except with respect to the Franchise Protection Clause, which applies to current or future portfolio managers. The Franchise Protection Clause provides that the total number of franchise awards ultimately vesting will be reduced to the extent that cumulative net client cash outflows from the portfolio manager's investment team during a 3-year measurement period beginning on the date of the portfolio manager's retirement notice exceeds a set threshold. We expect to continue to grant franchise awards to members of our investment teams. In 2020, we began issuing performance share units to our Chief Executive Officer and Executive Vice President in charge of investment operations.

The estimated grant date fair value of equity awards is recognized as compensation expense on a straight-line basis over the requisite service period of the award. The initial requisite service period is generally three years for performance share units and five years for all other awards that have been granted to date. Compensation expense for performance share units is only recognized if it is probable that the performance conditions will be achieved. For all awards, if a service or performance condition is not achieved, the corresponding awards are forfeited and any previously recognized compensation expense is reversed.

Our board of directors approved the grant of 963,000 restricted share-based awards to certain of our employees during 2019 and 979,455 restricted share-based awards in the first quarter of 2020. Both grants included standard restricted awards, career awards and franchise awards. The 2020 grant also included performance share units.

Total compensation expense, which will be recognized on a straight-line basis over the requisite service period, is expected to be approximately \$22.1 million and approximately \$34.2 million, for the 2019 and 2020 awards, respectively. Including the grant in the first quarter of 2020, we expect equity compensation expense to be approximately \$9 million per quarter in 2020.

Since the IPO and including the grant in the first quarter of 2020, our board of directors has approved the grant of 9,531,616 restricted share-based awards. Total unrecognized non-cash compensation expense for these awards is \$116 million. We expect to continue to make equity grants each year, though the form and structure of equity awards may change as we seek to maximize alignment between our employees and our clients, investors, partners, and shareholders. The actual size of the expense over time will depend primarily on the number of awards granted and our stock price at the time the grants are made. The amount of equity granted will vary from year to year and will be influenced by our results and other factors. From time to time, we may make individual equity grants to people we hire.

A significant portion of our historical compensation and benefits expense related to Holdings' Class B limited partnership interests. Prior to the IPO Reorganization, Class B limited partnership interests were granted to certain employees. The Class B limited partnership interests provided both an interest in future profits of Holdings as well as an interest in the overall value of Holdings. Class B limited partnership interests generally vested ratably over a five-year period from the date of grant. Holders of Class B limited partnership interests were entitled to fully participate in profits from and after the date of grant.

As part of the IPO Reorganization, Class B grant agreements were amended, which eliminated the cash redemption feature and resulted in equity award accounting since such modification. Compensation expense for these awards following the IPO Reorganization represents the amortization of the fair value of unvested awards on the date of the IPO Reorganization over the remaining vesting period. All Class B awards were fully vested and expensed as of July 1, 2017.

Distribution, Servicing and Marketing

Distribution, servicing and marketing expenses primarily represent payments we make to broker-dealers, financial advisors, defined contribution plan providers, mutual fund supermarkets and other intermediaries for selling, servicing and administering accounts invested in shares of Artisan Funds. Artisan Funds authorizes intermediaries to accept purchase, exchange, and redemption orders for shares of Artisan Funds on behalf of Artisan Funds. Many intermediaries charge a fee for those services. Artisan Funds pays a portion of some of those fees, which portion is intended to compensate the intermediary for its provision of services of the type that would be provided by Artisan Funds' transfer agent or other service providers if the shares were registered directly on the books of Artisan Funds' transfer agent. Like the investment management fees we earn as adviser to Artisan Funds, distribution, servicing and marketing fees typically vary with the value of the assets invested in shares of Artisan Funds. The allocation of such fees between us and Artisan Funds is determined by the board of Artisan Funds, based on information and a recommendation from us, with the goal of allocating to us, at a minimum, all costs attributable to the marketing and distribution of shares of Artisan Funds. A significant portion of Artisan Funds' shares are held by investors through intermediaries to which we pay distribution, servicing and marketing expenses.

Total distribution, servicing and marketing fees will increase as we increase our assets under management sourced through intermediaries that charge these fees or similar fees. The amount we pay to intermediaries for distribution and administrative services varies by share class. As assets have transferred from the Investor share class to the Advisor and Institutional share classes, the amount we have paid for distribution, servicing and marketing has decreased. Consistent with the experience of other investment managers, as the foregoing expenses have decreased, we have seen increased requests from intermediaries for alternative forms of compensation. To date, such alternative forms of compensation have not been material, but they could be over time.

Occupancy

Occupancy expenses include operating leases for facilities, furniture and office equipment, miscellaneous facility related costs and depreciation expense associated with furniture purchases and leasehold improvements.

Communication and technology

Communication and technology expenses include information and print subscriptions, telephone costs, information systems consulting fees, equipment and software maintenance expenses, operating leases for information technology equipment and depreciation and amortization expenses associated with computer hardware and software. Information and print subscriptions represent the costs we pay to obtain investment research and other data we need to operate our business, and such expenses generally increase or decrease in relative proportion to the number of our employees and the overall size and scale of our business operations. We expect to continue our measured investments in technology to support our investment teams, distribution efforts, and scalable operations.

We expect 2020 communication and technology expenses will be approximately \$41 million, as we continue to make investments in our business.

On behalf of our mutual fund and separate account clients, we make decisions to buy and sell securities for each portfolio, select broker-dealers to execute trades and negotiate brokerage commission rates. In connection with these transactions, we receive research products and services from broker-dealers in exchange for the business we conduct with such firms. Some of those research products and services could be acquired for cash and our receipt of those products and services through the use of client commissions, or soft dollars, reduces cash expenses we would otherwise incur. In response to the Markets in Financial Instruments Directive II and industry changes prompted by it, we have experienced increasing requests from clients to bear research expenses that are currently paid for using soft dollars. In response to such requests or as a result of changes in our operations, we may eventually bear a significant portion or all of the costs of research that are currently paid for using soft dollars, which would increase our operating expenses materially.

General and Administrative

General and administrative expenses include professional fees, travel and entertainment, certain state and local taxes, directors' and officers' liability insurance, director fees, and other miscellaneous expenses we incur in operating our business.

Non-Operating Income (Expense)

Interest Expense

Interest expense primarily relates to the interest we pay on our debt. For a description of the terms of our debt, see "—Liquidity and Capital Resources". Interest expense also includes interest on TRA payments, which is incurred between the due date (without extension) for our federal income tax return and the date on which we make TRA payments.

Net Investment Gain (Loss) of Consolidated Investment Products

Net investment gain (loss) of consolidated investment products represents the realized and unrealized investment gains (losses) related to investment products that are included in our consolidated financial statements because Artisan holds a controlling financial interest in the respective investment entities. Significant portions of net investment gain (loss) of consolidated investment products are offset by noncontrolling interests in our Consolidated Statements of Operations.

Net Investment Income

Net investment income includes realized and unrealized investment gains (losses) related to unconsolidated investment products, income earned on excess cash balances, and dividends earned on unconsolidated equity securities. Prior to 2018, unrealized investments gains (losses) were recorded as a component of other comprehensive income in equity.

Net Gain (Loss) on the Tax Receivable Agreements

Non-operating income (expense) also includes gains or losses related to the changes in our estimate of the payment obligation under the tax receivable agreements, including the impact of tax rate changes. The effect of changes in our estimate of amounts payable under the tax receivable agreements, including the effect of changes in enacted tax rates and in applicable tax laws, is included in net income.

Net Income (Loss) Attributable to Noncontrolling Interests

Net Income (Loss) Attributable to Noncontrolling Interests - Holdings

Net income (loss) attributable to noncontrolling interests - Holdings represents the portion of earnings or loss attributable to the ownership interest in Artisan Partners Holdings held by the limited partners of Artisan Partners Holdings.

Net Income (Loss) Attributable to Noncontrolling Interests - Consolidated Investment Products

Net income (loss) attributable to noncontrolling interests - consolidated investment products represents the portion of earnings or loss attributable to third-party investors' ownership interest in consolidated investment products.

Provision for Income Taxes

The provision for income taxes primarily represents APAM's U.S. federal, state, and local income taxes on its allocable portion of Holdings' income, as well as foreign income taxes payable by Holdings' subsidiaries. Our effective income tax rate is dependent on many factors, including a rate benefit attributable to the fact that a portion of Holdings' taxable earnings are not subject to corporate level taxes. Thus, income before income taxes includes amounts that are attributable to noncontrolling interests and not taxable to APAM and its subsidiaries, which reduces the effective tax rate. This favorable impact is partially offset by the impact of permanent items, including certain executive compensation expenses and pre-IPO share-based compensation expenses, that are not deductible for tax purposes. Pre-IPO share-based compensation awards became fully vested on July 1, 2017 and therefore the related impact to the effective tax rate no longer exists after July 1, 2017. The effective tax rate is also affected by the discrete tax impact of dividends on unvested share-based awards and vesting of restricted share-based awards.

As APAM's equity ownership in Holdings increases, the effective tax rate will likewise increase as more income will be subject to corporate-level taxes.

Results of Operations
Year Ended December 31, 2019, Compared to Year Ended December 31, 2018

	For the Years Ended December 31,		Period-to-Period	
	2019	2018	\$	%
(in millions, except share and per-share data)				
Statements of operations data:				
Revenues	\$ 799.0	\$ 828.6	\$ (29.6)	(4)%
Operating Expenses				
Total compensation and benefits	400.5	413.2	(12.7)	(3)%
Other operating expenses	115.0	110.5	4.5	4 %
Total operating expenses	515.5	523.7	(8.2)	(2)%
Total operating income	283.5	304.9	(21.4)	(7)%
Non-operating income (expense)				
Interest expense	(11.1)	(11.2)	0.1	1 %
Other non-operating income	(3.1)	8.1	(11.2)	(138)%
Total non-operating income (expense)	(14.2)	(3.1)	(11.1)	(358)%
Income before income taxes	269.3	301.8	(32.5)	(11)%
Provision for income taxes	27.8	47.6	(19.8)	(42)%
Net income before noncontrolling interests	241.5	254.2	(12.7)	(5)%
Less: Noncontrolling interests - Artisan Partners Holdings	80.1	91.1	(11.0)	(12)%
Less: Noncontrolling interests - consolidated investment products	4.9	4.8	0.1	2 %
Net income attributable to Artisan Partners Asset Management Inc.	\$ 156.5	\$ 158.3	\$ (1.8)	(1)%
Share Data				
Basic and diluted earnings per share	\$ 2.65	\$ 2.84		
Basic and diluted weighted average number of common shares outstanding	51,127,929	48,862,435		

Revenues

The decrease in revenues of \$29.6 million, or 4%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, was driven primarily by a \$2.7 billion, or 2%, decrease in our average assets under management. The weighted average investment management fee was 72.0 basis points for the year ended December 31, 2019, compared to 72.9 basis points for the year ended December 31, 2018. The decrease in the weighted average fee was primarily due to an increase in the proportion of total assets managed in separate accounts.

The following table sets forth the weighted average fee and investment management fees earned by investment vehicle. The weighted average fee for Artisan Funds and Artisan Global Funds reflects the additional services we provide to these pooled vehicles.

For the Years Ended December 31,	Separate Accounts		Artisan Funds and Artisan Global Funds	
	2019	2018	2019	2018
	(dollars in millions)			
Investment management fees	\$ 314.1	\$ 306.6	\$ 484.9	\$ 522.0
Weighted average fee	54.2 bps	53.8 bps	91.5 bps	91.9 bps
Percentage of ending AUM	53 %	52 %	47 %	48 %

Operating Expenses

The decrease in total operating expenses of \$8.2 million, or 2%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, was primarily a result of lower incentive compensation and third-party distribution expense due to decreased revenues, lower equity-based compensation expense and onboarding costs incurred in the fourth quarter of 2018 related to the Non-U.S. Small-Mid Growth strategy. These decreases were partially offset by increases in occupancy expense related to investment team relocations, higher compensation and benefits expenses on an increased number of full-time employees, and increased technology expenses.

Compensation and Benefits

	For the Years Ended December 31,		Period-to-Period	
	2019	2018	\$	%
	(in millions)			
Salaries, incentive compensation and benefits ⁽¹⁾	\$ 358.4	\$ 360.3	\$ (1.9)	(1)%
Restricted share-based award compensation expense	42.1	52.9	(10.8)	(20)%
Total compensation and benefits	\$ 400.5	\$ 413.2	\$ (12.7)	(3)%

⁽¹⁾ Excluding restricted share-based award compensation expense

The decrease in salaries, incentive compensation and benefits was driven primarily by an \$8.5 million decrease in incentive compensation paid to our investment and marketing professionals as a result of the decrease in revenue, partially offset by compensation expense related to additional full-time employees in 2019.

Restricted share-based award compensation expense decreased \$10.8 million as the awards that became fully amortized during 2018 and 2019 had a higher value than the awards granted in 2018 and 2019.

Total compensation and benefits was 50% of our revenues for the years ended December 31, 2019 and 2018.

Other operating expenses

Other operating expenses increased \$4.5 million for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due a \$4.6 million increase in occupancy expense. The increased expense includes rent and depreciation expense for new office spaces as well as \$2.1 million of accelerated rent and depreciation expense related to an exited location. Communication and technology expenses also increased \$2.3 million as a result of additional software subscriptions and increased market data costs. The increases were partially offset by a \$3.3 million decrease in third-party distribution expense as a result of a decrease in AUM subject to those fees.

Non-Operating Income (Expense)

Non-operating income (expense) consisted of the following:

	For the Years Ended December 31,		Period-to-Period	
	2019	2018	\$	%
	(in millions)			
Interest expense	\$ (11.1)	\$ (11.2)	\$ 0.1	1 %
Net investment gain (loss) of consolidated investment products	10.1	5.7	4.4	77 %
Other investment gain (loss)	6.4	2.1	4.3	205 %
Net gain (loss) on the tax receivable agreements	(19.6)	0.3	(19.9)	(6,633)%
Total non-operating income (expense)	\$ (14.2)	\$ (3.1)	\$ (11.1)	358 %

Non-operating income (expense) for the year ended December 31, 2019 includes a \$19.6 million loss relating to a change in estimate of the payment obligation under the tax receivable agreements, compared to a \$0.3 million gain for the year ended December 31, 2018. The effect of changes in that estimate after the date of an exchange or sale is included in net income. The change in estimate in 2019 was due to the remeasurement of deferred tax assets relating to an increase in estimated state income tax expense.

Provision for Income Taxes

APAM's effective income tax rate for the years ended December 31, 2019 and 2018 was 10.3% and 15.8%, respectively. The decrease in effective tax rate was primarily due to the remeasurement of existing deferred tax assets resulting from an increase in Artisan's state deferred income tax rates. The increase in Artisan's state deferred income tax rates resulted in an increase to our deferred tax assets of \$23.0 million with a corresponding decrease to the provision for income taxes for the year ended December 31, 2019. The tax rate used to measure deferred taxes is comprised of enacted tax rates. Also, deferred taxes were impacted by recorded unrecognized tax benefits.

For the year ended December 31, 2019, approximately 31% of Holdings' earnings were not subject to corporate-level taxes compared to approximately 33% for the year ended December 31, 2018. As APAM's equity ownership in Holdings increases, the effective tax rate will likewise increase as more income will be subject to corporate-level taxes.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the year ended December 31, 2019, compared to the year ended December 31, 2018, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, "Earnings Per Share" in the Notes to the Consolidated Financial Statements in Item 8 of this report for further discussion of earnings per share.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

	For the Years Ended December 31,		For the Period-to-Period	
	2018	2017	\$	%
(in millions, except share and per-share data)				
Statements of operations data:				
Revenues	\$ 828.6	\$ 795.6	\$ 33.0	4 %
Operating Expenses				
Total compensation and benefits	413.2	402.9	10.3	3 %
Other operating expenses	110.5	106.3	4.2	4 %
Total operating expenses	523.7	509.2	14.5	3 %
Total operating income	304.9	286.4	18.5	6 %
Non-operating income (expense)				
Interest expense	(11.2)	(11.4)	0.2	2 %
Other non-operating income	8.1	296.2	(288.1)	(97)%
Total non-operating income (expense)	(3.1)	284.8	(287.9)	(101)%
Income before income taxes	301.8	571.2	(269.4)	(47)%
Provision for income taxes	47.6	420.5	(372.9)	(89)%
Net income before noncontrolling interests	254.2	150.7	103.5	69 %
Less: Noncontrolling interests - Artisan Partners Holdings	91.1	99.0	(7.9)	(8)%
Less: Noncontrolling interests - consolidated investment products	4.8	2.1	2.7	129 %
Net income attributable to Artisan Partners Asset Management Inc.	\$ 158.3	\$ 49.6	\$ 108.7	219 %
Share Data				
Basic and diluted earnings per share	\$ 2.84	\$ 0.75		
Basic and diluted weighted average number of common shares outstanding	48,862,435	44,647,318		

A detailed discussion of the year-over-year results for the year ended December 31, 2018 compared to the year ended December 31, 2017 can be found in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 20, 2019.

Supplemental Non-GAAP Financial Information

Our management uses non-GAAP measures (referred to as “adjusted” measures) of net income and operating income to evaluate the profitability and efficiency of the underlying operations of our business and as a factor when considering net income available for distributions and dividends. These adjusted measures remove the impact of (1) pre-offering related compensation, (2) net gain (loss) on the tax receivable agreements (if any), (3) net investment gain (loss) of investment products, and (4) the remeasurement of deferred taxes. These adjustments also remove the non-operational complexities of our structure by adding back noncontrolling interests and assuming all income of Artisan Partners Holdings is allocated to APAM. Management believes these non-GAAP measures provide more meaningful information to analyze our profitability and efficiency between periods and over time. We have included these non-GAAP measures to provide investors with the same financial metrics used by management to manage the Company.

Non-GAAP measures should be considered in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. Our non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures. Our non-GAAP measures are as follows:

- Adjusted net income represents net income excluding the impact of (1) pre-offering related compensation, (2) net gain (loss) on the tax receivable agreements (if any), (3) net investment gain (loss) of investment products, and (4) the remeasurement of deferred taxes. Adjusted net income also reflects income taxes assuming the vesting of all unvested Class A share-based awards and as if all outstanding limited partnership units of Artisan Partners Holdings had been exchanged for Class A common stock of APAM on a one-for-one basis. Assuming full vesting and exchange, all income of Artisan Partners Holdings is treated as if it were allocated to APAM, and the adjusted provision for income taxes represents an estimate of income tax expense at an effective rate reflecting APAM's current federal, state, and local income statutory tax rates. The adjusted tax rate was 24.1%, 23.5% and 37.0% for the years ended December 31, 2019, 2018 and 2017, respectively. We currently expect the 2020 adjusted tax rate to be in the range of 24.5% to 25.0%.
- Adjusted net income per adjusted share is calculated by dividing adjusted net income by adjusted shares. The number of adjusted shares is derived by assuming the vesting of all unvested Class A share-based awards and the exchange of all outstanding limited partnership units of Artisan Partners Holdings for Class A common stock of APAM on a one-for-one basis.
- Adjusted operating income represents the operating income of the consolidated company excluding pre-offering related compensation.
- Adjusted operating margin is calculated by dividing adjusted operating income by total revenues.
- Adjusted EBITDA represents adjusted net income before interest expense, income taxes, depreciation and amortization expense.

Pre-offering related compensation includes the amortization of unvested Class B common units of Artisan Partners Holdings that were granted before and were unvested at our IPO, which closed on March 12, 2013. As of July 1, 2017, all Class B common units of Artisan Partners Holdings were fully vested and expensed.

Net gain (loss) on the tax receivable agreements represents the income (expense) associated with the change in estimate of amounts payable under the tax receivable agreements entered into in connection with APAM's initial public offering and related reorganization.

Net investment gain (loss) of investment products represents the non-operating income (loss) related to the Company's seed investments, in both consolidated investment products and unconsolidated investment products. Excluding these non-operating market gains or losses on seed investments provides greater transparency to evaluate the profitability and efficiency of the underlying operations of the business.

The following table sets forth, for the periods indicated, a reconciliation from GAAP financial measures to non-GAAP measures:

	For the Years Ended December 31,		
	2019	2018	2017
(in millions, except per share data)			
Reconciliation of non-GAAP financial measures:			
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	\$ 156.5	\$ 158.3	\$ 49.6
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	80.1	91.1	99.0
Add back: Provision for income taxes	27.8	47.6	420.5
Add back: Pre-offering related compensation - share-based awards	—	—	12.7
Add back: Net (gain) loss on the tax receivable agreements	19.6	(0.3)	(290.9)
Add back: Net investment (gain) loss of investment products attributable to APAM	(9.9)	(1.1)	(1.9)
Less: Adjusted provision for income taxes	66.1	69.5	106.9
Adjusted net income (Non-GAAP)	\$ 208.0	\$ 226.1	\$ 182.1
Average shares outstanding			
Class A common shares	51.1	48.9	44.6
Assumed vesting or exchange of:			
Unvested Class A restricted share-based awards	5.1	4.8	4.2
Artisan Partners Holdings units outstanding (noncontrolling interests)	21.8	23.3	26.8
Adjusted shares	78.0	77.0	75.6
Basic and diluted earnings per share (GAAP)	\$ 2.65	\$ 2.84	\$ 0.75
Adjusted net income per adjusted share (Non-GAAP)	\$ 2.67	\$ 2.94	\$ 2.41
Operating income (GAAP)	\$ 283.5	\$ 304.9	\$ 286.4
Add back: Pre-offering related compensation - share-based awards	—	—	12.7
Adjusted operating income (Non-GAAP)	\$ 283.5	\$ 304.9	\$ 299.1
Operating margin (GAAP)	35.5 %	36.8 %	36.0 %
Adjusted operating margin (Non-GAAP)	35.5 %	36.8 %	37.6 %
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	\$ 156.5	\$ 158.3	\$ 49.6
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	80.1	91.1	99.0
Add back: Pre-offering related compensation - share-based awards	—	—	12.7
Add back: Net (gain) loss on the tax receivable agreements	19.6	(0.3)	(290.9)
Add back: Net investment (gain) loss of investment products attributable to APAM	(9.9)	(1.1)	(1.9)
Add back: Interest expense	11.1	11.2	11.4
Add back: Provision for income taxes	27.8	47.6	420.5
Add back: Depreciation and amortization	6.8	5.7	5.3
Adjusted EBITDA (Non-GAAP)	\$ 292.0	\$ 312.5	\$ 305.7

Liquidity and Capital Resources

Our working capital needs, including accrued incentive compensation payments, have been and are expected to be met primarily through cash generated by our operations. The assets and liabilities of consolidated investment products attributable to third-party investors do not impact our liquidity and capital resources. We have no right to the benefits from, nor do we bear the risks associated with, the assets and liabilities of consolidated investment products, beyond our direct equity investment and any investment management fees and incentive allocations earned. Accordingly, assets and liabilities of consolidated investment products attributable to third-party investors are excluded from the amounts and discussions below. The following table shows our liquidity position as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
	(in millions)	
Cash and cash equivalents	\$ 134.6	\$ 160.5
Accounts receivable	\$ 81.9	\$ 67.7
Seed investments ⁽¹⁾	\$ 57.8	\$ 48.3
Undrawn commitment on revolving credit facility	\$ 100.0	\$ 100.0

⁽¹⁾ Seed investments include Artisan's direct equity investments in consolidated and unconsolidated Artisan-sponsored investment products.

We manage our cash balances in order to fund our day-to-day operations. Accounts receivable primarily represent investment management fees that have been earned, but not yet received from our clients. We perform a review of our receivables on a monthly basis to assess collectability. As of December 31, 2019, none of our receivables were considered uncollectable.

We utilize capital to make seed investments in Artisan-sponsored investment products to support the development of new strategies. As of December 31, 2019, the balance of all seed investments, including investments in consolidated investment products, was \$57.8 million. The seed investments are generally redeemable at our discretion.

We have \$200 million in unsecured notes outstanding and a \$100 million revolving credit facility with a five-year term ending August 2022. The notes are comprised of three series, Series C, Series D, and Series E, each with a balloon payment at maturity. The \$100 million revolving credit facility was unused as of and for the year ended December 31, 2019.

The fixed interest rate on each series of unsecured notes is subject to a 100 basis point increase in the event Holdings receives a below-investment grade rating and any such increase will continue to apply until an investment grade rating is received. Holdings maintained an investment grade rating for the year ended December 31, 2019.

These borrowings contain certain customary covenants including limitations on Artisan Partners Holdings' ability to: (i) incur additional indebtedness or liens, (ii) engage in mergers or other fundamental changes, (iii) sell or otherwise dispose of assets including equity interests, and (iv) make dividend payments or other distributions to Artisan Partners Holdings' partners (other than, among others, tax distributions paid to partners for the purpose of funding tax liabilities attributable to their interests) when a default occurred and is continuing or would result from such a distribution. In addition, in the event of a Change of Control (as defined in the Note Purchase Agreement) or if Artisan's average assets under management for a fiscal quarter is below \$45 billion, Holdings is generally required to offer to pre-pay the notes. Artisan Partners Limited Partnership, a wholly-owned subsidiary of Holdings, has guaranteed Holdings' obligations under the terms of the Note Purchase Agreement.

In addition, covenants in the note purchase and revolving credit agreements require Artisan Partners Holdings to maintain the following financial ratios:

- leverage ratio (calculated as the ratio of consolidated total indebtedness on any date to consolidated EBITDA for the period of four consecutive fiscal quarters ended on or prior to such date) cannot exceed 3.00 to 1.00 (Artisan Partners Holdings' leverage ratio for the year ended December 31, 2019 was 0.6 to 1.00); and
- interest coverage ratio (calculated as the ratio of consolidated EBITDA for any period of four consecutive fiscal quarters to consolidated interest expense for such period) cannot be less than 4.00 to 1.00 for such period (Artisan Partners Holdings' interest coverage ratio for the year ended December 31, 2019 was 32.3 to 1.00).

Our failure to comply with any of the covenants or restrictions described above could result in an event of default under the agreements, giving our lenders the ability to accelerate repayment of our obligations. We were in compliance with all debt covenants as of December 31, 2019.

Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM, for the years ended December 31, 2019 and 2018 were as follows:

	For the Years Ended December 31,	
	2019	2018
	(in millions)	
Holdings Partnership Distributions to Limited Partners	\$ 94.8	\$ 103.4
Holdings Partnership Distributions to APAM	226.3	217.4
Total Holdings Partnership Distributions	\$ 321.1	\$ 320.8

APAM, acting as the general partner of Artisan Partners Holdings, declared, effective February 4, 2020, a distribution of \$62.2 million payable by Artisan Partners Holdings on February 21, 2020 to holders of its partnership units, including APAM, of record on February 14, 2020.

APAM declared and paid the following dividends per share during the years ended December 31, 2019 and 2018:

Type of Dividend	Class of Stock	For the Years Ended December 31,	
		2019	2018
Quarterly	Common Class A	\$ 2.36	\$ 2.40
Special Annual	Common Class A	\$ 1.03	\$ 0.79

Our board of directors declared, effective February 4, 2020, a variable quarterly dividend of \$0.68 per share with respect to the fourth quarter of 2019 and a special dividend of \$0.60. The combined amount, \$1.28 per share of Class A common stock, will be paid on February 28, 2020 to shareholders of record as of the close of business on February 14, 2020.

The variable quarterly dividend of \$0.68 per share represents approximately 80% of the cash generated in the fourth quarter of 2019 and a pro-rata portion of 2019 tax savings related to our tax receivable agreements. The special dividend represents the remainder of undistributed cash generated during the year ended December 31, 2019.

Subject to board approval each quarter, we currently expect to pay a quarterly dividend of approximately 80% of the cash the Company generates each quarter. After the end of the year, our board will consider paying a special dividend. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy or at all.

Tax Receivable Agreements ("TRAs")

In addition to funding our normal operations, we will be required to fund amounts payable under the TRAs that we entered into in connection with the IPO, which resulted in the recognition of a \$375.3 million liability as of December 31, 2019. The liability generally represents 85% of the tax benefits APAM expects to realize as a result of the merger of an entity into APAM as part of the IPO Reorganization, our purchase of partnership units from limited partners of Holdings and the exchange of partnership units (for shares of Class A common stock or other consideration). The estimated liability assumes no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the TRAs. An increase or decrease in future tax rates will increase or decrease, respectively, the expected tax benefits APAM would realize and the amounts payable under the TRAs. Changes in the estimate of expected tax benefits APAM would realize and the amounts payable under the TRAs as a result of change in tax rates have been and will be recorded in net income.

The liability will increase upon future purchases or exchanges of limited partnership units with the increase representing amounts payable under the TRAs equal to 85% of the estimated future tax benefits, if any, resulting from such purchases or exchanges. We intend to fund the payment of amounts due under the TRAs out of the reduced tax payments that APAM realizes in respect of the tax attributes to which the TRAs relate.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRAs. In such cases, we intend to fund those payments with cash on hand, although we may have to borrow funds depending on the amount and timing of the payments. During the year ended December 31, 2019, payments of \$25.1 million, including interest, were made in accordance with the TRA agreements. We expect to make payments of approximately \$27 million in 2020 related to the TRAs.

Cash Flows

	For the Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Cash, cash equivalents and restricted cash as of January 1	\$ 175.5	\$ 159.8	\$ 157.4
Net cash provided by operating activities	292.9	333.3	226.0
Net cash used in investing activities	(17.5)	(14.3)	(4.7)
Net cash used in financing activities	(306.6)	(263.5)	(218.9)
Net impact of deconsolidation of consolidated investment products	—	(39.8)	—
Cash, cash equivalents and restricted cash as of December 31,	\$ 144.3	\$ 175.5	\$ 159.8

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net cash provided by operating activities decreased \$40.4 million for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to a decrease in operating income resulting from lower average AUM and revenues as well as timing differences in working capital accounts. For the year ended December 31, 2019 compared to the year ended December 31, 2018, our operating income, excluding noncash share-based related compensation expense, decreased \$32.2 million. Working capital negatively impacted operating cash flows by \$25.6 million primarily due to an increase in accounts receivable and the timing of executive bonus payments. These decreases in cash were partially offset by an \$11.8 million reduction in cash used by consolidated investment products.

Investing activities consist primarily of acquiring and selling property and equipment, leasehold improvements and the purchase and sale of investment securities. Net cash used in investing activities increased \$3.2 million during the year ended December 31, 2019, primarily due to a \$3.9 million increase in the acquisition of leasehold improvements and property and equipment related to the relocation of several investment teams.

Financing activities consist primarily of partnership distributions to non-controlling interests, dividend payments to holders of our Class A common stock, proceeds from the issuance of Class A common stock in follow-on offerings, payments to purchase Holdings partnership units, and payments of amounts owed under the tax receivable agreements. Net cash used in financing activities increased \$43.1 million during the year ended December 31, 2019 primarily due to a \$42.7 million decrease in contributions from noncontrolling interests in our consolidated investment products and a \$20.4 million increase in dividends paid during 2019. These increases in cash usage were partially offset by an \$11.1 million decrease in payments of amounts owed under the TRAs and an \$8.6 million decrease in distributions paid to limited partners.

During the year ended December 31, 2018, the Company determined that it no longer has a controlling financial interest in an investment product that was previously consolidated. The deconsolidation of the investment product resulted in a \$39.8 million decrease in cash and cash equivalents for year ended December 31, 2018.

Contractual Obligations

The following table sets forth our contractual obligations under certain contracts as of December 31, 2019:

	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
	(in millions)				
Principal payments on borrowings	\$ 200.0	\$ —	\$ 90.0	\$ —	\$ 110.0
TRAs ⁽¹⁾	375.3	—	—	—	—
Interest payable	49.7	10.2	20.4	9.7	9.4
Lease obligations	123.1	17.0	31.6	26.6	47.9
Total Contractual Obligations	\$ 748.1	\$ 27.2	\$ 142.0	\$ 36.3	\$ 167.3

⁽¹⁾ The estimated payments under the TRAs as of December 31, 2019 are described above under “Liquidity and Capital Resources”. However, amounts payable under the TRAs will increase upon exchanges of Holdings units for our Class A common stock or sales of Holdings units to us, with the increase representing 85% of the estimated future tax benefits, if any, resulting from the exchanges or sales. The actual amount and timing of payments associated with our existing payable under our tax receivable agreements or future exchanges or sales, and associated tax benefits, will vary depending upon a number of factors as described under “—Liquidity and Capital Resources.” As a result, the timing of payments by period is currently unknown. We expect to pay approximately \$27 million in 2020 related to the TRAs.

The table above does not include income tax liabilities for unrecognized tax benefits due to the uncertainty regarding the timing and amount of future cash outflows. As of December 31, 2019, the liability was \$2.0 million, which included accrued interest of \$0.3 million.

Off-Balance Sheet Arrangements

As of December 31, 2019, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity or capital resources.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements were prepared in accordance with GAAP, and related rules and regulations of the SEC. The preparation of financial statements in conformity with GAAP requires management to make estimates or assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates or assumptions and may have a material effect on the consolidated financial statements.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial condition. Management believes that the critical accounting policies and estimates discussed below involve additional management judgment due to the sensitivity of the methods and assumptions used.

Consolidation

We consolidate all subsidiaries or other entities in which we have a controlling financial interest. We assess each legal entity in which we hold a variable interest on a quarterly basis to determine whether consolidation is appropriate. We determine whether we have a controlling financial interest in the entity by evaluating whether the entity is a voting interest entity (“VOE”) or a variable interest entity (“VIE”) under GAAP. Assessing whether an entity is a VIE or VOE and if it requires consolidation involves judgment and analysis. Factors considered in this assessment include the legal organization of the entity, our equity ownership and contractual involvement with the entity and any related party or de facto agent implications of our involvement with the entity.

Voting Interest Entities - A VOE is an entity in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity’s economic performance, whereby the equity investment has all the characteristics of a controlling financial interest. As a result, voting rights are a key driver of determining which party, if any, should consolidate the entity. Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting interests.

Variable Interest Entities - A VIE is an entity that lacks one or more of the characteristics of a VOE. In accordance with GAAP, an enterprise must consolidate all VIEs of which it is the primary beneficiary. We determine if a legal entity meets the definition of a VIE by considering whether the fund’s equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the fund’s at-risk equity holders absorb any losses, have the right to receive residual returns and have the right to direct the activities of the entity most responsible for the entity’s economic performance.

Under the VIE model, controlling financial interest is defined as (i) the power to direct activities that most significantly impact the economic performance of the entity and (ii) the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. We will generally consolidate VIEs in which we meet the power criteria and hold an equity ownership interest of greater than 10%.

We serve as the investment adviser for Artisan Funds, a family of mutual funds registered with the SEC under the Investment Company Act of 1940, and investment manager of Artisan Global Funds, a family of Ireland-based UCITS. Artisan Funds and Artisan Global Funds are corporate entities the business and affairs of which are managed by their respective boards of directors. The shareholders of the funds retain voting rights, including the right to elect and reelect members of their respective boards of directors. Each series of Artisan Funds is a VOE and is separately evaluated for consolidation under the VOE model. The shareholders of Artisan Global Funds lack simple majority liquidation rights, and as a result, Artisan Global Funds is evaluated for consolidation under the VIE model. Artisan Private Funds are also evaluated for consolidation under the VIE model because third-party equity holders of the funds lack the ability to remove Artisan as the general partner, or otherwise divest Artisan of its control of the funds.

Seed Investments - We generally make seed investments in sponsored investment portfolios at the portfolio's formation. If the seed investment results in a controlling financial interest, we will consolidate the investment, and the underlying individual securities will be accounted for based on their classification at the underlying fund. If the seed investment results in significant influence, but not control, the investment will be accounted for as an equity method investment. Significant influence is generally considered to exist with equity ownership levels between 20% and 50%, although other factors are considered. Seed investments in which we do not have a controlling financial interest or significant influence are accounted for as investment securities. These investments are measured at fair value in the Consolidated Statement of Financial Condition. Realized and unrealized gains (losses) on investment securities are recorded in net investment income in the Consolidated Statements of Operations. Dividend income from these investments is recognized when earned and is included in net investment income in the Consolidated Statements of Operations.

Revenue Recognition

Investment management fees are generally computed as a percentage of assets under management and are recognized as revenue at the end of each distinct service period. Fees for providing investment management services are computed and billed in accordance with the underlying investment management agreements, which is generally on a monthly or quarterly basis. Investment management fees are presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

A number of investment management agreements provide for performance-based fees or incentive allocations, collectively "performance fees". Performance fees, if earned, are recognized upon completion of the contractually determined measurement period, which is generally quarterly or annually. Performance fees generally are not subject to claw back as a result of performance declines subsequent to the most recent measurement date.

Artisan accounts for asset management services as a single performance obligation that is satisfied over time, using a time-based measure of progress to recognize revenue. Customer consideration is variable due to the uncertainty of the value of assets under management during each distinct service period. At the end of each quarter, Artisan records revenue for the actual amount of investment management fees for that quarter because the uncertainty has been resolved.

Performance fees are subject to the uncertainty of market volatility, and as a result, the entire amount of the variable consideration related to performance fees is constrained until the end of each measurement period. At the end of the quarterly or annual measurement period, revenue is recorded for the actual amount of performance fees earned during that period because the uncertainty has been resolved.

The investment management fees that we receive are calculated based on the values of the securities held in the accounts that we manage for our clients. For our U.S.-registered mutual fund and UCITS clients, including Artisan Funds and Artisan Global Funds, and for Artisan Private Funds, our fees are based on the values of the funds' assets as determined for purposes of calculating their net asset values. Securities held by Artisan Funds and Artisan Global Funds are generally valued at closing market prices, or if closing market prices are not readily available or are not considered reliable, at a fair value determined under procedures established by the fund's board (fair value pricing). Values of securities determined using fair value pricing are likely to be different than they would be if only closing market prices were used.

For separate account clients, our fees may be based, at the client's option, on the values of the securities in the portfolios we manage as determined by the client (or its custodian or other service provider) or by us in accordance with valuation procedures we have adopted. The valuation procedures we have adopted generally use closing market prices in the markets in which the securities trade, without adjustment for subsequent events except in unusual circumstances. We believe that our fees based on valuations determined under our procedures are not materially different from the fees we receive that are based on valuations determined by clients, their custodians or other service providers.

With the exception of the assets managed by our Credit team (which represented approximately 3.2% of our assets under management at December 31, 2019), the portfolios of Artisan Funds and Artisan Global Funds, as well as the portfolios we manage for our separate account clients, are invested principally in publicly-traded equity securities for which public market values are readily available, with a portion of each portfolio held in cash or cash-like instruments.

Income Taxes

We operate in numerous states and countries and must allocate our income, expenses, and earnings under the various laws and regulations of each of these taxing jurisdictions. Accordingly, our provision for income taxes represents our total estimate of the liability for income taxes that we have incurred in doing business each year in all of our locations. Annually, we file tax returns that represent our filing positions with each jurisdiction and settle our tax return liabilities. Each jurisdiction has the right to audit those tax returns and may take different positions with respect to income and expense allocations and taxable earnings determinations. Because the determination of our annual income tax provision is subject to judgments and estimates, actual results may vary from those recorded in our financial statements. We recognize additions to and reductions in income tax expense during a reporting period that pertains to prior period provisions as our estimated liabilities are revised and our actual tax returns and tax audits are completed.

Our management is required to exercise judgment in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowance that might be required against deferred tax assets. As of December 31, 2019, we have not recorded a valuation allowance on any deferred tax assets. In the event that sufficient taxable income of the same character does not result in future years, among other things, a valuation allowance for certain of our deferred tax assets may be required.

Payments pursuant to the Tax Receivable Agreements (“TRAs”)

We have recorded a liability of \$375.3 million as of December 31, 2019, representing 85% of the estimated future tax benefits subject to the TRAs. The actual amount and timing of any payments under these agreements will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis.

New or Revised Accounting Standards

See Note 2, “Summary of Significant Accounting Policies — Recent accounting pronouncements” to the Consolidated Financial Statements included in Item 8 of Part II of this Form 10-K.

Item 7A. Qualitative and Quantitative Disclosures Regarding Market Risk

Market Risk

Our exposure to market risk is directly related to the role of our operating company as an investment adviser for the pooled vehicles and separate accounts it manages. Essentially all of our revenues are derived from investment management agreements with these vehicles and accounts. Under these agreements, the investment management fees we receive are generally based on the value of our assets under management, our fee rates and, for the accounts on which we earn performance based fees, the investment performance of those accounts. Accordingly, if our assets under management decline as a result of market depreciation, our revenues and net income will also decline. In addition, such a decline could cause our clients to withdraw their funds in favor of investments believed to offer higher returns or lower risk, which would cause our revenues to decline further.

The value of our assets under management was \$121.0 billion as of December 31, 2019. A 10% increase or decrease in the value of our assets under management, if proportionately distributed over all our investment strategies, products and client relationships, would cause an annualized increase or decrease in our revenues of approximately \$87.1 million at our current weighted average fee rate of 72 basis points. Because of our declining rates of fee for larger relationships and differences in our rates of fee across investment strategies, a change in the composition of our assets under management, in particular an increase in the proportion of our total assets under management attributable to strategies, clients or relationships with lower effective rates of fees, could have a material negative impact on our overall weighted average rate of fee. The same 10% increase or decrease in the value of our total assets under management, if attributed entirely to a proportionate increase or decrease in the assets of each of the Artisan Funds and Artisan Global Funds, to which we provide a range of services in addition to those provided to separate accounts, would cause an annualized increase or decrease in our revenues of approximately \$110.7 million at the Artisan Funds and Artisan Global Funds aggregate weighted average fee of 92 basis points. If the same 10% increase or decrease in the value of our total assets under management was attributable entirely to a proportionate increase or decrease in the assets of each separate account we manage, it would cause an annualized increase or decrease in our revenues of approximately \$65.6 million at the current weighted average fee rate across all of our separate accounts of 54 basis points.

As is customary in the asset management industry, clients invest in particular strategies to gain exposure to certain asset classes, which exposes their investment to the benefits and risks of those asset classes. Because we believe that our clients invest in each of our strategies in order to gain exposure to the portfolio securities of the respective strategies and may implement their own risk management program or procedures, we have not adopted a corporate-level risk management policy regarding client assets, nor have we attempted to hedge at the corporate level or within individual strategies the market risks that would affect the value of our overall assets under management and related revenues. Some of these risks (e.g., sector risks and currency risks) are inherent in certain strategies, and clients may invest in particular strategies to gain exposure to particular risks. While negative returns in our investment strategies and net client cash outflows do not directly reduce the assets on our balance sheet (because the assets we manage are owned by our clients, not us), any reduction in the value of our assets under management would result in a reduction in our revenues.

We also are subject to market risk from a decline in the prices of marketable securities that we own. The total value of marketable securities we owned, including our direct equity investments in consolidated investment products, was \$57.8 million as of December 31, 2019. We invested in certain of the series of Artisan Private Funds, Artisan Funds and Artisan Global Funds in amounts sufficient to cover certain organizational expenses and to ensure that the funds had sufficient assets at the commencement of their operations to build a viable investment portfolio. Assuming a 10% increase or decrease in the values of our total marketable securities, the fair value would increase or decrease by \$5.8 million at December 31, 2019. Management regularly monitors the value of these investments; however, given their nature and relative size, we have not adopted a specific risk management policy to manage the associated market risk. Due to the nature of our business, we believe that we do not face any material risk from inflation.

Exchange Rate Risk

A substantial portion of the accounts that we advise, or sub-advise, hold investments that are denominated in currencies other than the U.S. dollar. Movements in the rate of exchange between the U.S. dollar and the underlying foreign currency affect the values of assets held in accounts we manage, thereby affecting the amount of revenues we earn. The value of the assets we manage was \$121.0 billion as of December 31, 2019. As of December 31, 2019, approximately 52% of our assets under management were invested in strategies that primarily invest in securities of non-U.S. companies and approximately 45% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. To the extent our assets under management are denominated in currencies other than the U.S. dollar, the value of those assets under management will decrease with an increase in the value of the U.S. dollar, or increase with a decrease in the value of the U.S. dollar. Each investment team monitors its own exposure to exchange rate risk and makes decisions on how to manage that risk in the portfolios managed by that team.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming that 45% of our assets under management is invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangements, a 10% increase or decrease in the value of the U.S. dollar would decrease or increase the fair value of our assets under management by \$5.4 billion, which would cause an annualized increase or decrease in revenues of approximately \$39.2 million at our current weighted average fee rate of 72 basis points.

We operate in several foreign countries of which the United Kingdom is the most prominent. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, although our revenues are predominately realized in USD. We do not believe that foreign currency fluctuations materially affect our results of operations.

Interest Rate Risk

We generally invest our available cash balances in money market mutual funds that invest primarily in U.S. Treasury or agency-backed money market instruments. These funds attempt to maintain a stable net asset value but interest rate changes or other market risks may affect the fair value of those funds' investments and, if significant, could result in a loss of investment principal. Interest rate changes affect the income we earn from our excess cash balances. As of December 31, 2019, \$30.7 million of our available cash was invested in money market funds that invested solely in U.S. Treasuries. Given the current yield on these funds, interest rate changes would not have a material impact on the income we earn from these investments. The remaining portion of our cash was held in demand deposit accounts.

Interest rate changes may affect the amount of our interest payments in connection with our revolving credit agreement, and thereby affect future earnings and cash flows. As of December 31, 2019, there were no borrowings outstanding under the revolving credit agreement.

The strategies managed by our Credit Team, which had \$3.8 billion of assets under management as of December 31, 2019, invest in fixed income securities. The values of debt instruments held by the strategy may fall in response to increases in interest rates, which would reduce our revenues.

Item 8. Financial Information and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Artisan Partners Asset Management Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of Artisan Partners Asset Management Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of changes in stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income Taxes – Deferred Tax Assets and Amounts Payable Under Tax Receivable Agreements

As described in Notes 2 and 11 to the consolidated financial statements, the Company has recorded a deferred tax assets (“DTA”) balance of \$436 million as of December 31, 2019 while the amount payable under the tax receivable agreements (“TRA”) was \$375 million. DTAs are determined by management based upon the future tax consequences attributable to temporary differences between the financial statement carrying amounts and tax bases of assets. The TRAs generally provide for payment of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that the Company actually realizes (or is deemed to realize in certain circumstances) as a result of certain tax attributes or benefits. The cash savings are calculated by comparing the Company’s actual income tax liability to the amount it would have been required to pay had it not been able to utilize any of the tax benefits subject to the TRAs. The increase in tax basis, which results in a DTA, as well as the amount and timing of any payments under these agreements, will vary depending on a number of factors, which include the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income the Company generates in the future and the tax rate then applicable, and the portion of the Company’s payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis.

The principal considerations for our determination that performing procedures relating to deferred tax assets and amounts payable under tax receivable agreements is a critical audit matter are (i) the significant audit effort necessary in performing procedures related to the aforementioned factors utilized in the estimate and the assessment of the application of the tax laws, and (ii) the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to income taxes, including controls over the deferred tax assets and tax receivable agreements. These procedures also included, among others, testing management’s process for estimating the deferred tax assets and amounts payable under tax receivable agreements, including (i) testing the factors to the Company’s estimates, including the timing of sales or exchanges by the holders of limited partnership units and the price of the Class A common stock at the time of such sales or exchanges, (ii) evaluating the reasonableness of the factors used in the Company’s estimates, including the likelihood of the Company having sufficient future taxable income to utilize the deferred tax asset and the tax rate then applicable as well as the portion of the Company’s payments under the TRA constituting imputed interest or depreciable basis or amortizable basis, and (iii) testing the impact of sales or exchanges of limited partnership units on the deferred tax asset and amounts payable under tax receivable agreements. Professionals with specialized skill and knowledge were used to assist in testing the estimates and evaluating the appropriateness of the application of the tax laws, including evaluating whether the sales or exchanges of partnership units are taxable.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 18, 2020

We have served as the Company’s auditor since 1995.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Financial Condition
(U.S. dollars in thousands, except per share amounts)

	At December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 134,621	\$ 160,463
Accounts receivable	81,868	67,691
Investment securities	23,878	18,109
Prepaid expenses	9,589	9,881
Property and equipment, net	39,495	29,138
Operating lease assets	87,155	—
Restricted cash	629	629
Deferred tax assets	435,897	429,128
Other	3,099	3,793
<i>Assets of consolidated investment products</i>		
Cash and cash equivalents	9,005	14,443
Accounts receivable and other	1,647	5,566
Investment assets, at fair value	106,736	66,173
Total assets	<u>\$ 933,619</u>	<u>\$ 805,014</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Accounts payable, accrued expenses, and other	\$ 19,926	\$ 16,772
Accrued incentive compensation	16,159	12,689
Deferred lease obligations	—	10,449
Operating lease liabilities	101,154	—
Borrowings	199,103	199,296
Amounts payable under tax receivable agreements	375,324	369,355
<i>Liabilities of consolidated investment products</i>		
Accounts payable, accrued expenses, and other	34,156	4,712
Investment liabilities, at fair value	6,186	16,905
Total liabilities	<u>\$ 752,008</u>	<u>\$ 630,178</u>
Commitments and contingencies		
Redeemable noncontrolling interests	43,110	34,349
Common stock		
Class A common stock (\$0.01 par value per share, 500,000,000 shares authorized, 56,429,825 and 54,071,188 shares outstanding at December 31, 2019 and December 31, 2018, respectively)	564	541
Class B common stock (\$0.01 par value per share, 200,000,000 shares authorized, 7,803,364 and 8,645,249 shares outstanding at December 31, 2019 and December 31, 2018, respectively)	78	86
Class C common stock (\$0.01 par value per share, 400,000,000 shares authorized, 13,568,665 and 14,226,435 shares outstanding at December 31, 2019 and December 31, 2018, respectively)	136	142
Additional paid-in capital	89,149	97,553
Retained earnings	44,455	38,617
Accumulated other comprehensive income (loss)	(1,425)	(1,895)
Total Artisan Partners Asset Management Inc. stockholders' equity	<u>132,957</u>	<u>135,044</u>
Noncontrolling interests - Artisan Partners Holdings	5,544	5,443
Total stockholders' equity	<u>\$ 138,501</u>	<u>\$ 140,487</u>
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	<u>\$ 933,619</u>	<u>\$ 805,014</u>

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Operations
(U.S. dollars in thousands, except per share amounts)

	For the Years Ended December 31,		
	2019	2018	2017
Revenues			
Management fees	\$ 794,338	\$ 825,679	\$ 795,276
Performance fees	4,614	2,956	348
Total revenues	<u>\$ 798,952</u>	<u>\$ 828,635</u>	<u>\$ 795,624</u>
Operating Expenses			
Compensation and benefits			
Salaries, incentive compensation and benefits	400,456	413,166	390,202
Pre-offering related compensation - share-based awards	—	—	12,678
Total compensation and benefits	<u>400,456</u>	<u>413,166</u>	<u>402,880</u>
Distribution, servicing and marketing	23,170	26,561	29,620
Occupancy	23,319	18,700	14,490
Communication and technology	39,499	37,164	34,073
General and administrative	29,053	28,103	28,150
Total operating expenses	<u>515,497</u>	<u>523,694</u>	<u>509,213</u>
Total operating income	283,455	304,941	286,411
Non-operating income (expense)			
Interest expense	(11,054)	(11,223)	(11,449)
Net investment gain (loss) of consolidated investment products	10,084	5,721	4,241
Other investment gain (loss)	6,338	2,098	1,123
Net gain (loss) on the tax receivable agreements	(19,557)	251	290,919
Total non-operating income (expense)	<u>(14,189)</u>	<u>(3,153)</u>	<u>284,834</u>
Income before income taxes	269,266	301,788	571,245
Provision for income taxes	27,809	47,598	420,508
Net income before noncontrolling interests	<u>241,457</u>	<u>254,190</u>	<u>150,737</u>
Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings	80,055	91,054	99,038
Less: Net income attributable to noncontrolling interests - consolidated investment products	4,866	4,827	2,100
Net income attributable to Artisan Partners Asset Management Inc.	<u>\$ 156,536</u>	<u>\$ 158,309</u>	<u>\$ 49,599</u>
Basic and diluted earnings per share	\$ 2.65	\$ 2.84	\$ 0.75
Basic and diluted weighted average number of common shares outstanding	51,127,929	48,862,435	44,647,318
Dividends declared per Class A common share	\$ 3.39	\$ 3.19	\$ 2.76

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Comprehensive Income
(U.S. dollars in thousands)

	For the Years Ended December 31,		
	2019	2018	2017
Net income before noncontrolling interests	\$ 241,457	\$ 254,190	\$ 150,737
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on investment securities:			
Unrealized gain (loss) on investment securities, net of tax of \$ 0, \$0 and \$131, respectively	—	—	542
Less: reclassification adjustment for net gains included in net income	—	—	159
Net unrealized gain (loss) on investment securities	—	—	383
Foreign currency translation gain (loss)	732	(1,002)	1,277
Total other comprehensive income (loss)	732	(1,002)	1,660
Comprehensive income	242,189	253,188	152,397
Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings	80,317	90,816	99,922
Comprehensive income attributable to noncontrolling interests - consolidated investment products	4,866	4,827	2,100
Comprehensive income attributable to Artisan Partners Asset Management Inc.	<u>\$ 157,006</u>	<u>\$ 157,545</u>	<u>\$ 50,375</u>

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Changes in Stockholders' Equity
(U.S. dollars in thousands)

	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Balance at January 1, 2017	\$ 421	\$ 151	\$ 171	\$ 119,221	\$ 13,395	\$ (1,648)	\$ (13,997)	\$ 117,714	\$ —
Net income	—	—	—	—	49,599	—	99,038	148,637	2,100
Other comprehensive income - foreign currency translation	—	—	—	—	—	830	447	1,277	—
Other comprehensive income - available for sale investments, net of tax	—	—	—	—	—	215	173	388	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(5,994)	—	(270)	6,259	(5)	—
Amortization of equity-based compensation	—	—	—	40,177	—	—	22,715	62,892	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	25,922	—	—	—	25,922	—
Issuance of Class A common stock, net of issuance costs	56	—	—	161,980	—	—	—	162,036	—
Forfeitures and employee/partner terminations	—	(1)	1	—	—	—	—	—	—
Issuance of restricted stock awards	13	—	—	(13)	—	—	—	—	—
Employee net share settlement	—	—	—	(891)	—	—	(586)	(1,477)	—
Exchange of subsidiary equity	15	(10)	(5)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(21)	(35)	(162,438)	—	—	—	(162,494)	—
Capital contributions, net	—	—	—	—	—	—	—	—	60,481
Distributions	—	—	—	—	—	—	(115,804)	(115,804)	—
Dividends	—	—	—	(30,054)	(100,864)	—	(103)	(131,021)	—
Balance at December 31, 2017	\$ 505	\$ 119	\$ 132	\$ 147,910	\$ (37,870)	\$ (873)	\$ (1,858)	\$ 108,065	\$ 62,581
Net income	—	—	—	—	158,309	—	91,054	249,363	4,827
Other comprehensive income - foreign currency translation	—	—	—	—	—	(717)	(285)	(1,002)	—
Other comprehensive income - available for sale investments, net of tax	—	—	—	—	358	(260)	—	98	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(4,878)	—	(45)	4,923	—	—
Amortization of equity-based compensation	—	—	—	37,589	—	—	15,965	53,554	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	4,376	—	—	—	4,376	—
Issuance of Class A common stock, net of issuance costs	6	—	—	21,283	—	—	—	21,289	—
Forfeitures and employee/partner terminations	5	(20)	15	—	—	—	—	—	—
Issuance of restricted stock awards	15	—	—	(15)	—	—	—	—	—
Employee net share settlement	(2)	—	—	(1,742)	—	—	(820)	(2,564)	—
Exchange of subsidiary equity	12	(7)	(5)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(6)	—	(21,472)	—	—	—	(21,478)	—
Capital contributions, net	—	—	—	—	—	—	—	—	46,572
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(79,631)
Distributions	—	—	—	—	—	—	(103,434)	(103,434)	—
Dividends	—	—	—	(85,498)	(82,180)	—	(102)	(167,780)	—
Balance at December 31, 2018	\$ 541	\$ 86	\$ 142	\$ 97,553	\$ 38,617	\$ (1,895)	\$ 5,443	\$ 140,487	\$ 34,349

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Changes in Stockholders' Equity, continued
(U.S. dollars in thousands)

	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid- in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Balance at January 1, 2019	\$ 541	\$ 86	\$ 142	\$ 97,553	\$ 38,617	\$ (1,895)	\$ 5,443	\$ 140,487	\$ 34,349
Net income	—	—	—	—	156,536	—	80,055	236,591	4,866
Other comprehensive income - foreign currency translation	—	—	—	—	—	521	211	732	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(3,533)	—	(51)	3,584	—	—
Amortization of equity-based compensation	—	—	—	31,268	—	—	11,827	43,095	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	2,716	—	—	—	2,716	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(22)	—	—	—	(22)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	10	—	—	(10)	—	—	—	—	—
Employee net share settlement	(1)	—	—	(1,470)	—	—	(607)	(2,078)	—
Exchange of subsidiary equity	14	(8)	(6)	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	3,895
Distributions	—	—	—	—	—	—	(94,842)	(94,842)	—
Dividends	—	—	—	(37,353)	(150,698)	—	(127)	(188,178)	—
Balance at December 31, 2019	\$ 564	\$ 78	\$ 136	\$ 89,149	\$ 44,455	\$ (1,425)	\$ 5,544	\$ 138,501	\$ 43,110

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

	For the Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net income before noncontrolling interests	\$ 241,457	\$ 254,190	\$ 150,737
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,233	5,668	5,297
Deferred income taxes	7,356	24,863	395,416
Asset impairment	2,107	—	—
Noncash lease expense	1,533	4,086	2,391
Net (gain) loss on seed investment securities	(5,101)	(688)	(519)
Net (gain) loss on the tax receivable agreements	19,557	(251)	(290,919)
Loss on disposal of property and equipment	275	18	69
Amortization of debt issuance costs	463	457	452
Share-based compensation	43,095	53,554	62,892
Net investment (gain) loss of consolidated investment products	(10,084)	(5,721)	(4,241)
Purchase of investments by consolidated investment products	(123,366)	(643,548)	(252,047)
Proceeds from sale of investments by consolidated investment products	75,468	611,117	190,353
Change in assets and liabilities resulting in an increase (decrease) in cash:			
Accounts receivable	(14,178)	9,002	(16,955)
Prepaid expenses and other assets	1,031	(2,275)	1,629
Accounts payable and accrued expenses	6,881	10,027	(9,202)
Class B liability awards	—	—	(506)
Net change in operating assets and liabilities of consolidated investment products	40,066	12,823	(8,893)
Net cash provided by operating activities	292,793	333,322	225,954
Cash flows from investing activities			
Acquisition of property and equipment	(3,498)	(2,834)	(1,578)
Leasehold improvements	(14,286)	(11,007)	(4,257)
Proceeds from sale of investment securities	288	—	6,382
Purchase of investment securities	(10)	(500)	(5,250)
Net cash used in investing activities	(17,506)	(14,341)	(4,703)

The accompanying notes are an integral part of the consolidated financial statements.

	For the Years Ended December 31,		
	2019	2018	2017
Cash flows from financing activities			
Partnership distributions	(94,842)	(103,434)	(115,804)
Dividends paid	(188,178)	(167,780)	(131,021)
Payment of debt issuance costs	(366)	—	(512)
Proceeds from issuance of notes payable	50,000	—	60,000
Principal payments on notes payable	(50,000)	—	(60,000)
Payment under the tax receivable agreements	(24,998)	(36,111)	(30,234)
Net proceeds from issuance of common stock	—	21,478	162,494
Payment of costs directly associated with the issuance of Class A common stock	—	(166)	(294)
Purchase of equity and subsidiary equity	—	(21,478)	(162,494)
Taxes paid related to employee net share settlement	(2,078)	(2,564)	(1,477)
Capital contributions to consolidated investment products, net	3,895	46,572	60,481
Net cash used in financing activities	<u>(306,567)</u>	<u>(263,483)</u>	<u>(218,861)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(31,280)	55,498	2,390
Net cash impact of deconsolidation of CIPs	—	(39,759)	—
Cash, cash equivalents and restricted cash			
Beginning of period	175,535	159,796	157,406
End of period	<u>\$ 144,255</u>	<u>\$ 175,535</u>	<u>\$ 159,796</u>
Cash, cash equivalents and restricted cash as of the end of the period			
Cash and cash equivalents	\$ 134,621	\$ 160,463	\$ 137,286
Restricted cash	629	629	629
Cash and cash equivalents of consolidated investment products	9,005	14,443	21,881
Cash, cash equivalents and restricted cash	<u>\$ 144,255</u>	<u>\$ 175,535</u>	<u>\$ 159,796</u>
Supplementary information			
Noncash activity:			
Establishment of deferred tax assets	\$ 35,999	\$ 24,679	\$ 146,241
Establishment of amounts payable under tax receivable agreements	30,967	20,303	120,320
Increase in investment securities due to deconsolidation of CIPs	—	11,381	—
Operating lease assets obtained in exchange for operating leases	4,162	—	—
Cash paid for:			
Interest on borrowings	\$ 10,649	\$ 10,694	\$ 11,019
Income tax	18,593	20,731	25,296

The accompanying notes are an integral part of the consolidated financial statements.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Notes to Consolidated Financial Statements

(U.S. currencies in thousands, except share and per share amounts and as otherwise indicated)

Note 1. Nature of Business and Organization

Nature of Business

Artisan Partners Asset Management Inc. (“APAM”), through its subsidiaries, is an investment management firm focused on providing high-value added, active investment strategies to sophisticated clients globally. APAM and its subsidiaries are hereafter referred to collectively as “Artisan” or the “Company”.

Artisan’s autonomous investment teams manage a broad range of U.S., non-U.S. and global investment strategies that are diversified by asset class, market cap and investment style. Strategies are offered through multiple investment vehicles to accommodate a broad range of client mandates. Artisan offers its investment management services primarily to institutions and through intermediaries that operate with institutional-like decision-making processes and have long-term investment horizons.

Organization

On March 12, 2013, APAM completed its initial public offering (the “IPO”). APAM was formed for the purpose of becoming the general partner of Artisan Partners Holdings LP (“Artisan Partners Holdings” or “Holdings”) in connection with the IPO. Holdings is a holding company for the investment management business conducted under the name “Artisan Partners”. The reorganization (“IPO Reorganization”) established the necessary corporate structure to complete the IPO while at the same time preserving the ability of the firm to conduct operations through Holdings and its subsidiaries.

As the sole general partner, APAM controls the business and affairs of Holdings. As a result, APAM consolidates Holdings’ financial statements and records a noncontrolling interest for the equity interests in Holdings held by the limited partners of Holdings. At December 31, 2019, APAM held approximately 73% of the equity ownership interest in Holdings.

Holdings, together with its wholly owned subsidiary, Artisan Investments GP LLC, controls a 100% interest in Artisan Partners Limited Partnership (“APLP”), a multi-product investment management firm that is the principal operating subsidiary of Artisan Partners Holdings. APLP is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. APLP provides investment advisory services to traditional separate accounts and pooled investment vehicles, including Artisan Partners Funds, Inc. (“Artisan Funds”), Artisan Partners Global Funds plc (“Artisan Global Funds”), and Artisan sponsored private funds (“Artisan Private Funds”). Artisan Funds are a series of open-end, diversified mutual funds registered under the Investment Company Act of 1940, as amended. Artisan Global Funds is a family of Ireland-domiciled UCITS.

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and related rules and regulations of the SEC. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates or assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates or assumptions.

Principles of consolidation

Artisan’s policy is to consolidate all subsidiaries or other entities in which it has a controlling financial interest. The consolidation guidance requires an analysis to determine if an entity should be evaluated for consolidation using the voting interest entity (“VOE”) model or the variable interest entity (“VIE”) model. Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting interests. Under the VIE model, controlling financial interest is defined as (i) the power to direct activities that most significantly impact the economic performance of the entity and (ii) the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. Artisan generally consolidates VIEs in which it meets the power criteria and holds an equity ownership interest of greater than 10%. The consolidated financial statements include the accounts of APAM and all subsidiaries or other entities in which APAM has a direct or indirect controlling financial interest. All material intercompany balances have been eliminated in consolidation.

Artisan serves as the investment adviser to Artisan Funds, Artisan Global Funds and Artisan Private Funds. Artisan Funds and Artisan Global Funds are corporate entities the business and affairs of which are managed by their respective boards of directors. The shareholders of the funds retain voting rights, including rights to elect and reelect members of their respective boards of directors. Each series of Artisan Funds is a VOE and is separately evaluated for consolidation under the VOE model. The shareholders of Artisan Global Funds lack simple majority liquidation rights, and as a result, each sub-fund of Artisan Global Funds is evaluated for consolidation under the VIE model. Artisan Private Funds are also evaluated for consolidation under the VIE model because third-party equity holders of the funds generally lack the ability to divest Artisan of its control of the funds.

From time to time, the Company makes investments in Artisan Funds, Artisan Global Funds and Artisan Private Funds. If the investment results in a controlling financial interest, APAM consolidates the fund, and the underlying activity of the entire fund is included in Artisan's Consolidated Financial Statements. As of December 31, 2019, Artisan had a controlling financial interest in three sub-funds of Artisan Global Funds and one Artisan Private Fund and, as a result, these funds are included in Artisan's Consolidated Financial Statements. Because these consolidated investment products meet the definition of investment companies under U.S. GAAP, Artisan has retained the specialized industry accounting principles for investment companies in the consolidated financial statements. See Note 6, "Variable Interest Entities and Consolidated Investment Products" for additional details.

Operating segments

Artisan operates in one segment, the investment management industry. Artisan provides investment management services to separate accounts, mutual funds and other pooled investment vehicles. Management assesses the financial performance of these vehicles on a combined basis.

Cash and cash equivalents

Artisan defines cash and cash equivalents as money market funds and other highly liquid investments with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates fair value due to the short-term nature and liquidity of these financial instruments. For disclosure purposes, cash equivalents are categorized as Level 1 in the fair value hierarchy. Cash and cash equivalents are subject to credit risk and were primarily maintained in demand deposit accounts with financial institutions or treasury money market funds. Interest and dividends related to cash and cash equivalents is recorded in net investment income in the Consolidated Statements of Operations.

Foreign currency translation

Assets and liabilities of foreign operations whose functional currency is not the U.S. dollar are translated at prevailing year-end exchange rates. Revenue and expenses of such foreign operations are translated at average exchange rates during the year. The net effect of the translation adjustment for foreign operations is included in other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income. The cumulative effect of translation adjustments is included in accumulated other comprehensive income (loss) and noncontrolling interests - Artisan Partners Holdings in the Consolidated Statements of Financial Condition, based on period-end ownership levels.

Accounts receivable

Accounts receivable are carried at invoiced amounts and consist primarily of investment management fees that have been earned, but not yet received from clients. Due to the short-term nature of the receivables, the carrying values of these assets approximate fair value. The accounts receivable balance does not include any allowance for doubtful accounts as Artisan believes all accounts receivable balances are fully collectible. There has not been any bad debt expense recorded for the years ended December 31, 2019, 2018 and 2017.

Investment securities

Investment securities consist of unconsolidated investments in shares of Artisan Funds, Artisan Global Funds, and Artisan Private Funds. Investments provide exposure to various risks, including price risk (the risk of a potential future decline in value of the investment) and foreign currency risk. Investments are carried at fair value based on net asset values as of the valuation date.

Realized and unrealized gains (losses) on unconsolidated investment securities are recorded in other investment gain (loss) in the Consolidated Statements of Operations. Dividend income from these investments is recognized when earned and is also included in other investment gain (loss). Prior to 2018, unrealized investments gains (losses) were recorded as a component of other comprehensive income in equity.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation is generally recognized on a straight-line basis over the estimated useful lives of the respective assets or the remaining lease term, whichever is shorter. The estimated useful lives of property and equipment as of December 31, 2019 are as follows:

Property and Equipment Type	Useful Life
Computers and equipment	Five years
Computer software	Three years
Furniture and fixtures	Seven years
Leasehold improvements	Three to 14 years

Property and equipment is tested for impairment when there is an indication that the carrying amount of an asset may not be recoverable. When an asset is determined to not be recoverable, the impairment loss is measured based on the excess, if any, of the carrying value of the asset over its fair value.

Leases

Artisan has lease commitments for office space, parking structures, and equipment, which are all accounted for as operating leases. Artisan records expense for operating leases on a straight-line basis over the lease term. Any lease incentives received by Artisan are also amortized on a straight-line basis over the lease term.

Artisan assesses its contractual arrangements for the existence of a lease at inception. Operating leases with an initial term greater than 12 months are recorded as operating lease assets and operating lease liabilities in the Consolidated Statements of Financial Condition. Lease components (e.g. fixed rental payments) and non-lease components (e.g. fixed common-area maintenance costs) are generally accounted for as a single component.

Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Operating lease assets are recognized at the lease commencement date based on the present value of lease payments over the lease term, adjusted for prepaid rent and the remaining balance of lease incentives received. Artisan's lease agreements generally do not provide an implicit interest rate, and therefore the present value calculation uses Artisan's estimated incremental borrowing rate. A market-based approach was used to estimate the incremental borrowing rate for each individual lease using observable market interest rates and Artisan specific inputs. The lease terms include periods covered by options to extend or exclude periods covered by options to terminate the lease when it is reasonably certain that Artisan will exercise that option.

Restricted cash

Restricted cash represents cash that is restricted as collateral on a standby letter of credit related to a lease obligation.

Cash and cash equivalents of consolidated investment products

Cash and cash equivalents of consolidated investment products consist of highly liquid investments, including money market funds. See Note 6, "Variable Interest Entities and Consolidated Investment Products" for additional details.

Investment assets and liabilities of consolidated investment products

Investment assets and liabilities of consolidated investment products primarily consist of equity and fixed income securities. The carrying value of the investment assets and liabilities is also their fair value. Changes in the fair value of the investments are recognized as gains and losses in earnings. Equity securities are generally valued based upon closing market prices of the security on the principal exchange on which the security is traded. Fixed income securities include corporate bonds, convertible bonds and bank loans. Fixed income securities are generally valued based on the judgment of pricing vendors. See Note 6, "Variable Interest Entities and Consolidated Investment Products" for additional details.

Redeemable noncontrolling interests

Redeemable noncontrolling interests represent third-party investors' ownership interest in consolidated investment products. Third-party investors in consolidated investment products generally have the right to withdraw their capital, subject to certain conditions. Noncontrolling interests of consolidated investment products that are currently redeemable or convertible for cash or other assets at the option of the holder are classified as temporary equity.

Revenue recognition

Artisan's revenue is derived from contracts with customers in the form of investment management fees, performance-based fees and incentive allocations.

Investment Management Fees

Investment management fees are generally computed as a percentage of assets under management and are recognized as revenue at the end of each distinct service period. Fees for providing investment advisory services are computed and billed in accordance with the underlying investment management agreements, which is generally on a monthly or quarterly basis. Investment management fees are presented net of cash rebates and fees waived pursuant to contractual expense limitations of certain funds or voluntary waivers.

Performance Fees

A number of investment management agreements provide for performance-based fees or incentive allocations, collectively "performance fees". Performance fees, if earned, are recognized upon completion of the contractually determined measurement period, which is generally quarterly or annually. Performance fees are not subject to claw back as a result of performance declines subsequent to the most recent measurement date.

Revenue Recognition

Artisan accounts for asset management services as a single performance obligation that is satisfied over time, using a time-based measure of progress to recognize revenue. Customer consideration is variable due to the uncertainty of the value of assets under management during each distinct service period. At the end of each quarter, Artisan records revenue for the actual amount of investment management fees earned for that quarter because the uncertainty has been resolved.

Performance fees are subject to the uncertainty of market volatility, and as a result, the entire amount of the variable consideration related to performance fees is constrained until the end of each measurement period. At the end of the quarterly or annual measurement period, revenue is recorded for the actual amount of performance fees earned during that period because the uncertainty has been resolved. For performance fees with annual measurement periods, revenue recognized in the current quarter relates to performance obligations that were partially satisfied in prior periods.

Customer Rebates, Waivers and Expense Reimbursements

Artisan has contractually agreed to waive its investment management fees or reimburse for expenses incurred to the extent necessary to limit annualized ordinary operating expenses incurred by certain funds to not more than a fixed percentage of the funds' average daily net assets. Artisan may also contractually agree to pay fee rebates to certain clients. Artisan accounts for all waivers, reimbursements, and rebates as a reduction of the transaction price (and, hence, of revenue) because the billing adjustments and payments represent consideration payable to customers and Artisan does not receive any distinct goods or services from the customers in exchange.

Pre-offering related compensation - share-based awards

Prior to the IPO Reorganization, Holdings granted Class B share-based awards to certain employees. These awards vested over a period of five years and became fully vested on July 1, 2017.

Share-based compensation

Share-based compensation expense is recognized based on the estimated grant date fair value on a straight-line basis over the requisite service period of the award. The initial requisite service period is generally five years for restricted share-based awards. The Company's accounting policy is to record the impact of forfeitures when they occur.

Distribution, servicing and marketing

Artisan Funds has authorized certain financial services companies, broker-dealers, banks or other intermediaries, and in some cases other organizations designated by an authorized intermediary, to accept purchase, exchange, and redemption orders for shares of Artisan Funds on the funds' behalf. Many intermediaries charge a fee for accounting and shareholder services provided to fund shareholders on the funds' behalf. Those services typically include recordkeeping, transaction processing for shareholders' accounts, and other services.

The fee is either based on the number of accounts to which the intermediary provides such services or a percentage of the average daily value of fund shares held in such accounts. The funds pay a portion of such fees directly to the intermediaries, which are intended to compensate the intermediary for its provision of services of the type that would be provided by the funds' transfer agent or other service providers if the shares were registered directly on the books of the funds' transfer agent. Artisan pays the balance of those fees which includes compensation to the intermediary for its distribution, servicing and marketing of Artisan Funds shares.

Artisan Global Funds also have arrangements pursuant to which Artisan is required to pay a portion of its investment management fee for distribution, servicing and marketing of Artisan Global Funds shares.

Distribution, servicing and marketing fees paid by Artisan are presented as an operating expense as Artisan is the principal in its role as the primary obligor related to these services. Fees paid to intermediaries were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fees paid with respect to Artisan Funds	\$ 20,096	\$ 22,822	\$ 25,697
Fees paid with respect to Global Funds	424	1,002	1,731
Other marketing expenses	2,650	2,737	2,192
Total distribution, servicing and marketing	\$ 23,170	\$ 26,561	\$ 29,620

Accrued fees to intermediaries were \$3.3 million and \$2.7 million as of December 31, 2019 and 2018, respectively, and are included in accounts payable, accrued expenses and other in the Consolidated Statements of Financial Condition.

Loss contingencies

Artisan considers the assessment of loss contingencies as a significant accounting policy because of the significant uncertainty relating to the outcome of any potential legal actions and other claims and the difficulty of predicting the likelihood and range of the potential liability involved, coupled with the material impact on Artisan's results of operations that could result from legal actions or other claims and assessments. Artisan recognizes estimated costs to defend as incurred. Potential loss contingencies are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Significant differences could exist between the actual cost required to investigate, litigate and/or settle a claim or the ultimate outcome of a suit and management's estimate. These differences could have a material impact on Artisan's results of operations, financial position, or cash flows. Recoveries of losses are recognized in the Consolidated Statements of Operations when receipt is deemed probable. No loss contingencies were recorded at December 31, 2019, 2018 and 2017. Currently, there are no legal or administrative proceedings that management believes may have a material effect on Artisan's consolidated financial position, cash flows or results of operations.

Income taxes

Artisan accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Artisan recognizes a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Artisan accounts for uncertain income tax positions by recognizing the impact of a tax position in its consolidated financial statements when Artisan believes it is more likely than not that the tax position would not be sustained upon examination by the appropriate tax authorities based on the technical merits of the position.

Comprehensive income (loss)

Total comprehensive income (loss) includes net income and other comprehensive income. Other comprehensive income (loss) consists of foreign currency translation. Prior to 2018, other comprehensive income (loss) also includes the change in unrealized gains (losses) on available-for-sale investments, net of related tax effects.

Partnership distributions

Artisan makes distributions to its partners for purposes of paying income taxes as required under the terms of Artisan Partners Holdings' partnership agreement. Tax distributions are calculated utilizing the highest combined individual federal, state and local income tax rate among the various locations in which the partners, as a result of owning their interests in the partnership, are subject to tax, assuming maximum applicability of the phase-out of itemized deductions contained in the Internal Revenue Code for tax years prior to 2018. Artisan also makes additional distributions under the terms of the partnership agreement. Distributions are recorded in the financial statements on the declaration date.

Earnings per Share

Basic earnings per share is computed under the two-class method by dividing income available to Class A common stockholders by the weighted average number of Class A common shares outstanding during the period. Unvested restricted share-based awards are excluded from the number of Class A common shares outstanding for the basic earnings per share calculation because the shares have not yet been earned by employees. Income available to Class A common stockholders is computed by reducing net income attributable to APAM by earnings (both distributed and undistributed) allocated to participating securities, according to their respective rights to participate in those earnings. Unvested share-based awards are participating securities because the awards include non-forfeitable dividend rights during the vesting period. Class B and Class C common shares do not share in profits of APAM and therefore are not reflected in the calculations.

Diluted earnings per share is computed by increasing the denominator by the amount of additional Class A common shares that would have been outstanding if all potential Class A common shares had been issued. The numerator is also increased for the net income allocated to the potential Class A common shares. Potential dilutive Class A common shares consist of (1) the Class A common shares issuable upon exchange of Holdings limited partnership units for APAM Class A common stock and (2) unvested restricted share-based awards.

Recent accounting pronouncements

Accounting standards adopted as of January 1, 2019

In February 2016, the FASB issued ASU 2016-02, *Leases*, which introduced a lessee model that brings most leases on the balance sheet. The Company adopted the new standard on January 1, 2019, using the modified retrospective transition method that does not adjust comparative periods. The adoption had no impact on previously reported results, and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

In accordance with the adoption of the new lease standard, the Company recorded operating lease assets and operating lease liabilities in the Consolidated Statements of Financial Condition. The adoption of ASU 2016-02 had no impact on the Consolidated Statements of Operations for the year ended December 31, 2019, and did not impact operating, financing or investing cash flows in the Consolidated Statements of Cash Flows for the year ended December 31, 2019.

Artisan elected to adopt the short-term lease exemption, which allows companies to exclude contracts that have an initial term of 12 months or less. Artisan also elected the package of practical expedients available for existing contracts which allowed the Company to carry forward historical assessments of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. Additionally, Artisan elected the practical expedient to account for lease and non-lease components as a single component. See Note 16, "Leases" for additional information.

Accounting standards not yet adopted

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The capitalized implementation costs will be expensed over the term of the hosting arrangement. The Company currently expenses implementation costs in hosting arrangements as the costs are incurred. The new guidance was effective on January 1, 2020. The Company expects certain types of costs will be capitalized that would have previously been expensed as incurred, but does not expect the impact to be material to the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which requires entities to measure credit losses on financial assets based on expected losses rather than incurred losses. The guidance was effective on January 1, 2020 and requires a modified retrospective approach to adoption. The adoption of this guidance did not have a material impact on the consolidated financial statements.

Note 3. Investment Securities

The disclosures below include details of Artisan's investments, excluding money market funds and consolidated investment products. Investments held by consolidated investment products are described in Note 6, "Variable Interest Entities and Consolidated Investment Products".

	As of December 31, 2019	As of December 31, 2018
Investments in equity securities	\$ 7,543	\$ 5,857
Investments in equity securities accounted for under the equity method	16,335	12,252
Total investment securities	\$ 23,878	\$ 18,109

Artisan's investments in equity securities consist of investments in shares of Artisan Funds, Artisan Global Funds and Artisan Private Funds. The table below presents the net investment income activity related to these investment securities:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net gains (losses) recognized on investment securities	\$ 5,101	\$ 688
Less: Net realized gains (losses) recognized on investment securities sold during the period	250	157
Unrealized gains (losses) recognized on investment securities held as of the end of the period	\$ 4,851	\$ 531

Note 4. Fair Value Measurements

The table below presents information about Artisan’s assets and liabilities that are measured at fair value and the valuation techniques Artisan utilized to determine such fair value. The financial instruments held by consolidated investment products are excluded from the table below and are presented in Note 6, “Variable Interest Entities and Consolidated Investment Products”.

In accordance with ASC 820, fair value is defined as the price that Artisan would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

- Level 1 – Observable inputs such as quoted (unadjusted) market prices in active markets for identical securities.
- Level 2 – Other significant observable inputs (including but not limited to quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).
- Level 3—Significant unobservable inputs (including Artisan’s own assumptions in determining fair value).

The following provides the hierarchy of inputs used to derive fair value of Artisan’s assets and liabilities that are financial instruments as of December 31, 2019 and 2018:

Assets and Liabilities at Fair Value					
	Total	NAV Practical Expedient (No Fair Value Level)	Level 1	Level 2	Level 3
December 31, 2019					
Assets					
Money market funds	\$ 30,673	\$ —	\$ 30,673	\$ —	\$ —
Equity securities	23,878	15,068	8,810	—	—
December 31, 2018					
Assets					
Money market funds	\$ 57,790	\$ —	\$ 57,790	\$ —	\$ —
Equity securities	18,109	12,252	5,857	—	—

Fair values determined based on Level 1 inputs utilize quoted market prices for identical assets. Level 1 assets generally consist of money market funds, open-end mutual funds and UCITS funds. Equity securities without a fair value level consist of the Company’s investments in Artisan Private Funds, which are measured at the underlying fund’s net asset value (“NAV”), using the ASC 820 practical expedient. The NAV is provided by the fund and is derived from the fair values of the underlying investments as of the reporting date. Cash maintained in demand deposit accounts is excluded from the table above.

Note 5. Borrowings

Artisan’s borrowings consist of the following as of December 31, 2019 and 2018:

	Maturity	As of December 31, 2019	As of December 31, 2018	Interest Rate Per Annum
Revolving credit agreement	August 2022	—	—	NA
Senior notes				
Series B	August 2019	—	50,000	5.32 %
Series C	August 2022	90,000	90,000	5.82 %
Series D	August 2025	60,000	60,000	4.29 %
Series E	August 2027	50,000	—	4.53 %
Total borrowings		\$ 200,000	\$ 200,000	

The fair value of borrowings was approximately \$202.8 million as of December 31, 2019. Fair value was determined based on future cash flows, discounted to present value using current market interest rates. The inputs are categorized as Level 2 in the fair value hierarchy, as defined in Note 4, “Fair Value Measurements”.

Senior notes - On August 16, 2017, Holdings issued \$60 million of 4.29% Series D senior notes and used the proceeds to repay the \$60 million of 4.98% Series A senior notes that matured on August 16, 2017. In addition, Holdings amended and extended its \$100 million revolving credit facility for an additional five-year period.

On August 16, 2019, Holdings issued \$50 million of 4.53% Series E senior notes and used the proceeds to repay the \$50 million of 5.32% Series B senior notes that matured on August 16, 2019.

The fixed interest rate on each series of unsecured notes is subject to a one percentage point increase in the event Holdings receives a below-investment grade rating and any such increase will continue to apply until an investment grade rating is received.

Revolving credit agreement - Any loans outstanding under the revolving credit agreement bear interest at a rate per annum equal to, at the Company's election, (i) LIBOR adjusted by a statutory reserve percentage plus an applicable margin ranging from 1.50% to 2.50%, depending on Holdings' leverage ratio (as defined in the revolving credit agreement) or (ii) an alternate base rate equal to the highest of (a) Citibank, N.A.'s prime rate, (b) the federal funds effective rate plus 0.50%, and (c) the daily one-month LIBOR adjusted by a statutory reserve percentage plus 1.00%, plus, in each case, an applicable margin ranging from 0.50% to 1.50%, depending on Holdings' leverage ratio. Unused commitments will bear interest at a rate that ranges from 0.175% to 0.500%, depending on Holdings' leverage ratio.

As of and for the year-ended December 31, 2019, there were no borrowings outstanding under the revolving credit agreement and the interest rate on the unused commitment was 0.175%.

The unsecured notes and the revolving credit agreement contain certain restrictive financial covenants including a limitation on the leverage ratio of Holdings and a minimum interest coverage ratio. The Company was in compliance with all debt covenants as of December 31, 2019.

Interest expense incurred on the unsecured notes and revolving credit agreement was \$10.5 million, \$10.6 million, and \$10.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, the aggregate maturities of debt obligations, based on their contractual terms, are as follows:

2020	\$	—
2021		—
2022		90,000
2023		—
2024		—
Thereafter		110,000
Total	\$	200,000

Note 6. Variable Interest Entities and Consolidated Investment Products

Artisan serves as the investment adviser for various types of investment products, consisting of both VIEs and VOs. Artisan consolidates an investment product if it has a controlling financial interest in the entity. See Note 2, "Summary of Significant Accounting Policies". Any such entities are collectively referred to herein as consolidated investment products or CIPs.

As of December 31, 2019, Artisan is considered to have a controlling financial interest in three sub-funds of Artisan Global Funds and one Artisan Private Fund with an aggregate direct equity investment in the consolidated investment products of \$33.9 million.

Artisan's maximum exposure to loss in connection with the assets and liabilities of CIPs is limited to its direct equity investment, while the potential benefit is limited to the management fee and incentive allocation received and the return on its equity investment. With the exception of Artisan's direct equity investment, the assets of CIPs are not available to Artisan's creditors, nor are they available to Artisan for general corporate purposes. In addition, third-party investors in the CIPs have no recourse to the general credit of the Company.

Management fees and incentive allocations earned from CIPs are eliminated from revenue upon consolidation. See Note 17, "Related Party Transactions" for additional information on management fees and incentive allocations earned from CIPs.

Third-party investors' ownership interest in CIPs is presented as redeemable noncontrolling interest in the Consolidated Statements of Financial Condition as third-party investors have the right to withdraw their capital, subject to certain conditions. Net income attributable to third-party investors is reported as net income attributable to noncontrolling interests - consolidated investment products in the Consolidated Statements of Operations.

During the year ended December 31, 2019, the Company determined that it no longer had a controlling financial interest in one sub-fund of Artisan Global Funds as a result of third party capital contributions. Upon loss of control, the VIE was deconsolidated and the related assets, liabilities and equity of the fund were derecognized from the Company's Consolidated Statements of Financial Condition. There was no net impact to the Consolidated Statements of Operations for the year ended December 31, 2019. Artisan generally does not recognize a gain or loss upon deconsolidation of investment products because the assets and liabilities of CIPs are carried at fair value. Upon deconsolidation, Artisan's \$0.9 million direct equity investment was reclassified from investment assets of consolidated investment products to investment securities in the Company's Consolidated Statements of Financial Condition.

As of December 31, 2019, Artisan held direct equity investments of \$16.3 million in VIEs for which the Company does not hold a controlling financial interest. These direct equity investments consisted of seed investments in sub-funds of Artisan Global Funds and Artisan Private Funds, both of which are accounted for under the equity method of accounting because Artisan has significant influence over the funds.

Fair Value Measurements - Consolidated Investment Products

The carrying value of CIPs' investments is also their fair value. Short and long positions on equity securities are valued based upon closing prices of the security on the exchange or market designated by the accounting agent or pricing vendor as the principal exchange. The closing price may represent last sale price, official closing price, a closing auction or other information depending on market convention. Short and long positions on fixed income instruments are valued at market value. Market values are generally evaluations based on the judgment of pricing vendors, which may consider, among other factors, the prices at which securities actually trade, broker-dealer quotations, pricing formulas, estimates of market values obtained from yield data relating to investments or securities with similar characteristics and/or discounted cash flow models that might be applicable.

The following tables present the fair value hierarchy levels of assets and liabilities held by CIPs measured at fair value as of December 31, 2019 and 2018:

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
December 31, 2019				
Assets				
Money market funds	\$ 5,005	\$ 5,005	\$ —	\$ —
Equity securities - long position	9,933	9,933	—	—
Fixed income instruments - long position	96,681	—	96,681	—
Derivative assets	122	22	100	—
Liabilities				
Fixed income instruments - short position	\$ 6,005	\$ —	\$ 6,005	\$ —
Derivative liabilities	181	—	181	—
December 31, 2018				
Assets				
Money market funds	\$ 13,141	\$ 13,141	\$ —	\$ —
Equity securities - long position	7,817	7,196	—	621
Fixed income instruments - long position	57,621	—	57,621	—
Derivative assets	735	—	735	—
Liabilities				
Fixed income instruments - short position	\$ 16,567	\$ —	\$ 16,567	\$ —
Derivative liabilities	338	—	338	—

CIP balances included in the Company's consolidated statements of financial condition were as follows:

	As of December 31, 2019	As of December 31, 2018
Net CIP assets included in the table above	\$ 105,555	\$ 62,409
Net CIP assets not included in the table above	(28,509)	2,156
Total Net CIP assets	77,046	64,565
Less: redeemable noncontrolling interests	43,110	34,349
Artisan's direct equity investment in CIPs	\$ 33,936	\$ 30,216

Note 7. Noncontrolling Interests - Holdings

Net income attributable to noncontrolling interests - Artisan Partners Holdings in the Consolidated Statements of Operations represents the portion of earnings or loss attributable to the equity ownership interests in Holdings held by the limited partners of Holdings. As of December 31, 2019, APAM held approximately 73% of the equity ownership interests in Holdings.

Limited partners of Artisan Partners Holdings are entitled to exchange partnership units (along with a corresponding number of shares of Class B or C common stock of APAM) for shares of Class A common stock from time to time (the "Holdings Common Unit Exchanges"). The Holdings Common Unit Exchanges increase APAM's equity ownership interest in Holdings and result in an increase to deferred tax assets and amounts payable under the tax receivable agreements. See Note 11, "Income Taxes and Related Payments".

In order to maintain the one-to-one correspondence of the number of Holdings partnership units and APAM common shares, Holdings will issue one general partner ("GP") unit to APAM for each share of Class A common stock issued by APAM. For the years ended December 31, 2019, 2018 and 2017, APAM's equity ownership interest in Holdings has increased as a result of the following transactions:

	Holdings GP Units	Limited Partnership Units	Total	APAM Ownership %
Balance at January 1, 2017	42,149,436	32,205,433	74,354,869	57 %
Issuance of APAM Restricted Shares, Net	1,218,604	—	1,218,604	1 %
2017 Follow-On Offering	5,626,517	(5,626,517)	—	7 %
Holdings Common Unit Exchanges	1,472,197	(1,472,197)	—	2 %
Forfeitures from Employee Terminations ⁽¹⁾	(3,628)	—	(3,628)	— %
Balance at December 31, 2017	50,463,126	25,106,719	75,569,845	67 %
Issuance of APAM Restricted Shares, Net ⁽¹⁾	1,440,282	—	1,440,282	— %
2018 Follow-On Offering	644,424	(644,424)	—	1 %
Holdings Common Unit Exchanges	1,590,611	(1,590,611)	—	2 %
Forfeitures from Employee Terminations ⁽¹⁾	(67,255)	—	(67,255)	— %
Balance at December 31, 2018	54,071,188	22,871,684	76,942,872	70 %
Issuance of APAM Restricted Shares, Net ⁽¹⁾	876,271	—	876,271	— %
Holdings Common Unit Exchanges	1,499,655	(1,499,655)	—	3 %
Forfeitures from Employee Terminations ⁽¹⁾	(17,289)	—	(17,289)	— %
Balance at December 31, 2019	56,429,825	21,372,029	77,801,854	73 %

⁽¹⁾ The impact of the transaction on APAM's ownership percentage was less than 1%.

Changes in ownership of Holdings are accounted for as equity transactions because APAM continues to have a controlling interest in Holdings. Additional paid-in capital and noncontrolling interests - Artisan Partners Holdings in the Consolidated Statements of Financial Condition are adjusted to reallocate Holdings' historical equity to reflect the change in APAM's ownership of Holdings.

The reallocation of equity had the following impact on the Consolidated Statements of Financial Condition:

Statement of Financial Condition	For the Years Ended December 31,	
	2019	2018
Additional paid-in capital	\$ (3,533)	\$ (4,878)
Noncontrolling interest - Artisan Partners Holdings	3,584	4,923
Accumulated other comprehensive income (loss)	(51)	(45)
Net impact to financial condition	\$ —	\$ —

In addition to the reallocation of historical equity, the change in ownership resulted in an increase to deferred tax assets and additional paid-in capital of \$0.7 million and \$0.8 million for the years ended December 31, 2019 and 2018, respectively.

Note 8. Stockholders' Equity

APAM - Stockholders' Equity

APAM had the following authorized and outstanding equity as of December 31, 2019 and 2018, respectively:

	Authorized	Outstanding		Voting Rights ⁽¹⁾	Economic Rights
		December 31, 2019	December 31, 2018		
Common shares					
Class A, par value \$0.01 per share	500,000,000	56,429,825	54,071,188	1 vote per share	Proportionate
Class B, par value \$0.01 per share	200,000,000	7,803,364	8,645,249	1 vote per share	None
Class C, par value \$0.01 per share	400,000,000	13,568,665	14,226,435	1 vote per share	None

⁽¹⁾ The Company's employees to whom Artisan has granted equity have entered into a stockholders agreement with respect to all shares of APAM common stock they have acquired from the Company and any shares they may acquire from the Company in the future, pursuant to which they granted an irrevocable voting proxy to a Stockholders Committee. As of December 31, 2019, Artisan's employees held 4,898,297 restricted shares of Class A common stock and all 7,803,364 outstanding shares of Class B common stock, all of which were subject to the agreement.

APAM is dependent on cash generated by Holdings to fund any dividends. Generally, Holdings will make distributions to all of its partners, including APAM, based on the proportionate ownership each holds in Holdings. APAM will fund dividends to its stockholders from its proportionate share of those distributions after provision for its taxes and other obligations. APAM declared and paid the following dividends per share during the years ended December 31, 2019, 2018 and 2017:

Type of Dividend	Class of Stock	For the Years Ended December 31,		
		2019	2018	2017
Quarterly	Common Class A	\$ 2.36	\$ 2.40	\$ 2.40
Special Annual	Common Class A	\$ 1.03	\$ 0.79	\$ 0.36

The following table summarizes APAM’s stock transactions for the years ended December 31, 2019, 2018 and 2017:

	Total Stock Outstanding	Class A Common Stock⁽¹⁾	Class B Common Stock	Class C Common Stock
Balance at January 1, 2017	74,354,869	42,149,436	15,142,049	17,063,384
2017 Follow-On Offering	—	5,626,517	(2,104,517)	(3,522,000)
Holdings Common Unit Exchanges	—	1,472,197	(1,048,917)	(423,280)
Restricted Share Award Grants	1,267,250	1,267,250	—	—
Restricted Share Award Net Share Settlement	(48,646)	(48,646)	—	—
Employee/Partner Terminations	(3,628)	(3,628)	(66,423)	66,423
Balance at December 31, 2017	75,569,845	50,463,126	11,922,192	13,184,527
2018 Follow-On Offering	—	644,424	(644,424)	—
Holdings Common Unit Exchanges	—	1,590,611	(606,066)	(984,545)
Restricted Share Award Grants	1,517,724	1,517,724	—	—
Restricted Share Award Net Share Settlement	(77,442)	(77,442)	—	—
Employee/Partner Terminations	(67,255)	(67,255)	(2,026,453)	2,026,453
Balance at December 31, 2018	76,942,872	54,071,188	8,645,249	14,226,435
Holdings Common Unit Exchanges	—	1,499,655	(841,885)	(657,770)
Restricted Share Award Grants	959,000	959,000	—	—
Restricted Share Award Net Share Settlement	(82,729)	(82,729)	—	—
Employee/Partner Terminations	(17,289)	(17,289)	—	—
Balance at December 31, 2019	77,801,854	56,429,825	7,803,364	13,568,665

⁽¹⁾ There were 297,891, 246,581, and 178,401 restricted stock units outstanding at December 31, 2019, 2018, and 2017, respectively. Restricted stock units are not reflected in the table because they are not considered outstanding or issued stock.

Each Class A, Class B, Class D and Class E common unit of Holdings (together with the corresponding share of Class B or Class C common stock) is exchangeable for one share of Class A common stock. The corresponding shares of Class B and Class C common stock are immediately canceled upon any such exchange.

Upon termination of employment with Artisan, an employee-partner’s Class B common units are exchanged for Class E common units and the corresponding shares of Class B common stock are canceled. APAM issues the former employee-partner a number of shares of Class C common stock equal to the former employee-partner’s number of Class E common units. Class E common units are exchangeable for Class A common stock subject to the same restrictions and limitations on exchange applicable to the other common units of Holdings.

Artisan Partners Holdings - Partners’ Equity

Holdings makes distributions of its net income to the holders of its partnership units for income taxes as required under the terms of the partnership agreement and also makes additional distributions under the terms of the partnership agreement. The distributions are recorded in the financial statements on the declaration date, or on the payment date in lieu of a declaration date. Holdings’ partnership distributions for the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Holdings Partnership Distributions to Limited Partners	\$ 94,842	\$ 103,434	\$ 115,804
Holdings Partnership Distributions to APAM	226,245	217,396	197,070
Total Holdings Partnership Distributions	\$ 321,087	\$ 320,830	\$ 312,874

The distributions are recorded as a reduction to consolidated stockholders’ equity, with the exception of distributions made to APAM, which are eliminated upon consolidation.

Note 9. Revenue From Contracts with Customers

The following table presents a disaggregation of revenue by type and vehicle for the years ended December 31, 2019, 2018 and 2017:

	For the Years Ended December 31,		
	2019	2018	2017
<i>Management fees</i>			
Artisan Funds	\$ 452,504	\$ 487,041	\$ 472,502
Artisan Global Funds	32,332	35,007	30,107
Separate accounts ⁽¹⁾	309,502	303,631	292,667
<i>Performance fees</i>			
Separate accounts ⁽¹⁾	4,614	2,956	348
Total revenues⁽²⁾	\$ 798,952	\$ 828,635	\$ 795,624

⁽¹⁾ Separate account revenue consists of management fees and performance fees earned from vehicles other than Artisan Funds or Artisan Global Funds, which includes traditional separate accounts, Artisan-branded collective investment trusts and funds (both public and private) that Artisan advises, including Artisan Private Funds.

⁽²⁾ All management fees and performance fees from consolidated investment products were eliminated upon consolidation and therefore are omitted from this table.

The following table presents the balances of receivables related to contracts with customers:

	December 31,	
	2019	2018
Customer		
Artisan Funds	\$ 6,703	\$ 5,418
Artisan Global Funds	3,588	417
Separate accounts	69,413	59,787
Total receivables from contracts with customers	\$ 79,704	\$ 65,622
Non-customer receivables	2,164	2,069
Accounts receivable	\$ 81,868	\$ 67,691

Artisan Funds and Artisan Global Funds are billed on the last day of each month. Artisan Funds and Artisan Global Funds make payments on the same day the invoice is received for the majority of the invoiced amount. The remainder of the invoice is generally paid in the month following receipt of the invoice. Separate account clients are generally billed on a monthly or quarterly basis, with payments due within 30 days of billing.

Artisan had no other contract assets or liabilities from contracts with customers as of December 31, 2019 or December 31, 2018.

Note 10. Compensation and Benefits

Total compensation and benefits consists of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Salaries, incentive compensation and benefits ⁽¹⁾	\$ 358,339	\$ 360,287	\$ 341,060
Restricted share-based award compensation expense	42,117	52,879	49,142
Total salaries, incentive compensation and benefits	400,456	413,166	390,202
Pre-offering related compensation - share-based awards	—	—	12,678
Total compensation and benefits	\$ 400,456	\$ 413,166	\$ 402,880

⁽¹⁾ Excluding restricted share-based award compensation expense

Incentive compensation

Cash incentive compensation paid to members of Artisan’s investment teams and members of its distribution teams is generally based on formulas that are tied directly to revenues. These payments are made in the quarter following the quarter in which the incentive was earned with the exception of fourth quarter payments which are paid in the fourth quarter of the year. Cash incentive compensation paid to most other employees is discretionary and subjectively determined based on individual performance and Artisan’s overall results during the applicable year and is generally paid on an annual basis.

Restricted share-based awards

Artisan has registered 14,000,000 shares of Class A common stock for issuance under the 2013 Omnibus Incentive Compensation Plan (the “Plan”). Pursuant to the Plan, APAM has granted a combination of restricted stock awards and restricted stock units (collectively referred to as “restricted share-based awards” or “awards”) of Class A common stock to employees. Restricted share-based awards have a pro-rata five year vesting requirement. Certain restricted share-based awards will vest or become eligible to vest only upon a combination of both (1) pro-rata annual time vesting and (2) a qualifying retirement (as defined in the award agreements).

A portion of the restricted share-based awards granted to portfolio managers contain a Franchise Protection Clause, which provides that the number of awards that ultimately vest depends on meeting certain conditions related to client cash flows. If such conditions are not met, compensation cost will be reversed for any awards that do not vest. The fair value, requisite service period and expense recognition for these awards are determined in the same manner as the other restricted share-based awards.

Unvested restricted share-based awards are subject to forfeiture. Grantees are entitled to dividends or dividend equivalents on unvested and vested awards. 5,601,288 shares of Class A common stock were reserved and available for issuance under the Plan as of December 31, 2019.

The following table summarizes the restricted share-based award activity for the years ended December 31, 2019, 2018 and 2017:

	Weighted-Average Grant Date Fair Value	Number of Awards
Unvested at January 1, 2017	\$ 44.47	3,394,910
Granted	28.30	1,268,500
Forfeited	39.56	(3,628)
Vested	48.06	(645,796)
Unvested at January 1, 2018	\$ 38.79	4,013,986
Granted	39.32	1,518,974
Forfeited	36.09	(67,255)
Vested	44.50	(787,248)
Unvested at January 1, 2019	\$ 38.04	4,678,457
Granted	22.92	963,000
Forfeited	34.61	(17,289)
Vested	39.21	(618,746)
Unvested at December 31, 2019	\$ 35.00	5,005,422

The aggregate vesting date fair value of awards that vested during the years ended December 31, 2019, 2018 and 2017 was approximately \$ 15.9 million, \$25.8 million, and \$19.8 million, respectively. The unrecognized compensation expense for the unvested restricted share-based awards as of December 31, 2019 was \$ 82.0 million with a weighted average recognition period of 3.2 years remaining.

During the years ended December 31, 2019 and 2018, the Company withheld a total of 82,729 and 77,442 restricted shares, respectively, as a result of net share settlements to satisfy employee tax withholding obligations. The Company paid \$2.1 million and \$2.6 million in employee tax withholding obligations related to these settlements during the years ended December 31, 2019 and 2018, respectively. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the number of shares outstanding.

Pre-offering related compensation - share-based awards

Prior to the IPO, Holdings granted Class B share-based awards to certain employees. These awards vested over a period of five years and became fully vested on July 1, 2017.

Note 11. Income Taxes and Related Payments

APAM is subject to U.S. federal, state and local income taxation on APAM’s allocable portion of Holdings’ income, as well as foreign income taxes payable by Holdings’ subsidiaries. Components of the provision for income taxes consist of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$ 13,609	\$ 18,247	\$ 21,960
State and local	6,315	3,993	2,663
Foreign	529	495	469
Total	<u>20,453</u>	<u>22,735</u>	<u>25,092</u>
Deferred:			
Federal	22,310	22,218	396,502
State and local	(14,954)	2,645	(1,086)
Total	<u>7,356</u>	<u>24,863</u>	<u>395,416</u>
Income tax expense	<u>\$ 27,809</u>	<u>\$ 47,598</u>	<u>\$ 420,508</u>

The provision for income taxes differs from the amount of income tax computed by applying the applicable U.S. statutory federal income tax rate to income before provision for income taxes as follows:

	Years Ended December 31,		
	2019	2018	2017
U.S. federal statutory rate	21.0 %	21.0 %	35.0 %
State and local taxes, net of federal tax effect	2.8	2.1	0.9
Non-deductible share-based compensation	—	—	0.5
Rate benefit from the flow through entity	(6.7)	(6.7)	(6.2)
Tax Reform - change in federal corporate tax rate	—	—	43.9
Change in state tax rate	(6.8)	—	—
Unrecognized tax benefits	0.6	—	—
Other	(0.6)	(0.6)	(0.5)
Effective tax rate	<u>10.3 %</u>	<u>15.8 %</u>	<u>73.6 %</u>

The effective tax rate includes a rate benefit attributable to the fact that, for the years ended December 31, 2019, 2018 and 2017, approximately 31%, 33% and 38%, respectively, of Artisan Partners Holdings’ taxable earnings were attributable to other partners and not subject to corporate-level taxes. The effective tax rate was also reduced in the year ended December 31, 2019, due to the remeasurement of existing deferred tax assets resulting from an increase in Artisan's state deferred income tax rates. The effective tax rate was also lower than the statutory rate due to dividends paid on unvested restricted share-based awards, net of higher tax expense related to the vesting of restricted share-based awards.

The Tax Cuts and Jobs Act (“Tax Reform”) was enacted in December 2017. As a result of Tax Reform, existing deferred tax assets were remeasured to reflect the reduction in the enacted U.S. federal corporate tax rate. The tax rate used to measure deferred tax assets changed from 37.0% to 23.5% as of December 31, 2017, which resulted in a reduction to deferred tax assets of \$352.0 million with a corresponding increase to the provision for income taxes for the year ended December 31, 2017.

In connection with the IPO, APAM entered into two tax receivable agreements (“TRAs”). The first TRA, generally provides for the payment by APAM to a private equity fund (the “Pre-H&F Corp Merger Shareholder”) or its assignees of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) the tax attributes of the preferred units APAM acquired in the merger of a wholly-owned subsidiary of the Pre-H&F Corp Merger Shareholder into APAM in March 2013, (ii) net operating losses available as a result of the merger and (iii) tax benefits related to imputed interest.

The second TRA generally provides for the payment by APAM to current or former limited partners of Holdings or their assignees of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of their partnership units sold to APAM or exchanged (for shares of Class A common stock, convertible preferred stock or other consideration) and that are created as a result of such sales or exchanges and payments under the TRAs and (ii) tax benefits related to imputed interest. Under both agreements, APAM generally will retain the benefit of the remaining 15% of the applicable tax savings.

For purposes of the TRAs, cash savings of income taxes are calculated by comparing APAM's actual income tax liability to the amount it would have been required to pay had it not been able to utilize any of the tax benefits subject to the TRAs, unless certain assumptions apply. The TRAs will continue in effect until all such tax benefits have been utilized or expired, unless APAM exercises its right to terminate the agreements or payments under the agreements are accelerated in the event that APAM materially breaches any of its material obligations under the agreements.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis.

Payments under the TRAs, if any, will be made pro rata among all TRA counterparties entitled to payments on an annual basis to the extent APAM has sufficient taxable income to utilize the increased depreciation and amortization charges and imputed interest deductions. Artisan expects to make one or more payments under the TRAs, to the extent they are required, prior to or within 125 days after APAM's U.S. federal income tax return is filed for each fiscal year. Interest on the TRA payments will accrue at a rate equal to one-year LIBOR plus 100 basis points from the due date (without extension) of such tax return until such payments are made.

Amounts payable under tax receivable agreements are estimates which may be impacted by factors, including but not limited to, expected tax rates, projected taxable income, and projected ownership levels and are subject to change. Changes in the estimates of amounts payable under tax receivable agreements are recorded as non-operating income (loss) in the Consolidated Statements of Operations.

The change in the Company's deferred tax assets related to the tax benefits described above and the change in corresponding amounts payable under the TRAs for the years ended December 31, 2019 and 2018 is summarized as follows:

	Deferred Tax Asset - Amortizable Basis	Amounts Payable Under Tax Receivable Agreements
December 31, 2017	\$ 410,690	\$ 385,413
2018 Follow-On Offering	7,687	6,534
2018 Holdings Common Unit Exchanges	16,199	13,770
Amortization	(29,851)	—
Payments under TRAs ⁽¹⁾	—	(36,111)
Change in estimate	(10)	(251)
December 31, 2018	\$ 404,715	\$ 369,355
2019 Holdings Common Unit Exchanges	13,424	11,410
Amortization	(31,872)	—
Payments under TRAs ⁽¹⁾	—	(24,998)
Change in estimate	21,873	19,557
December 31, 2019	\$ 408,140	\$ 375,324

⁽¹⁾ Interest payments of \$ 78 thousand and \$ 115 thousand were paid in addition to these TRA payments for the years ended December 31, 2019 and 2018, respectively.

Net deferred tax assets comprise the following:

	<u>As of December 31, 2019</u>	<u>As of December 31, 2018</u>
Deferred tax assets:		
Amortizable basis ⁽¹⁾	\$ 408,140	\$ 404,715
Other ⁽²⁾	27,757	24,413
Total deferred tax assets	435,897	429,128
Less: valuation allowance ⁽³⁾	—	—
Net deferred tax assets	\$ 435,897	\$ 429,128

⁽¹⁾ Represents the unamortized step-up of tax basis and other tax attributes from the merger and partnership unit sales and exchanges described above. These future tax benefits are subject to the TRA agreements.

⁽²⁾ Represents the net deferred tax assets associated with the merger described above and other miscellaneous deferred tax assets. These future tax benefits are not subject to the TRA agreements.

⁽³⁾ Artisan assessed whether the deferred tax assets would be realizable and determined based on its history of taxable income that the benefits would more likely than not be realized. Accordingly, no valuation allowance is required.

Accounting standards establish a minimum threshold for recognizing, and a process for measuring, the benefits of income tax return positions in financial statements. The change in the Company's gross unrecognized tax benefits for the years ended December 31, 2019, 2018 and 2017 is summarized as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance at beginning of year	\$ —	\$ —	\$ —
Additions for tax positions of prior years	1,667	—	—
Reductions for tax positions of prior years	—	—	—
Tax positions related to the current year	—	—	—
Settlements with taxing authorities	—	—	—
Expirations of statute of limitations	—	—	—
Balance at End of Year	\$ 1,667	\$ —	\$ —

If recognized, \$1.6 million of the benefits would favorably impact the effective tax rate in future periods. The total amount of unrecognized tax benefits is currently not expected to significantly increase or decrease within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. Accrued interest on uncertain tax positions was \$0.3 million as of December 31, 2019, and is excluded from the unrecognized tax benefits total above. The gross unrecognized tax benefit is recorded within accounts payable, accrued expenses, and other in the Company's Consolidated Statements of Financial Condition.

In the normal course of business, Artisan is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2019, U.S. federal income tax returns for the years 2016 through 2018 are open and therefore subject to examination. State, local and foreign income tax returns filed are generally subject to examination from 2015 to 2018.

Note 12. Earnings Per Share

The computation of basic and diluted earnings per share under the two-class method for the years ended December 31, 2019, 2018 and 2017 were as follows:

Basic and Diluted Earnings Per Share	For the Years Ended December 31,		
	2019	2018	2017
<i>Numerator:</i>			
Net income attributable to APAM	\$ 156,536	\$ 158,309	\$ 49,599
Less: Allocation to participating securities	21,154	19,447	16,026
Net income available to common stockholders	\$ 135,382	\$ 138,862	\$ 33,573
<i>Denominator:</i>			
Weighted average shares outstanding	51,127,929	48,862,435	44,647,318
Earnings per share	\$ 2.65	\$ 2.84	\$ 0.75

Allocation to participating securities in the table above primarily represents dividends paid to holders of unvested restricted share-based awards, which reduces net income available to common stockholders.

There were no dilutive securities outstanding during the years ended December 31, 2019, 2018 and 2017. The Holdings limited partnership units are anti-dilutive primarily due to the impact of public company expenses. Unvested restricted share-based awards are considered participating securities and are therefore anti-dilutive.

The following table summarizes the weighted-average shares outstanding that are excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive:

Anti-Dilutive Weighted Average Shares Outstanding	For the Years Ended December 31,		
	2019	2018	2017
Holdings limited partnership units	21,827,809	23,351,440	26,837,118
Unvested restricted share-based awards	5,026,357	4,813,895	4,153,260
Total	26,854,166	28,165,335	30,990,378

Note 13. Benefit Plans

Artisan has a 401(k) plan and similar foreign arrangements for its non-U.S. employees, under which it provides a matching contribution on employees' pre-tax contributions. Expenses related to Artisan's benefits plans for the years ended December 31, 2019, 2018 and 2017 were \$7.2 million, \$6.9 million and \$6.4 million, respectively, and are included in compensation and benefits in the Consolidated Statements of Operations.

Artisan provides an opportunity for eligible employees to participate in Artisan's financial growth and success through phantom equity awards, pursuant to the Artisan Partners Holdings LP Phantom Equity Plan. The phantom equity awards provide participants the right to receive cash payments upon vesting based on the trading price of APAM's Class A common stock. Awards made under the Phantom Equity Plan are liability awards and are subject to vesting on a pro-rata basis over five years. Award recipients must be employed by Artisan on the vesting date in order to receive payment.

Expense related to the plan for the years ended December 31, 2019, 2018 and 2017 was \$0.9 million, \$0.5 million and \$0.6 million, respectively, and is included in compensation and benefits in the Consolidated Statements of Operations. The liability at December 31, 2019 and 2018 for the plan was \$0.9 million and \$0.4 million, respectively.

Note 14. Indemnifications

In the normal course of business, APAM enters into agreements that include indemnities in favor of third parties. Holdings has also agreed to indemnify APAM as its general partner, Artisan Investment Corporation ("AIC") as its former general partner, the directors and officers of APAM, the directors and officers of AIC as its former general partner, the members of its former Advisory Committee, and its partners, directors, officers, employees and agents. Holdings' subsidiaries may also have similar agreements to indemnify their respective general partner(s), directors, officers, directors and officers of their general partner(s), partners, members, employees, and agents. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against us that have not yet occurred. APAM maintains insurance policies that may provide coverage against certain claims under these indemnities.

Note 15. Property and Equipment

The composition of property and equipment at December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019	2018
Computers and equipment	\$ 7,105	\$ 8,000
Computer software	4,112	4,554
Furniture and fixtures	11,780	10,566
Leasehold improvements	48,119	37,551
Total Cost	\$ 71,116	\$ 60,671
Less: Accumulated depreciation	(31,621)	(31,533)
Property and equipment, net of accumulated depreciation	\$ 39,495	\$ 29,138

Depreciation expense totaled \$6.8 million, \$5.6 million and \$5.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 16. Leases

Operating lease expense was as follows:

Lease Type	Classification	For the year ended December 31, 2019
Parking leases	Compensation and benefits	\$ 519
Office leases ⁽¹⁾	Occupancy	15,931
Variable lease cost ⁽²⁾	Occupancy	118
Short-term lease cost ⁽²⁾	Occupancy	369
Sublease income	Occupancy	(286)
Office equipment leases	Communication and technology	305
Total operating lease expense		\$ 16,956

⁽¹⁾ Office lease expense includes a \$ 1.5 million charge related to the abandonment of a leased office space during the year ended December 31, 2019, as discussed below.

⁽²⁾ Variable and short-term lease costs are excluded from the measurement of operating lease liabilities.

During the year ended December 31, 2019, the Company recognized an asset impairment loss of \$2.1 million related to the abandonment of a leased office location. The loss is recorded in occupancy expense based on the present value of expected future cash flows and consists of a \$1.5 million lease asset impairment and a \$0.6 million property impairment.

Operating lease expense was \$13.9 million and \$10.5 million for the years ended December 31, 2018 and 2017, respectively, under ASC Topic 840.

The table below presents the maturity of operating lease liabilities:

	As of December 31, 2019
2020	\$ 16,483
2021	16,378
2022	14,949
2023	13,416
2024	13,111
Thereafter	47,839
Total undiscounted lease payments	122,176
Adjustment to discount to present value	(21,022)
Operating lease liabilities	\$ 101,154

As of December 31, 2019, there were not any leases that were signed but not yet commenced, and none of the options to extend lease terms were reasonably certain of being exercised. Other information related to leases was as follows:

	For the Year Ended December 31, 2019
Weighted average discount rate	4.7 %
Weighted average remaining lease term	8.1 years
Operating cash flows for operating leases	14,183

Note 17. Related Party Transactions

Several of the current executive officers and directors of APAM, or entities associated with those individuals, are limited partners of Holdings. As a result, certain transactions (such as TRA payments) between Artisan and the limited partners of Holdings are considered to be related party transactions with respect to these persons.

Holdings also makes estimated state tax payments on behalf of certain limited partners, including related parties. These payments are then netted from subsequent distributions to the limited partners. At December 31, 2019 and 2018, accounts receivables included \$0.9 million and \$0.6 million, respectively, of partnership tax reimbursements due from Holdings' limited partners, including related parties.

Affiliate transactions—Artisan Funds

Artisan has an agreement to serve as the investment adviser to Artisan Funds, with which certain Artisan employees are affiliated. Under the terms of the agreement, which generally is reviewed and continued by the board of directors of Artisan Funds annually, a fee is paid to Artisan based on an annual percentage of the average daily net assets of each Artisan Fund ranging from 0.625% to 1.05%. Artisan has contractually agreed to waive its management fees or reimburse for expenses incurred to the extent necessary to limit annualized ordinary operating expenses incurred by certain of the Artisan Funds to not more than a fixed percentage (ranging from 0.88% to 1.50%) of a fund's average daily net assets. In addition, Artisan may voluntarily waive fees or reimburse any of the Artisan Funds for other expenses. The officers and directors of Artisan Funds who are affiliated with Artisan receive no compensation from the funds.

Fees for managing Artisan Funds and amounts waived or reimbursed by Artisan for fees and expenses (including management fees) are as follows:

Artisan Funds	For the Years Ended December 31,		
	2019	2018	2017
Investment management fees (Gross of fee waivers/expense reimbursements)	\$ 452,895	\$ 487,460	\$ 472,501
Fee waivers / expense reimbursements	\$ 391	\$ 419	\$ 504

Affiliate transactions—Artisan Global Funds

Artisan has an agreement to serve as the investment manager to Artisan Global Funds, with which certain Artisan employees are affiliated. Under the terms of these agreements, a fee is paid based on an annual percentage of the average daily net assets of each fund ranging from 0.75% to 1.85%. Artisan reimburses each sub-fund of Artisan Global Funds to the extent that sub-fund's annual expenses, not including Artisan's fee, exceed certain levels, which range from 0.10% to 0.20%. In addition, Artisan may voluntarily waive fees or reimburse any of the Artisan Global Funds for other expenses. The directors of Artisan Global Funds who are also employees of Artisan receive no compensation from the funds.

Fees for managing Artisan Global Funds and amounts reimbursed to Artisan Global Funds by Artisan are as follows:

Artisan Global Funds	For the Years Ended December 31,		
	2019	2018	2017
Investment management fees (Gross of fee waivers / expense reimbursements)	\$ 32,577	\$ 35,070	\$ 30,107
Elimination of management fees from consolidated investment products ⁽¹⁾	(67)	(62)	—
Consolidated investment management fees (Gross of fee waivers / expense reimbursements)	\$ 32,510	\$ 35,008	\$ 30,107
Fee waivers / expense reimbursements	\$ 514	\$ 386	\$ 218
Elimination of fee waivers / expense reimbursements from consolidated investment products ⁽¹⁾	(336)	(385)	—
Consolidated fee waivers / expense reimbursements	\$ 178	\$ 1	\$ 218

⁽¹⁾ Investment management fees and expense waivers related to consolidated investment products were eliminated from revenue upon consolidation.

Affiliate transactions - Artisan Private Funds

Pursuant to written agreements, Artisan serves as the investment manager and acts as the general partner for certain Artisan Private Funds. Under the terms of these agreements, Artisan earns a management fee and for certain funds is entitled to receive either an allocation of profits or a performance-based fee. In addition, for a period of time following the formation of each private fund, Artisan has agreed to reimburse the fund to the extent that expenses, excluding Artisan's management fee, performance fee and transaction related costs, exceed certain levels, which range from 0.10% to 1.00% per annum of the net assets of the fund. Artisan may also voluntarily waive fees or reimburse the funds for other expenses.

Artisan and certain related parties, including employees, officers and members of the Company's board have invested in one or more of the funds and currently do not pay a management fee, performance fee or incentive allocation.

Fees for managing the Artisan Private Funds and amounts reimbursed to Artisan Private Funds by Artisan are as follows:

Artisan Private Funds	For the Years Ended December 31,		
	2019	2018	2017
Investment management fees (Gross of fee waivers / expense reimbursements)	\$ 3,042	\$ 739	\$ 39
Investment performance fees	211	559	50
Elimination of management fees and performance fees from consolidated investment products ⁽¹⁾	(369)	(286)	(89)
Consolidated investment management fees (Gross of fee waivers / expense reimbursements)	\$ 2,884	\$ 1,012	\$ —
Fee waivers / expense reimbursements	\$ 219	\$ 206	\$ 290
Elimination of fee waivers / expense reimbursements from consolidated investment products ⁽¹⁾	(114)	(206)	(290)
Consolidated fee waivers / expense reimbursements	\$ 105	\$ —	\$ —

⁽¹⁾ Investment management fees and expense waivers related to consolidated investment products were eliminated from revenue upon consolidation.

Note 18. Geographic Information

Artisan generates a portion of its revenues from clients domiciled in various countries outside the United States. Revenues by geographic location based on client domicile for the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
U.S.	\$ 666,650	\$ 698,994	\$ 679,331
Non-U.S.	132,302	129,641	116,293
Total revenues	\$ 798,952	\$ 828,635	\$ 795,624

The following table sets forth Artisan's long-lived assets by geographic area, which consist of net property and equipment and operating lease assets:

	As of December 31,	
	2019	2018
U.S.	\$ 121,146	\$ 28,313
Non-U.S.	5,504	825
Total long-lived assets	\$ 126,650	\$ 29,138

Note 19. Litigation Matters

In the normal course of business, Artisan may be subject to various legal and administrative proceedings. Currently, there are no legal or administrative proceedings that management believes may have a material effect on Artisan's consolidated financial position, cash flows or results of operations.

Note 20. Selected Quarterly Financial Data (Unaudited)

The following table presents unaudited quarterly results of operations for 2019 and 2018. These quarterly results reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results. Revenues and net income can vary significantly from quarter to quarter due to the nature of Artisan's business activities.

	For the Quarters Ended			
	March 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019
Total revenues	\$ 186,962	\$ 200,727	\$ 202,961	\$ 208,302
Operating income	\$ 57,732	\$ 70,858	\$ 75,548	\$ 79,317
Net income attributable to noncontrolling interests-Artisan Partners Holdings	\$ 17,309	\$ 19,795	\$ 20,556	\$ 22,395
Net income attributable to noncontrolling interests- consolidated investment products	\$ 970	\$ 990	\$ 400	\$ 2,506
Net income attributable to Artisan Partners Asset Management Inc.	\$ 31,539	\$ 39,188	\$ 41,256	\$ 44,553
Earnings per basic and diluted share:	\$ 0.47	\$ 0.66	\$ 0.71	\$ 0.76

	For the Quarters Ended			
	March 31, 2018	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018
Total revenues	\$ 212,008	\$ 212,296	\$ 212,788	\$ 191,543
Operating income	\$ 79,986	\$ 78,877	\$ 81,837	\$ 64,241
Net income attributable to noncontrolling interests-Artisan Partners Holdings	\$ 26,052	\$ 23,307	\$ 24,021	\$ 17,674
Net income (loss) attributable to noncontrolling interests- consolidated investment products	\$ 4,338	\$ 2,332	\$ 178	\$ (2,021)
Net income attributable to Artisan Partners Asset Management Inc.	\$ 41,274	\$ 42,006	\$ 42,518	\$ 32,511
Earnings per basic and diluted share:	\$ 0.75	\$ 0.72	\$ 0.77	\$ 0.57

The summation of quarterly earnings per share does not equal annual earnings per share because the calculations are performed independently.

Note 21. Subsequent Events

Restricted share-based awards

During the first quarter of 2020, the board of directors of APAM approved the grant of 979,455 restricted share-based awards to certain employees pursuant to the Company's 2013 Omnibus Incentive Plan. Compensation expense associated with these awards is expected to be approximately \$34.2 million, which will be recognized on a straight-line basis over the requisite service period.

Distributions and dividends

APAM, acting as the general partner of Artisan Partners Holdings, declared, effective February 4, 2020, a distribution by Artisan Partners Holdings of \$62.2 million to holders of Artisan Partners Holdings partnership units, including APAM. The board of directors of APAM declared, effective February 4, 2020, a quarterly dividend of \$0.68 per share of Class A common stock and a special annual dividend of \$0.60 per share of Class A common stock. Both APAM common stock dividends, a total of \$1.28 per share, are payable on February 28, 2020 to shareholders of record as of February 14, 2020.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) at December 31, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Report of Management on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Company management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the 2013 version of the Internal Control - Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on that assessment, Company management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8, which expresses an unqualified opinion on the effectiveness of internal control over financial reporting as of December 31, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the name, age and position of each of our directors at February 14, 2020:

Name	Age	Position
Matthew R. Barger	62	Independent Director
Eric R. Colson	50	President, Chief Executive Officer and Chairman of the Board
Tench Coxe	62	Independent Director
Stephanie G. DiMarco	62	Independent Director
Jeffrey A. Joerres	60	Independent Director
Andrew A. Ziegler	62	Lead Independent Director

Mr. Barger has served on our board of directors since February of 2013. Mr. Barger is Chair of the Nominating and Corporate Governance Committee and also serves on the Audit Committee. He is currently the managing member of MRB Capital, LLC, and he has been a senior advisor at Hellman & Friedman LLC (“H&F”) since 2007. Prior to 2007, he served in a number of roles at H&F, including managing general partner and chairman of the investment committee. Mr. Barger was a member of the advisory committee of Artisan Partners Holdings from January 1995 to the completion of our initial public offering in March 2013. Prior to joining H&F, Mr. Barger was an associate in the corporate finance department of Lehman Brothers Kuhn Loeb. He has been a director of Hall Capital Partners LLC since 2007 and has served on the advisory board of Stonyrock Partners LP since 2019. Mr. Barger’s expertise in the investment management industry and his broad experience in public and private directorships, finance, corporate strategy and business development provide valuable insight to our board.

Mr. Colson has been President, Chief Executive Officer and a director of Artisan Partners Asset Management since March 2011 and has served as Chairman of the board of directors since August 1, 2015. He has also been a director of Artisan Partners Funds, Inc. since November 2013. Mr. Colson has served as chief executive officer of Artisan Partners since January 2010. Before serving as Artisan Partners’ chief executive officer, Mr. Colson served as chief operating officer for investment operations from March 2007 through January 2010. Mr. Colson has been a managing director of Artisan Partners since he joined the Company in January 2005. Mr. Colson’s experience as our Chief Executive Officer makes him well qualified to serve both as a director and as Chairman of the board. Our board of directors values his substantial experience in the investment management industry and his extensive knowledge of our business.

Mr. Coxe has served on our board of directors since February of 2013 and currently serves on the Compensation Committee and Nominating and Corporate Governance Committee. He has been a managing director of Sutter Hill Ventures since 1989 and joined that firm in 1987 following his tenure with Digital Communications Associates in Atlanta. Prior to that, Mr. Coxe worked with Lehman Brothers in New York City, where he was a corporate finance analyst specializing in mergers and acquisitions as well as debt and equity financing. Mr. Coxe was a member of Artisan Partners Holdings’ advisory committee from January 1995 to the completion of our initial public offering in March 2013. He currently serves on the boards of directors of Nvidia Corporation and PINC Solutions and is a former director of Mattersight Corporation. Mr. Coxe’s wide-ranging leadership experience and his experiences with both public and private directorships enable him to provide additional insight to our board of directors and its committees.

Ms. DiMarco has served on our board of directors since February 2013. Ms. DiMarco is Chair of the Audit Committee and also serves on the Compensation Committee. Ms. DiMarco founded Advent Software, Inc. in June 1983 and served Advent in various capacities over time, including as chair of its board of directors (September 2013 to July 2015), chief executive officer (May 2003 to June 2012) and chief financial officer (July 2008 to September 2009). She currently serves on the advisory board of the College of Engineering at the University of California Berkeley and the board of directors of Summer Search, a non-profit organization. She is a member of several private company boards and is an advisor to NYCA, a venture capital firm. She is a former member of the board of trustees of the University of California Berkeley Foundation, a former advisory board member of the Haas School of Business at the University of California Berkeley and a former trustee of the San Francisco Foundation where she chaired the investment committee. Ms. DiMarco’s extensive experience in technological developments for the investment management industry provides useful insight to our board of directors and her management experience as a founder, officer and director of Advent provide perspective on the management and operations of a public company. In addition, her extensive financial and accounting experience strengthens our board through her understanding of accounting principles, financial reporting rules and regulations, and internal controls.

Mr. Joerres has served on our board of directors since February of 2013. He is currently Chair of the Compensation Committee and serves as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Joerres was executive chairman and chairman of the board of directors of ManpowerGroup until his retirement in December 2015. From April 1999 until May 2014, he served as chief executive officer of ManpowerGroup. Mr. Joerres currently serves on the boards of directors of ConocoPhillips and Western Union, and is a member of the Committee for Economic Development. He is also past chairman and director of the Federal Reserve Bank of Chicago, a former director of Johnson Controls International plc, and a former trustee of the U.S. Council for International Business. Our board of directors values Mr. Joerres's global operating and leadership experience and his innovative approach to optimizing human capital. In addition, his substantial experience on public company boards enables him to provide guidance to our board with respect to the management and operations of a public company.

Mr. Ziegler has served on our board of directors since March 2011 and is currently its Lead Independent Director. Mr. Ziegler served as Chairman of the board of directors from March 2011 to August 2015 and was our Executive Chairman from March 2011 to March 2014. Mr. Ziegler was a managing director and the chief executive officer of Artisan Partners Holdings from its founding in 1994 through January 2010. Our board of directors values Mr. Ziegler's operating and leadership experience as our founder and past executive chairman. His extensive knowledge of our business and the investment management industry provide our board with insight into the Company and valuable continuity of leadership.

Under the terms of our stockholders agreement, our stockholders committee, which has the authority to vote approximately 17% of the combined voting power of our capital stock, is required to vote the shares subject to the agreement for the election of each of Mr. Barger and Mr. Colson. Under the agreement, Artisan is required to use its best efforts to elect Mr. Barger and Mr. Colson, which efforts must include soliciting proxies for, and recommending that the Company's stockholders vote in favor of, the election of each. For more information on the stockholders agreement and stockholders committee see Item 13 of this report.

Certain information regarding our executive officers is included at the end of Part I of this Form 10-K under the heading "Information about our Executive Officers".

Code of Ethics

Our board of directors has adopted a Code of Business Conduct applicable to all directors, officers and employees of the Company to provide a framework for the highest standards of professional conduct and foster a culture of honesty and accountability. The Code of Business Conduct satisfies applicable SEC requirements and NYSE listing standards. The Code of Business Conduct is available under the Corporate Governance link on our website at www.apam.com.

We intend to post on our website at www.apam.com, all disclosures that are required by law or NYSE listing standards concerning any amendments to, or waivers from, any provision of our Code of Business Conduct.

The Board of Directors and its Committees

The board of directors conducts its business through meetings of the board and through meetings of its committees. The board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The current members and chairpersons of the committees are:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Matthew R. Barger	X		Chair
Tench Coxé		X	X
Stephanie G. DiMarco	Chair	X	
Jeffrey A. Joerres	X	Chair	X
Andrew A. Ziegler			

The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised solely of directors who meet the independence requirements under NYSE listing standards and the Securities Exchange Act, and who are "financially literate" under NYSE rules. The board of directors has determined that each member of the Audit Committee has "accounting or related financial management expertise" and qualifies as an "audit committee financial expert".

Item 11. Executive Compensation

Compensation Discussion and Analysis

Summary

The core elements of our named executive officers' compensation are base salary, a performance based cash bonus, and performance based equity awards with long-term vesting provisions. For 2019, 93% of our Chief Executive Officer's compensation was performance based. For our other named executive officers, performance based compensation ranged from 79% to 93% percent of 2019's total compensation.

The following table shows the elements of compensation paid to our Chief Executive Officer, Chief Financial Officer and the three other most highly compensated officers (collectively, the named executive officers) with respect to 2019, 2018 and 2017. The amounts in this table vary from the data and reporting conventions required by SEC rules in the Summary Compensation Table below.

Name & Principal Position	Year	Performance Based Compensation					Total Direct Compensation	Performance Based as % of Total
		Salary	Cash Bonus	Equity Awards				
				Standard Grant	Career Grant			
Eric R. Colson Chief Executive Officer	2019	\$ 500,000	\$ 4,750,000	\$ 786,750	\$ 786,750	\$ 6,823,500	93%	
	2018	437,500	5,000,000	222,828	222,806	5,883,134	93%	
	2017	250,000	5,000,000	521,388	521,387	6,292,775	96%	
Charles J. Daley, Jr. Chief Financial Officer	2019	300,000	1,850,000	76,050	76,050	2,302,100	87%	
	2018	287,500	1,950,000	57,300	57,300	2,352,100	88%	
	2017	250,000	1,950,000	129,855	129,855	2,459,710	90%	
Jason A. Gottlieb Executive Vice President	2019	300,000	2,450,000	786,750	786,750	4,323,500	93%	
	2018	287,500	2,600,000	458,400	458,400	3,804,300	92%	
	2017	250,000	2,500,000	260,694	260,694	3,271,388	92%	
Sarah A. Johnson Chief Legal Officer	2019	300,000	1,100,000	76,050	76,050	1,552,100	81%	
	2018	287,500	1,150,000	57,300	57,300	1,552,100	81%	
	2017	250,000	1,150,000	88,538	88,537	1,577,075	84%	
Gregory K. Ramirez Executive Vice President	2019	300,000	1,050,000	42,250	42,250	1,434,500	79%	
	2018	287,500	1,100,000	34,380	34,380	1,456,260	80%	
	2017	250,000	1,100,000	88,538	88,537	1,527,075	84%	

2019 business highlights include:

- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Net of fees, fifteen of our seventeen strategies have generated meaningful out-performance relative to their broad-based benchmarks since inception. In 2019, on an asset-weighted basis, our investment strategies generated approximately 578 basis points of gross returns in excess of broad-based benchmarks. 13 of 17 of our investment strategies out-performed their broad-based benchmarks, net of fees. Six Artisan Funds finished 2019 in the top decile of their Morningstar peer groups, and 10 of 15 Artisan Funds finished in the top quartile of their peer groups.
- During the year ended December 31, 2019, our assets under management increased to \$121.0 billion, an increase of \$24.8 billion, or 26%, compared to \$96.2 billion at December 31, 2018, as a result of \$28.1 billion of market appreciation partially offset by \$3.3 billion of net client cash outflows.
- 11 of our 17 strategies had positive net inflows in 2019, with five of our strategies having net inflows in excess of \$500 million. Our Third Generation strategies (with inception dates beginning in 2014) had \$3.9 billion in net inflows, an organic growth rate of 63%.
- Average assets under management for the year ended December 31, 2019 was \$111.0 billion, a decrease of 2.4% from the average of \$113.8 billion for the year ended December 31, 2018.
- We earned \$799 million in revenue for the year ended December 31, 2019, a 4% decrease from revenues of \$829 million for the year ended December 31, 2018.
- Our operating margin was 35.5%, down slightly from 36.8% in 2018.
- We generated \$2.65 of earning per basic and diluted share and \$2.67 of adjusted EPS.
- We declared and distributed dividends of \$3.39 per share of Class A common stock during 2019, and have declared a total of \$3.08 of dividends per share with respect to 2019.

2019 Executive Compensation

- The base salary paid to each named executive officer in 2019 reflected the first full year of the increased base salaries that were approved by the Compensation Committee during 2018. In 2018, after reviewing industry and peer practices, the Compensation Committee determined to increase the base salary to \$300,000 for all managing directors and to \$500,000 for our Chief Executive Officer. Prior to 2018, the base salary for all of the firm's managing directors, including the named executive officers, was \$250,000. The increases for the named executive officers were intended to increase the competitiveness of the base salaries by bringing them closer to the median level of the peer group salary information presented by the Committee's compensation consultant, McLagan. The base salary increase represented the first ever base salary increase at Artisan for Mr. Colson, Mr. Daley, and Mr. Gottlieb.
- 2019 performance based cash bonuses paid to the named executive officers were lower than 2018 bonuses, reflecting the decrease in average assets under management and revenues year over year. Despite the decrease in revenues compared to 2018, the firm had a successful year in terms of investment and financial results, as described above. The 2019 cash bonuses reflect the strong performance of the firm's management team as they continued to maintain the firm's high value added, investments-first culture.
- Equity awards for our named executive officers, which were larger with respect to 2019 than 2018, consisted of the following:
 - Mr. Colson and Mr. Gottlieb were each awarded 30,000 performance share units (PSUs) with respect to 2019. The PSUs have a three-year performance period beginning January 1, 2020. 50% of the PSUs are eligible for vesting if the recipient remains employed through the performance period. 100% of the PSUs are eligible for vesting if the recipient satisfies the service condition and either (i) the firm's adjusted operating margin during the performance period exceeds the median for a defined peer group or (ii) the firm's total shareholder return during the performance period exceeds the median of the peer group. 150% of the PSUs are eligible for vesting if the recipient satisfies the service condition and both the operating margin and total shareholder return performance conditions. At the conclusion of the performance period, 50% of the PSUs eligible for vesting will vest, and 50% of the PSUs eligible for vesting will be further subject to career vesting terms that, with certain exceptions, means the PSUs will vest only if and when the recipient retires from the firm in accordance with qualifying retirement conditions. The value of the PSUs granted reflected in the table above for each of Mr. Colson and Mr. Gottlieb is the grant date fair value calculated in accordance with FASB ASC Topic 718, which is based on satisfying the service condition, achieving the adjusted operating margin condition, and the probable outcome of the total shareholder return performance condition using a Monte Carlo valuation method.
 - Mr. Daley, Ms. Johnson and Mr. Ramirez each received an equity award consisting of a 50/50 mix of standard shares and career shares. The standard shares will vest pro-rata over the five years following the date of grant, subject to continued employment. With certain exceptions, the career shares will only vest if and when the recipient retires from the Company in accordance with qualifying retirement conditions.

Compensation Program Features

Our executive compensation program includes the following features that we believe reflect sound corporate pay governance:

- The vast majority of our executives' total compensation is performance based.
- We do not have employment or other agreements that provide termination benefits outside the context of a change in control.
- Generally one-half of all equity awarded to our executive officers contains career vesting conditions that, with certain exceptions, means equity will only vest if and when the recipient retires from the Company in accordance with qualifying retirement conditions.
- All of our outstanding unvested equity awards to executive officers include double-trigger change in control provisions.
- We maintain equity ownership guidelines, pursuant to which executive officers are required to hold Company equity equal in value to eight times base salary for the Chief Executive Officer and three times base salary for all other executive officers.
- Our executive officers are subject to a clawback policy that permits the board of directors to recover incentive compensation from an executive officer if his or her fraud or willful misconduct led to a material restatement of financial results.
- We do not provide "golden parachute" tax gross ups.
- None of our named executive officers have bonus guarantees.
- We do not offer retirement income or pension plans other than the same 401(k) plan that is available to all employees.
- We do not maintain any benefit plans or perquisites that cover only one or more of our named executive officers.
- Our insider trading policy prohibits hedging and restricts pledging of Company stock by all of our employees.
- Our Compensation Committee receives input from an independent compensation consultant.

Objectives of the Compensation Program

We believe that to create long-term value for our stockholders our management team needs to focus on the following business objectives:

- Attracting, retaining, and cultivating top investment talent whose interests are aligned with our clients and stockholders.
- Delivering superior investment performance and client service.
- Achieving profitable and sustainable financial results.
- Expanding our investment capabilities through thoughtful growth.
- Continuing to diversify our sources of assets under management.

Our executive compensation program is designed to:

- Support our business strategy.
- Attract, motivate and retain highly talented, results-oriented individuals.
- Reward the achievement of superior and sustained long-term performance.
- Be flexible and responsive to evolving market conditions.
- Align the interests of our named executive officers with our stockholders.
- Provide competitive pay opportunities.

Elements of our Named Executive Officers' Compensation and Benefits

The elements of our named executive officer compensation program include:

- Base salary
- Performance based cash bonus
- Performance based equity awards
- Retirement benefits
- Other benefits

Base Salary

Base salaries are intended to provide our named executive officers with a degree of financial certainty and stability that does not depend on performance. Our named executive officers' base salaries represent a relatively small portion of their overall total direct compensation. We believe that the majority of their pay should be performance based.

Prior to 2018, the base salary for all of the firm's managing directors, including the named executive officers, was \$250,000. After reviewing industry and peer practices, the Compensation Committee determined to increase the base salary to \$300,000 for all managing directors and to \$500,000 for our Chief Executive Officer. The increases for the named executive officers were intended to increase the competitiveness of the base salaries by bringing them closer to the median level of the peer group salary information presented by the Committee's compensation consultant, McLagan. The base salary increase represented the first ever base salary increase at Artisan for Mr. Colson, Mr. Daley, and Mr. Gottlieb. No changes were made to the named executive officers' base salaries during 2019.

Performance Based Cash Bonus and Equity Awards

Annual cash bonuses and equity awards are determined at or after the end of each year and are based on the Compensation Committee's assessment of individual and company-wide performance measured over both annual and long-term periods.

In order to incentivize a holistic and long-term approach, focused on maintaining the firm's identity and integrity as a high value added, talent-centered investment firm with a variable expense operating model and strong balance sheet, we do not use predetermined incentive formulas. In addition, in determining executives' annual cash bonuses and equity awards, we consider both the shorter-term and the longer-term contributions of each executive and how those contributions will relate to the firm's long-term health and sustainability.

Consistent with the firm's historical practices, the board of directors and management believe that the vast majority of firm equity awards should be made to the firm's investment talent, not to the firm's executive officers. Since the firm's IPO in 2013, approximately 90% of each equity grant has been awarded to investment team members. By focusing equity grants on investment team members, the firm increases the incentives for, and the long-term alignment and retention of, its most critical employees. The board and management agree that this is the best way to allocate equity awards at a talent-centered investment management firm. A consequence of this approach is that there is a limited amount of equity to allocate to non-investment team members, including executive officers. That is why a relatively small portion of each executive's annual performance based pay is in the form of equity compensation. Increasing the amount of equity awarded to named executive officers would necessarily decrease the amount awarded to investment team members.

The equity we do grant to our named executive officers is subject to long-term time vesting and/or performance vesting conditions. In addition, generally one-half of all equity awarded to our executives contains career vesting conditions that, with certain exceptions, means equity will only vest if and when the executive retires from the Company in accordance with qualifying retirement conditions. Equity awarded to our executives takes the form of either restricted stock or performance share units, as described below.

Restricted Stock. Prior to the equity awarded with respect to 2019, all of our named executive officers were granted restricted stock in the form of standard restricted shares and career shares. Our standard restricted shares vest pro-rata over the five years following the date of grant, subject to continued employment. For career shares to vest, both of the following conditions must be met:

- Pro rata time-vesting, under which 20% of the shares satisfy this condition in each of the five years following the year of grant.
- Qualifying retirement, which generally requires that the recipient (i) has been employed by us for at least 10 years at retirement; (ii) has provided 18 months' prior written notice of retirement; and (iii) has remained at the Company through the retirement notice period.

Career shares and standard restricted shares will also vest upon a termination of employment due to death or disability. In addition, after the fifth anniversary of the grant date, if the Company terminates a recipient without cause (as defined in the award agreement), career shares will fully vest, provided that the recipient has at least 10 years of service with the Company at the time of termination. And after a change of control, if the Company terminates a named executive officer without cause or he or she resigns for good reason, in either case, within two years of the change in control, the shares will fully vest.

Performance Share Units (PSUs). Beginning with the equity awarded with respect to 2019, Mr. Colson and Mr. Gottlieb received PSUs in lieu of restricted stock awards. The PSUs have a three-year performance period, after which achievement of the performance conditions will be assessed by the Compensation Committee.

PSUs will be eligible to vest if performance conditions are met, as determined by the Compensation Committee after completion of the performance period, as follows:

- 50% of the PSUs will be eligible to vest if the recipient remains employed at Artisan through the performance period.
- 100% of the PSUs will be eligible to vest if the recipient satisfies the service condition and either (i) the firm's adjusted operating margin during the performance period exceeds the median for a defined peer group or (ii) the firm's total shareholder return during the performance period exceeds the median of the peer group.
- 150% of the PSUs will be eligible to vest if the recipient satisfies the service condition and both the operating margin and total shareholder return performance conditions.

Once the Compensation Committee has determined the number of PSUs that are eligible to vest with respect to the performance period, one-half of the total PSUs eligible to vest will vest and the underlying shares will be delivered. The other half of PSUs eligible to vest will be subject to career vesting conditions that, with certain exceptions, means the PSUs will vest and the underlying shares will be delivered only if and when the recipient retires from the Company in accordance with qualifying retirement conditions.

All outstanding PSUs will also vest upon a termination of employment due to death or disability. In addition, after the fifth anniversary of the grant date, if the Company terminates a recipient without cause (as defined in the award agreement), all PSUs previously determined to be eligible to vest but not having vested will vest, provided that the recipient has at least 10 years of service with the Company at the time of termination. And after a change of control, if the Company terminates a named executive officer without cause or he or she resigns for good reason, in either case, within two years of the change in control, all outstanding PSUs will fully vest.

Each outstanding PSU entitles the holder to dividend equivalent rights on one outstanding share of Class A common stock.

We intend to continue to grant annual equity-based awards to our named executive officers under the Omnibus Plan, which provides for a wide variety of equity awards. The size and structure of the equity awards granted with respect to 2019 may not be indicative of future awards. Future equity awards may be granted in a mix of restricted shares (both standard and career) and performance share units, and subject to both time- and performance-based vesting conditions. We generally expect at least half of the equity awards to our named executive officers to include career vesting terms.

Retirement Benefits

We believe that providing a cost-effective retirement benefit for the Company's employees is an important recruitment and retention tool. Accordingly, the Company maintains, and each of the named executive officers participates in, a contributory defined contribution retirement plan for all U.S.-based employees, and matches 100% of each employee's contributions (other than catch-up contributions by employees age 50 and older) up to the 2019 limit of \$19,000. We also maintain retirement plans or make retirement plan contributions (or equivalent cash payments) for our employees based outside the U.S. The opportunity to participate in a retiree health plan, at the sole expense of the retiree, is available to employee-partners and career share recipients who have at least 10 years of service with us at the time of retirement.

Other Benefits

Our named executive officers participate in the employee health and welfare benefit programs we maintain, including medical, group life and long-term disability insurance, and health care savings accounts, on the same basis as all U.S. employees, subject to satisfying any eligibility requirements and applicable law. We also generally provide employer-paid parking or transit assistance and, for our benefit and convenience, on-site food and beverages; our named executive officers enjoy those benefits on the same terms as all of our employees.

Determination of Compensation

Role of Compensation Committee, Board of Directors and Chief Executive Officer. Our Compensation Committee, which is comprised solely of directors who qualify as independent under applicable SEC and NYSE rules, has ultimate responsibility for all compensation decisions relating to our named executive officers. Other members of the board of directors regularly attend and participate in meetings of the Compensation Committee, and the members of the Compensation Committee and board of directors regularly meet in executive session without management present. The decisions of the Compensation Committee are reported to the entire board of directors.

Our Chief Executive Officer evaluates the performance of, and makes recommendations to our Compensation Committee regarding compensation matters involving, the other named executive officers. The Compensation Committee retains the ultimate authority to approve, reject or modify those recommendations. The Compensation Committee independently evaluates our Chief Executive Officer's performance and determines our Chief Executive Officer's compensation.

Use of Compensation Consultant. Our Compensation Committee has retained the services of McLagan, a compensation consultant, to provide advice regarding our named executive officer compensation program and information about compensation trends in the asset management industry. McLagan must receive pre-approval from the chairperson of our Compensation Committee prior to accepting any non-survey-related work from management. Our Compensation Committee has assessed the independence of McLagan pursuant to SEC rules and concluded that no conflict of interest exists that prevents McLagan from independently advising the Compensation Committee.

Peer Group Compensation Review. Our Compensation Committee considers the individual and aggregate pay levels, compensation structure, and financial performance of other asset management companies in connection with its compensation decision-making process. We do not seek to benchmark our executive compensation to that of our peers. Instead, the Compensation Committee reviews the information to stay informed of competitive pay levels, compensation structure, and compensation trends in the asset management industry.

Tax and Accounting Considerations. When it reviews compensation matters, our Compensation Committee considers the anticipated tax and accounting treatment of various payments and benefits to the Company and, when relevant, to its named executive officers, although these considerations are not dispositive.

Results of Advisory Vote on Executive Compensation. The Compensation Committee considers the results of the Company's advisory vote on compensation when determining the amount and type of compensation paid to the named executive officers and the structure of the executive compensation program generally. At the 2019 annual meeting of shareholders, the advisory vote on executive compensation received shareholder support with approximately 64% of the votes cast in favor of our executives' compensation. The Compensation Committee values the input of our shareholders and is mindful of the level of support received. Over the course of the Company's history, the Company's executive compensation program has worked well to attract and retain highly talented individuals, reward the achievement of superior long-term performance, and align the interests of those individuals with our shareholders and partners. With respect to 2019, the Compensation Committee introduced performance share units, and the Committee will continue to consider other changes to the executive compensation program.

2019 Executive Compensation Process and Decisions

At its January 2019 meeting, our Compensation Committee and board of directors discussed a set of strategic priorities and business and financial metrics against which to evaluate performance and determine bonuses for 2019. At each subsequent meeting, the Compensation Committee and board of directors reviewed the status of the strategic priorities and assessed the Company's year-to-date business and financial metrics.

In January and February 2020 the Compensation Committee and board of directors determined annual cash bonuses and equity awards based on its assessment of the named executive officers' execution of strategic priorities and our 2019 business and financial results. In shaping its decisions with respect to all of the named executive officers, the Compensation Committee considered the following:

- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Net of fees, fifteen of our seventeen strategies have generated meaningful out-performance relative to their broad-based benchmarks since inception. In 2019, on an asset-weighted basis, our investment strategies generated approximately 578 basis points of gross returns in excess of broad-based benchmarks. 13 of 17 of our investment strategies out-performed their broad-based benchmarks, net of fees. Six Artisan Funds finished 2019 in the top decile of their Morningstar peer groups, and 10 of 15 Artisan Funds finished in the top quartile of their peer groups.

- During the year ended December 31, 2019, our assets under management increased to \$121.0 billion, an increase of \$24.8 billion, or 26%, compared to \$96.2 billion at December 31, 2018, as a result of \$28.1 billion of market appreciation partially offset by \$3.3 billion of net client cash outflows.
- 11 of our 17 strategies had positive net inflows in 2019, with five of our strategies having net inflows in excess of \$500 million. Our Third Generation strategies (with inception dates beginning in 2014) had \$3.9 billion in net inflows, an organic growth rate of 63%.
- Average assets under management for the year ended December 31, 2019 was \$111.0 billion, a decrease of 2.4% from the average of \$113.8 billion for the year ended December 31, 2018.
- We earned \$799 million in revenue for the year ended December 31, 2019, a 4% decrease from revenues of \$829 million for the year ended December 31, 2018.
- Our operating margin was 35.5%, down slightly from 36.8% in 2018.
- We generated \$2.65 of earning per basic and diluted share and \$2.67 of adjusted EPS.
- We declared and distributed dividends of \$3.39 per share of Class A common stock during 2019, and have declared a total of \$3.08 of dividends per share with respect to 2019.

Based on these achievements and our financial and business performance, the Compensation Committee determined to pay 2019 cash incentive awards as follows: \$4,750,000 for Mr. Colson; \$1,850,000 for Mr. Daley; \$2,450,000 for Mr. Gottlieb; \$1,100,000 for Ms. Johnson; and \$1,050,000 for Mr. Ramirez. The Compensation Committee also recommended, and our board of directors subsequently approved, equity grants in respect of 2019 to our named executive officers. The aggregate award constituted a total of approximately 919,455 restricted shares and 60,000 PSUs, of which a total of 11,500 restricted shares and all 60,000 PSUs (or 7% of the total grant) were awarded to our named executive officers as follows: 15,000 standard PSUs and 15,000 career PSUs for Mr. Colson; 2,250 standard restricted shares and 2,250 career shares for Mr. Daley; 15,000 standard PSUs and 15,000 career PSUs for Mr. Gottlieb; 2,250 standard restricted shares and 2,250 career shares for Ms. Johnson; 1,250 standard restricted shares and 1,250 career shares for Mr. Ramirez.

Other Compensation Policies and Practices

Equity Ownership Guidelines. Executive officers are expected to own shares of the Company's common stock or Class B common units of Artisan Partners Holdings equal in value to eight times base salary for the Chief Executive Officer and three times base salary for all other executive officers. Current executive officers have a period of five years from the time the guidelines were adopted in February 2018 to comply with the ownership requirements. In addition, in the future, any individual becoming an executive officer will have a period of five years from the time of his or her designation as an executive officer to comply with the guidelines. As of December 31, 2019, each of our named executive officers held equity in excess of the amount specified in the equity ownership guidelines.

Compensation Clawback Policy. Our executive compensation clawback policy provides that in the event of a material restatement of the Company's financial results within three years of the original reporting, the board of directors will review the facts and circumstances that led to the restatement and, if the board determines that an executive officer engaged in fraud or willful misconduct leading to material noncompliance with any financial reporting requirements and the restatement, the board may choose to recover incentive compensation paid to an executive officer in an amount that the board determines is the difference between the amount of incentive compensation paid or granted to the executive officer and the amount of incentive compensation that would have been paid or granted to the executive officer based upon the restated financial results. Incentive compensation subject to this policy includes both cash bonuses and equity awards.

Hedging and Pledging Policies. Our code of ethics and insider trading policies prohibit our directors and employees, including our executive officers, from engaging in hedging transactions involving any derivative security relating to Company securities, whether or not the instrument is issued by the Company, except in connection with an Artisan compensation or benefit plan. Our directors and employees are also restricted from pledging Company securities when they are in possession of material, nonpublic information or otherwise are not permitted to trade in Company securities such as during any black-out period.

Risk Management and Named Executive Officer Compensation

We have identified two primary risks relating to compensation: the risk that compensation will not be sufficient in amount or appropriately structured to attract and to retain talent, and the risk that compensation may provide unintended incentives. To combat the risk that our compensation might not be sufficient or be inappropriately structured, we strive to use a compensation structure, and set compensation levels, for all employees in a way that we believe promotes retention. To provide a long-term component to our compensation program, we make equity awards subject to multi-year vesting schedules and, for certain employees, provide for career vesting conditions on one-half of all equity received. We believe that both the structure and levels of compensation have aided us in attracting and retaining key personnel. To address the risk that our compensation programs might provide unintended incentives, we have deliberately kept our compensation programs simple. We have not seen any employee behaviors motivated by our compensation policies and practices that create increased risks for our stockholders.

Based on the foregoing, we do not believe that our compensation policies and practices motivate imprudent risk taking. Consequently, we are satisfied that any potential risks arising from our employee compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Our Compensation Committee will continue to monitor the effects of its compensation decisions to determine whether risks are being appropriately managed.

Compensation Committee Interlocks and Insider Participation

Throughout 2019, the Compensation Committee consisted of Seth W. Brennan, Tench Coxe and Jeffrey A. Joerres. On January 27, 2020, Mr. Brennan resigned from the board of directors and Stephanie G. DiMarco was subsequently appointed to the Compensation Committee in his place. Each member of our Compensation Committee is an independent director under the rules of the NYSE and our Corporate Governance Guidelines. None of the members of the Compensation Committee have been an officer or employee of the Company. None of our executive officers serves on the board of directors or compensation committee of a company that has an executive officer that serves on our board.

In connection with our initial public offering, we entered into agreements with all limited partners of Artisan Partners Holdings, including with entities associated with Tench Coxe. Information about the agreements and transactions thereunder, are more fully discussed in Item 13 of this report.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based upon such review and discussion, has recommended to the board of directors that the Compensation Discussion and Analysis be included in Artisan Partners Asset Management's annual report on Form 10-K and proxy statement.

Compensation Committee:

Jeffrey A. Joerres, Chairperson
Tench Coxe
Stephanie G. DiMarco

Summary Compensation Table

The following table provides information regarding the compensation earned during the years ended December 31, 2017, 2018 and 2019 by each of our named executive officers.

The applicable SEC rules require that for purposes of the Summary Compensation Table, the value of an equity award be reported in the year of grant rather than the year with respect to which the award was made. Accordingly, the stock awards reported for 2017, 2018, and 2019 reflect the awards made in January 2017, February 2018, and January 2019, respectively. Because we consider the value of the equity awards we make in January or February of each year to be a part of each named executive officer's compensation for the prior year, we have included those values in the row for the prior year in the table at the beginning of this Item 11, as well as in the table immediately following the Summary Compensation Table.

Name & Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards⁽²⁾	All Other Compensation⁽³⁾	Total
Eric R. Colson Chief Executive Officer	2019	\$ 500,000	\$ 4,750,000	\$ 445,634	\$ 149,772	\$ 5,845,406
	2018	437,500	5,000,000	1,042,775	69,475	6,549,750
	2017	250,000	5,000,000	283,000	216,778	5,749,778
Charles J. Daley, Jr. Chief Financial Officer	2019	300,000	1,850,000	114,600	94,854	2,359,454
	2018	287,500	1,950,000	259,710	63,798	2,561,008
	2017	250,000	1,950,000	141,500	119,171	2,460,671
Jason A. Gottlieb Executive Vice President	2019	300,000	2,450,000	916,800	46,476	3,713,276
	2018	287,500	2,600,000	521,388	44,506	3,453,394
	2017	250,000	2,500,000	990,500	43,403	3,783,903
Sarah A. Johnson Chief Legal Officer	2019	300,000	1,100,000	114,600	87,207	1,601,807
	2018	287,500	1,150,000	177,075	68,013	1,682,588
	2017	250,000	1,150,000	141,500	100,036	1,641,536
Gregory K. Ramirez Executive Vice President	2019	300,000	1,050,000	68,760	86,309	1,505,069
	2018	287,500	1,100,000	177,075	67,931	1,632,506
	2017	250,000	1,100,000	141,500	98,803	1,590,303

⁽¹⁾ Amounts in this column represent the annual performance based cash bonus compensation earned by our named executive officers in 2019, 2018 and 2017, as applicable. The amounts for 2017 were paid in December 2017. The amounts for 2018 and 2019 were paid in February of 2019 and 2020, respectively.

⁽²⁾ As discussed above, we consider the value of the equity awards we made in 2018, 2019 and 2020 to be a part of each named executive officer's compensation for 2017, 2018 and 2019, respectively. The grant date fair value of those awards is reflected accordingly in the "Stock Awards" and "Total" columns in the supplemental table immediately following the Summary Compensation Table. The values reported represent the grant date fair value as computed in accordance with FASB ASC Topic 718 based upon the price of our common stock at the grant date.

⁽³⁾ Amounts in this column represent the aggregate dollar amount of all other compensation received by our named executive officers. All other compensation includes, but is not limited to (a) Company matching contributions to contributory defined contribution plan accounts equal to 100% of their pre-tax contributions (excluding catch-up contributions for named executive officers age 50 and older) up to the limitations imposed under applicable tax rules, which contributions totaled \$19,000 for each named executive officer in 2019; (b) health and vision insurance premiums and HSA contributions paid by the Company for plans that are generally offered to all employees on a nondiscriminatory basis in the aggregate amount of approximately \$25,000 for each named executive officer in 2019; and (c) reimbursement for 2019 self-employment payroll tax expense as follows: \$102,733 for Mr. Colson; \$47,815 for Mr. Daley; \$38,388 for Ms. Johnson, and \$37,440 for Mr. Ramirez.

The summary compensation table above includes the value of restricted shares that were granted to each named executive officer in each year presented, as required by SEC disclosure rules. The supplemental table below includes the value of the equity that we granted to each named executive officer in 2018, 2019 and 2020 with respect to 2017, 2018 and 2019 performance, respectively.

Name	Year	Salary	Bonus	Stock Awards ⁽¹⁾	All Other Compensation	Total
Eric R. Colson	2019	\$ 500,000	\$ 4,750,000	\$ 1,573,500	\$ 149,772	\$ 6,973,272
	2018	437,500	5,000,000	445,634	69,475	5,952,609
	2017	250,000	5,000,000	1,042,775	216,778	6,509,553
Charles J. Daley, Jr.	2019	300,000	1,850,000	152,100	94,854	2,396,954
	2018	287,500	1,950,000	114,600	63,798	2,415,898
	2017	250,000	1,950,000	259,710	119,171	2,578,881
Jason A. Gottlieb	2019	300,000	2,450,000	1,573,500	46,476	4,369,976
	2018	287,500	2,600,000	916,800	44,506	3,848,806
	2017	250,000	2,500,000	521,388	43,403	3,314,791
Sarah A. Johnson	2019	300,000	1,100,000	152,100	87,207	1,639,307
	2018	287,500	1,150,000	114,600	68,013	1,620,113
	2017	250,000	1,150,000	177,075	100,036	1,677,111
Gregory K. Ramirez	2019	300,000	1,050,000	84,500	86,309	1,520,809
	2018	287,500	1,100,000	68,760	67,931	1,524,191
	2017	250,000	1,100,000	177,075	98,803	1,625,878

⁽¹⁾ Represents equity granted with respect to each of fiscal years 2019, 2018, and 2017. Equity awards for fiscal years 2018 and 2017 consisted of restricted shares. Equity awards for fiscal year 2019 for Mr. Daley, Ms. Johnson and Mr. Ramirez consisted of restricted shares. Equity awards for fiscal year 2019 for Mr. Colson and Mr. Gottlieb consisted of performance share units (described at the beginning of Item 11) as follows:

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards		Grant Date Fair Value of Awards (\$) ^(A)
		Threshold (#)	Target (#)	
Eric R. Colson	2/11/2020	15,000	45,000	\$ 1,573,500
Jason A. Gottlieb	2/11/2020	15,000	45,000	1,573,500

^(A) Represents the value of performance share units based on the expected outcome as of the date of grant. In accordance with FASB ASC Topic 718, grant date fair value is based on satisfying the service condition, achieving the adjusted operating margin condition, and the outcome of the total shareholder return performance condition using a Monte Carlo valuation method.

Grants of Plan-Based Awards During 2019

The following table provides information regarding plan-based awards granted to each of our named executive officers in the year ended December 31, 2019.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽¹⁾	Grant Date Fair Value of Stock Awards (\$) ⁽²⁾
Eric R. Colson	1/29/2019	19,443	\$ 445,634
Charles J. Daley, Jr.	1/29/2019	5,000	114,600
Jason A. Gottlieb	1/29/2019	40,000	916,800
Sarah A. Johnson	1/29/2019	5,000	114,600
Gregory K. Ramirez	1/29/2019	3,000	68,760

⁽¹⁾ Represents the number of restricted shares of our Class A common stock granted in January 2019 with respect to 2018 performance. Dividends are paid on shares of restricted stock at the same time, and in the same amounts, as dividends are paid on other outstanding shares of our Class A common stock. One-half of the award consisted of career shares and the other half consisted of standard restricted shares as set forth below.

Name	Standard Restricted Shares	Career Shares
Eric R. Colson	9,722	9,721
Charles J. Daley, Jr.	2,500	2,500
Jason A. Gottlieb	20,000	20,000
Sarah A. Johnson	2,500	2,500
Gregory K. Ramirez	1,500	1,500

⁽²⁾ Represents the grant date fair value as computed in accordance with FASB ASC Topic 718 based upon the price of our common stock at the grant date.

Outstanding Equity Awards at December 31, 2019

The following table provides information about the outstanding unvested equity awards held by each of our named executive officers as of December 31, 2019.

Name	Number of Shares or Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾
Eric R. Colson	80,543	\$ 2,603,150
Charles J. Daley, Jr.	25,940	838,381
Jason A. Gottlieb	91,041	2,942,445
Sarah A. Johnson	24,050	777,296
Gregory K. Ramirez	21,550	696,496

⁽¹⁾ Represents the number of unvested restricted shares of Class A common stock as of December 31, 2019, as set forth below.

Name	Standard Restricted Shares ^(A)	Career Shares ^(B)
Eric R. Colson	29,322	51,221
Charles J. Daley, Jr.	8,640	17,300
Jason A. Gottlieb	64,416	26,625
Sarah A. Johnson	7,800	16,250
Gregory K. Ramirez	6,800	14,750

^(A) Standard restricted shares vest in five equal installments over the five years following the date of grant, provided that the holder remains employed through the vesting dates. Each named executive officer's standard restricted shares will also vest upon a termination of employment on account of the holder's death or disability or upon a qualifying termination of employment in connection with a change in control.

^(B) Career shares vest as described above in "Compensation Discussion and Analysis—Performance Based Cash Bonus and Equity Awards."

⁽²⁾ Restricted shares of Class A common stock were valued based on the closing price of our Class A common stock on the NYSE on December 31, 2019, which was \$32.32.

Equity Awards Vested During the Year Ended December 31, 2019

The following table provides information about the value realized by each of our named executive officers during the year ended December 31, 2019, upon the vesting of equity awards.

Name	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$) ⁽¹⁾
Eric R. Colson	8,300	\$ 212,203
Charles J. Daley, Jr.	2,960	76,621
Jason A. Gottlieb	15,572	384,317
Sarah A. Johnson	2,750	71,438
Gregory K. Ramirez	2,650	68,524

⁽¹⁾ The value of the restricted shares of Class A common stock that vested during 2019 is based on the stock price of our Class A common stock on each respective vesting date.

CEO Pay Ratio - 28:1

Our CEO pay ratio compares our CEO's annual total compensation in 2019 to that of the median of the annual total compensation of all other Company employees (the "Median Employee") for the same period. The calculation of annual total compensation of all other employees was determined in the same manner as the "Total Compensation" shown for our CEO in the Summary Compensation Table above and therefore includes each employee's base, bonus, equity-based awards, and the value of all Company-paid benefits. We included all employees as of December 31, 2019 in our analysis.

The annual total compensation for 2019 for our CEO was \$5,845,406 and for the Median Employee was \$210,103. The resulting ratio of our CEO's pay to the pay of our Median Employee for 2019 is 28 to 1.

Pension Benefits

We do not sponsor or maintain any defined benefit pension or retirement benefits for the benefit of our employees.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

We do not sponsor or maintain any nonqualified defined contribution or other nonqualified deferred compensation plans for the benefit of our employees.

Employment Agreements

We do not have employment agreements with any of our named executive officers. Upon commencement of employment, each named executive officer received an offer letter outlining the initial terms of employment, including base salary and cash incentive compensation. None of these terms affected compensation paid to our named executive officers in 2019 and will not affect compensation paid in future years.

Each of the named executive officers has agreed, pursuant to his or her Class A restricted stock award agreements, to certain restrictive covenants, including agreements not to compete with Artisan, or solicit Artisan clients and employees, for one year after he or she ceases to be employed by Artisan. The enforceability of the restrictive covenants may be limited depending on the particular facts and circumstances.

Potential Payments Upon Termination or Change in Control

Our named executive officers are all employed on an "at will" basis, which enables us to terminate their employment at any time. Our named executive officers do not have agreements that provide severance benefits. We do not offer or have in place any formal retirement, severance or similar compensation programs providing for additional benefits or payments in connection with a termination of employment, change in job responsibility or change in control (other than our contributory defined contribution plan). Under certain circumstances, a named executive officer may be offered severance benefits to be negotiated at the time of termination.

Equity awards granted to our named executive officers are evidenced by an award agreement that sets forth the terms and conditions of the award and the effect of any termination event or a change in control on unvested awards. The effect of a termination event or change in control on outstanding equity awards varies by the type of award.

Each of our named executive officers has been granted standard restricted shares and career shares. Standard restricted shares vest pro rata over the five years following the date of grant, subject to continued employment. Career shares that have met the 5-year pro rata vesting condition will vest upon a qualifying retirement. A qualifying retirement requires 10 years of service with the Company as of the date of retirement and, for our named executive officers, 18 months' advance notice of intent to retire.

Career shares and standard restricted shares will vest upon a termination of employment due to death or disability and, in the context of a change of control, if the Company terminates a named executive officer without cause or he or she resigns for good reason, in either case, within two years of the change in control, the shares will fully vest. Career shares will also fully vest if after the fifth anniversary of the grant date, the Company terminates a recipient without cause (as defined in the award agreement), provided that the recipient has at least 10 years of service with the Company at the time of termination.

The following table provides the value of the accelerated vesting and retirement vesting of equity that would have been realized for each of the named executive officers if he or she had been terminated on December 31, 2019 under the circumstances indicated (including following a change in control). While none of our named executive officers have provided us with notice of intent to retire, the amounts shown in the “Retirement” column reflect the value of career shares that have satisfied the 5-year vesting and 10 years of service requirements as of December 31, 2019 and would therefore be eligible to vest had the named executive officer provided 18 months’ advance notice and retired as of that date. In addition, for named executive officers that hold Class B common units of Artisan Partners Holdings, the number of shares received upon exchange of Class B common units that may be sold in any one-year period may increase upon retirement, provided that the named executive officer gave sufficient notice of retirement and has at least 10 years of service with the Company at the time of retirement.

	Death or Disability	Qualifying Termination in Connection with Change in Control	Retirement	Involuntary Termination without Cause
Eric R. Colson				
Standard Restricted Shares ⁽¹⁾	\$ 947,687	\$ 947,687	\$ —	\$ —
Career Shares ⁽²⁾	1,655,463	1,655,463	707,808	266,640
Charles J. Daley, Jr.				
Standard Restricted Shares ⁽¹⁾	279,245	279,245	—	—
Career Shares ⁽²⁾	559,136	559,136	—	—
Jason A. Gottlieb				
Standard Restricted Shares ⁽¹⁾	2,081,925	2,081,925	—	—
Career Shares ⁽²⁾	860,520	860,520	—	—
Sarah A. Johnson				
Standard Restricted Shares ⁽¹⁾	252,096	252,096	—	—
Career Shares ⁽²⁾	525,200	525,200	273,104	129,280
Gregory K. Ramirez				
Standard Restricted Shares ⁽¹⁾	219,776	219,776	—	—
Career Shares ⁽²⁾	476,720	476,720	256,944	113,120

⁽¹⁾ Represents the value of the accelerated vesting of restricted shares of Class A common stock based on the closing price of our Class A common stock on the NYSE on December 31, 2019, which was \$32.32 per share. Any standard restricted shares will become fully vested upon the holder’s death or disability or upon a qualifying termination of employment in connection with a change in control (subject to continued employment through such occurrence).

⁽²⁾ Represents the value of the accelerated vesting and retirement vesting of career shares based on the closing price of our Class A common stock on the NYSE as of December 31, 2019, which was \$32.32 per share. Any career shares will become fully vested upon the holder’s death or disability or upon a qualifying termination of employment in connection with a change in control (subject to continued employment through such occurrence). Career shares will also fully vest if after the fifth anniversary of the grant date, the Company terminates a recipient without cause, provided the recipient has at least 10 years of service with the Company at the time of termination.

DIRECTOR COMPENSATION

The Company's director compensation program is designed to attract and retain highly qualified non-employee directors. For fiscal year 2019, the director compensation program entitled non-employee directors to a cash component, designed to compensate directors for their service on the board of directors, and an equity component, designed to align the interests of the directors with those of the Company's stockholders.

For 2019, the standard equity component of the Company's director compensation program consisted of \$100,000 of restricted stock units for each of the non-employee directors awarded under the Artisan Partners Asset Management Inc. 2013 Non-Employee Director Compensation Plan. The shares of Class A common stock underlying the restricted stock units will be delivered on the earlier to occur of (i) a change in control of APAM and (ii) the termination of the director's service as a director.

During 2019, each non-employee director was entitled to receive a cash payment of \$50,000, paid in four quarterly installments. The lead director and chairperson of our Audit Committee were entitled to receive an additional cash retainer of \$50,000, and the chairpersons of each of the Compensation Committee and Nominating and Corporate Governance Committee were entitled to receive an additional cash retainer of \$40,000. Each of our non-employee directors elected to receive the value of this cash compensation in the form of additional restricted stock units. As a result, an additional number of restricted stock units were granted to each non-employee director in January of 2019, the value of which equaled the amount of cash compensation to which each director was entitled. One-quarter of the units awarded to each director in lieu of cash compensation vested in each quarter of 2019.

In addition, all directors are reimbursed for reasonable out-of-pocket expenses incurred by them in connection with attending board, committee and stockholder meetings, including those for travel, meals and lodging. These reimbursements are not reflected in the table below.

Mr. Colson does not receive any additional compensation for serving on the board of directors.

The following table provides information concerning the 2019 compensation of each non-employee director who served in fiscal year 2019.

Name	Stock Awards
Matthew R. Barger ⁽¹⁾	\$ 190,000
Seth W. Brennan ⁽²⁾	150,000
Tench Coxe ⁽³⁾	150,000
Stephanie G. DiMarco ⁽⁴⁾	200,000
Jeffrey A. Joerres ⁽⁵⁾	190,000
Andrew A. Ziegler ⁽⁶⁾	200,000

⁽¹⁾ On December 31, 2019, Mr. Barger had 34,662 restricted stock units outstanding.

⁽²⁾ On December 31, 2019, Mr. Brennan had 23,633 restricted stock units outstanding. On January 27, 2020, Mr. Brennan resigned from the Company's board of directors. Subsequent to his resignation, his restricted stock units were canceled and the Class A common shares underlying the restricted stock units were delivered.

⁽³⁾ On December 31, 2019, Mr. Coxe had 28,361 restricted stock units outstanding.

⁽⁴⁾ On December 31, 2019, Ms. DiMarco had 36,238 restricted stock units outstanding.

⁽⁵⁾ On December 31, 2019, Mr. Joerres had 34,662 restricted stock units outstanding.

⁽⁶⁾ On December 31, 2019, Mr. Ziegler had 33,210 restricted stock units outstanding.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of our common stock as of February 14, 2020, for:

- each person known by us to beneficially own more than 5% of any class of our outstanding shares, as of February 14, 2020;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Because we have disclosed the ownership of shares of our Class B common stock and Class C common stock (which correspond to partnership units that are exchangeable for Class A common stock), the shares of Class A common stock underlying partnership units are not separately reflected in the table below.

Applicable percentage ownership is based on 56,752,700 shares of Class A common stock (including 301,800 restricted stock units that are currently outstanding), 7,803,364 shares of Class B common stock and 13,568,665 shares of Class C common stock outstanding at February 14, 2020. The aggregate percentage of combined voting power represents voting power with respect to all shares of our common stock voting together as a single class and is based on 77,822,929 total votes attributed to 77,822,929 total shares of outstanding common stock, as each share of our common stock entitles its holder to one vote per share.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws.

Except as otherwise indicated, the address for each stockholder listed below is c/o Artisan Partners Asset Management Inc., 875 E. Wisconsin Avenue, Suite 800, Milwaukee, Wisconsin 53202.

Information about securities authorized for issuance under equity compensation plans is included in Item 5 of this report.

	Class A ⁽¹⁾		Class B		Class C		Aggregate % of Combined Voting Power
	No. of Shares	% of Class	No. of Shares	% of Class	No. of Shares	% of Class	
Directors and Executive Officers:							
Stockholders Committee ⁽²⁾	5,709,865	10.1 %	7,803,364	100.0 %	—	— %	17.2 %
Eric R. Colson ⁽³⁾	124,943	*	482,463	6.2 %	—	— %	— %
Charles J. Daley, Jr. ⁽³⁾⁽⁴⁾	40,500	*	97,779	1.3 %	—	— %	*
Jason A. Gottlieb ⁽³⁾	101,710	*	—	— %	—	— %	— %
Sarah A. Johnson ⁽³⁾	41,500	*	94,464	1.2 %	—	— %	*
Gregory K. Ramirez ⁽³⁾	38,400	*	77,364	*	—	— %	*
Matthew R. Barger ⁽⁵⁾	40,289	*	—	— %	1,242,002	9.2 %	1.6 %
Tench Coxe ⁽⁵⁾⁽⁶⁾	55,214	*	—	— %	—	— %	*
Stephanie G. DiMarco ⁽⁵⁾⁽⁷⁾	113,239	*	—	— %	—	— %	*
Jeffrey A. Joerres ⁽⁵⁾	43,789	*	—	— %	—	— %	*
Andrew A. Ziegler ⁽⁵⁾⁽⁸⁾	39,133	*	—	— %	3,455,973	25.5 %	4.4 %
Directors and executive officers as a group	6,007,329	10.6 %	7,803,364	100.0 %	4,697,975	34.6 %	23.4 %
5+% Stockholders:							
MLY Holdings Corp. ⁽³⁾⁽⁹⁾	—	— %	1,641,322	21.0 %	—	— %	— %
James C. Kieffer ⁽³⁾	—	— %	1,067,575	13.7 %	—	— %	— %
Daniel J. O'Keefe ⁽³⁾	974,111	1.7 %	960,676	12.3 %	—	— %	*
N. David Samra ⁽³⁾	731,609	1.3 %	925,381	11.9 %	—	— %	— %
James D. Hamel ⁽³⁾	245,150	*	436,066	5.6 %	—	— %	— %
Artisan Investment Corporation ⁽⁸⁾	—	— %	—	— %	3,455,973	25.5 %	4.4 %
Scott C. Satterwhite	—	— %	—	— %	1,383,768	10.2 %	1.8 %
LaunchEquity Acquisition Partners, LLC ⁽¹⁰⁾	—	— %	—	— %	1,121,196	8.3 %	1.4 %
Patricia Christina Hellman Administrative Trust	—	— %	—	— %	798,443	5.9 %	1.0 %
Arthur Rock 2000 Trust	—	— %	—	— %	1,153,280	8.5 %	1.5 %
Thomas F. Steyer ⁽¹¹⁾	—	— %	—	— %	1,082,314	8.0 %	1.4 %
Big Fish Partners LLC	—	— %	—	— %	807,305	5.9 %	1.0 %
Kayne Anderson Rudnick Investment Management LLC ⁽¹²⁾	3,929,505	6.9 %	—	— %	—	— %	5.0 %
The Vanguard Group ⁽¹³⁾	5,114,420	9.0 %	—	— %	—	— %	*
BlackRock Inc. ⁽¹⁴⁾	3,753,529	6.6 %	—	— %	—	— %	4.6 %
Renaissance Technologies LLC ⁽¹⁵⁾	3,657,251	6.4 %	—	— %	—	— %	4.7 %

*Less than 1%.

- (1) Subject to certain exceptions, the persons who hold shares of our Class B common stock and Class C common stock (which correspond to partnership units that generally are exchangeable for Class A common stock) are currently deemed to have beneficial ownership over a number of shares of our Class A common stock equal to the number of shares of our Class B common stock and Class C common stock reflected in the table above, respectively. Because we have disclosed the ownership of shares of our Class B common stock and Class C common stock, the shares of Class A common stock underlying partnership units are not separately reflected in the table above.
- (2) Each of our employees to whom we have granted equity has entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all of the shares of our common stock they have acquired from us and any shares they may acquire from us in the future to a stockholders committee currently consisting of Mr. Colson, Mr. Daley and Mr. Ramirez. All shares subject to the stockholders agreement are voted in accordance with the majority decision of those three members. Shares originally subject to the agreement cease to be subject to it when sold by the employee or upon the termination of the employee's employment with us.

The number of shares of Class A and Class B common stock in this row includes all shares of Class A common stock and Class B common stock that we have granted to current employees and that have not yet been sold by those employees. As members of the stockholders committee, Mr. Colson, Mr. Daley and Mr. Ramirez share voting power over all of these shares. Other than as shown in the row applicable to each of them individually, none of Mr. Colson, Mr. Daley or Mr. Ramirez has investment power with respect to any of the shares subject to the stockholders agreement, and each disclaims beneficial ownership of such shares.

- (3) Pursuant to the stockholders agreement, Mr. Colson, Mr. Daley, Mr. Gottlieb, Ms. Johnson, Mr. Ramirez, MLY Holdings Corp., Mr. Kieffer, Mr. O'Keefe, Mr. Samra and Mr. Hamel each granted an irrevocable voting proxy with respect to all of the shares of our common stock he or she has acquired from us and any shares he or she may acquire from us in the future to the stockholders committee as described in footnote 2 above. Each retains investment power with respect to the shares of our common stock he or she holds, which are the shares reflected in the row applicable to each person. 400 of Mr. Daley's shares, 1,400 of Mr. Ramirez's shares, 4,000 of Ms. Johnson's shares, and 18,555 of Mr. O'Keefe's shares are not subject to the stockholders agreement.
- (4) Includes 200 shares of Class A common stock held by Mr. Daley's daughter.
- (5) Includes the shares of Class A common stock underlying restricted stock units granted to our non-employee directors. The underlying shares will be delivered on the earlier to occur of (i) a change in control of Artisan and (ii) assuming the restricted stock units have vested, the termination of such person's service as a director. Mr. Coxé holds restricted stock units awarded to him for the benefit of the managing directors of the general partner of Sutter Hill Ventures.
- (6) Includes 22,411 shares of Class A common stock held by a trust of which Mr. Coxé is a co-trustee and beneficiary. Mr. Coxé shares voting and investment power over all of such shares of Class A common stock.
- (7) Includes 20,308 shares of Class A common stock held by a charitable trust of which Ms. DiMarco is a trustee.
- (8) The Class C shares reflected in the row applicable to Mr. Ziegler individually are owned by Artisan Investment Corporation. Mr. Ziegler and Carlene M. Ziegler, who are married to each other, control Artisan Investment Corporation.
- (9) MLY Holdings Corp. is a Delaware corporation through which Mark L. Yockey holds his shares of Class B common stock. Mr. Yockey is the sole director of MLY Holdings Corp.
- (10) LaunchEquity Acquisition Partners, LLC, is a manager-managed designated series limited liability company organized under the laws of the State of Delaware. Andrew C. Stephens is the sole manager of the designated series of LaunchEquity Acquisition Partners through which Mr. Stephens holds his shares of Class C common stock.
- (11) Shares of Class C common stock owned by Thomas F. Steyer are held in trusts of which Mr. Steyer is settlor and beneficiary.
- (12) This information has been derived from the Schedule 13G filed with the SEC on February 14, 2020 by Kayne Anderson Rudnick Investment Management LLC which states that Kayne Anderson Rudnick Investment Management had sole voting and dispositive power over 3,037,905 shares and shared voting and dispositive power over 891,600 shares of Class A common stock as of December 31, 2019. The address of Kayne Anderson Rudnick Investment Management is 1800 Avenue of the Stars, Los Angeles, California, 90067.
- (13) This information has been derived from the Schedule 13G filed with the SEC on February 12, 2020 by The Vanguard Group, Inc. which states that Vanguard Group had sole voting power over 80,246 shares, shared voting power over 7,095 shares, sole dispositive power over 5,034,381 shares, and shared dispositive power over 80,039 shares of Class A common stock as of December 31, 2019. The address of the Vanguard Group is 100 Vanguard Blvd, Malvern, Pennsylvania, 19355.
- (14) This information has been derived from the Schedule 13G filed with the SEC on February 5, 2020 by BlackRock Inc. which states that BlackRock had sole voting power over 3,597,413 shares and dispositive power over 3,753,529 shares of Class A common stock as of December 31, 2019. The address of Blackrock Inc. is 55 East 52nd Street, New York, NY 10055.
- (15) This information has been derived from the Schedule 13G filed with the SEC on February 12, 2020 by Renaissance Technologies Holdings Corporation which states that Renaissance had sole voting power over 3,618,886 shares, sole dispositive power over 3,640,724 shares, and shared dispositive power over 16,527 shares of Class A common stock as of December 31, 2019. The address of Renaissance Technologies Holdings Corporation is 800 Third Avenue, New York, NY 10022.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions in Connection with our IPO

In March 2013, in connection with the IPO of Artisan Partners Asset Management, we entered into the agreements described below with the limited partners of Artisan Partners Holdings, including the following persons and entities:

- Those of our currently-serving executive officers who own Class B common units of Artisan Partners Holdings.
- Artisan Investment Corporation (“AIC”), an entity controlled by Andrew A. Ziegler, our Lead Independent Director, and Carlene M. Ziegler. AIC owns all of the Class D common units of Artisan Partners Holdings.
- Private equity funds (the “H&F holders”) controlled by Hellman & Friedman LLC (“H&F”). Mr. Barger, one of our directors, is a senior advisor of H&F. The H&F holders no longer own any units of Artisan Partners Holdings or, to our knowledge, any shares of our common stock.
- Mr. Barger, who owns Class A common units of Artisan Partners Holdings.
- Sutter Hill Ventures, of which one of our directors, Mr. Coxe, is a managing director of the general partner, and two trusts of which Mr. Coxe is a co-trustee.
- Several other persons or entities who own Class A common units of Artisan Partners Holdings and greater than 5% of our outstanding Class C common stock.
- Several of our employees, or entities controlled by an employee, who own (or owned) Class B common units of Artisan Partners Holdings and greater than 5% of our outstanding Class B common stock.

The rights of each of the persons and entities listed above under the agreements discussed below are, in general, the same as the rights of each other holder of the same class of partnership units. So, for instance, the rights of our currently-serving executive officers that are holders of Class B common units, under the exchange, registration rights, partnership and tax receivable agreements described below are, in general, the same as the rights of each other holder of Class B common units. The descriptions of the transactions and agreements below, including the rights and ownership interests of the persons and entities listed above, are as of February 14, 2020, unless otherwise indicated.

Exchange Agreement

Under the exchange agreement, subject to certain restrictions (including those intended to ensure that Artisan Partners Holdings is not treated as a “publicly traded partnership” for U.S. federal income tax purposes), holders of partnership units have the right to exchange common units (together with an equal number of shares of our Class B common stock or Class C common stock, as applicable) for shares of our Class A common stock on a one-for-one basis. A partnership unit cannot be exchanged for a share of our Class A common stock without a share of our Class B common stock or Class C common stock, as applicable, being delivered together at the time of exchange for cancellation.

Holders of partnership units have the right to exchange units in a number of circumstances that are generally based on, but in several respects are not identical to, the “safe harbors” contained in the U.S. Treasury Regulations dealing with publicly traded partnerships. In accordance with the terms of the exchange agreement, partnership units are exchangeable: (i) in connection with the first underwritten offering in any calendar year pursuant to the resale and registration rights agreement; (ii) on a specified date each fiscal quarter; (iii) in connection with the holder’s death, disability or mental incompetence; (iv) as part of one or more exchanges by the holder and any related persons during any 30-calendar day period representing in the aggregate more than 2% of all outstanding partnership units (generally disregarding interests held by us); (v) if the exchange is of all of the partnership units held by AIC in a single transaction; (vi) in connection with a tender offer, share exchange offer, issuer bid, take-over bid, recapitalization or similar transaction with respect to our Class A common stock that is effected with the consent of our board of directors or in connection with certain mergers, consolidations or other business combinations; or (vii) if we permit the exchanges after determining that Artisan Partners Holdings would not be treated as a “publicly traded partnership” under Section 7704 of the Internal Revenue Code as a result. In general, we may provide for exchanges in addition to the exchanges that holders of partnership units are entitled to under the exchange agreement.

As the holders of limited partnership units exchange their units for Class A common stock, we receive a number of general partnership units, or GP units, of Artisan Partners Holdings equal to the number of shares of our Class A common stock that they receive, and an equal number of limited partnership units are canceled.

During the fiscal year ended December 31, 2019, holders of Class A, Class B and Class E common units exchanged an aggregate of 1,499,655 units for Class A common stock, and an equal number of shares of our Class B or Class C common stock, as applicable, were canceled. We expect that approximately 1.6 million common units will be exchanged on February 27, 2020.

Resale and Registration Rights Agreement

Under the resale and registration rights agreement, we have provided the holders of partnership units with certain registration rights. We have also established certain restrictions on the timing and manner of resales of Class A common stock received upon exchange of partnership units. In general, our board of directors may waive or modify the restrictions on resale described below.

We were required to file, and use our reasonable best efforts to cause the SEC to declare effective, two registration statements: (i) an exchange shelf registration statement registering all shares of our Class A common stock and convertible preferred stock to be issued upon exchange of partnership units, and (ii) a shelf registration statement registering secondary sales of Class A common stock issuable upon exchange of units or conversion of convertible preferred stock by AIC and the H&F holders, as applicable.

As of December 31, 2019, AIC owned 3,455,973 Class D common units exchangeable for an equal number of shares of our Class A common stock. There is no limit on the number of shares of our Class A common stock AIC may sell. AIC has the right to use the resale shelf registration statement to sell shares of Class A common stock, including the right to an unrestricted number of brokered transactions and, subject to certain limitations and qualifications, marketed and unmarketed underwritten shelf takedowns.

As of December 31, 2019, our employee-partners owned an aggregate of 7,803,364 Class B common units. Under the resale and registration rights agreement, in each 12-month period, the first of which began in the first quarter of 2014, each employee-partner is permitted to sell up to (i) a number of vested shares of our Class A common stock representing 15% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units (in each case, whether vested or unvested) he or she held as of the first day of that period or, (ii) if greater, vested shares of our Class A common stock having a market value as of the time of sale of \$250,000, as well as, in either case, the number of shares such holder could have sold in any previous period or periods but did not sell in such period or periods. In February 2018, our board of directors approved the sale of additional shares by certain employee-partners, including Mr. Colson and certain senior portfolio managers that own Class B common units of Artisan Partners Holdings and more than 5% of our outstanding Class B common stock. In 2018 and 2019, those employee-partners were permitted to sell 20% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units each held as of February 1, 2018. We expect to permit them to sell the same number of shares during the first quarters of 2020, 2021 and 2022, subject to their maintaining a minimum dollar amount of firm equity. Units sold by employee-partners in connection with underwritten offerings or otherwise redeemed by us are included when calculating the maximum number of shares each employee-partner is permitted to sell in any one-year period. Our board of directors may waive or modify the resale limitations described in this paragraph.

In total, approximately 1.7 million shares will become eligible for sale by employee-partners in the first quarter of 2020. Combined with shares that previously became eligible but have not been sold, approximately 3.8 million Class B common units are eligible for sale in the first quarter of 2020. Because employee-partners and other employees are eligible to sell amounts of vested equity as described above and elsewhere in this 10-K, employees' equity ownership, in the aggregate, could significantly decline over a short period of time and without additional notice.

Upon termination of employment with Artisan, an employee-partner's Class B common units are exchanged for Class E common units; the employee-partner's shares of Class B common stock are canceled; and we issue the former employee-partner a number of shares of Class C common stock equal to the former employee-partner's number of Class E common units. Class E common units are exchangeable for Class A common stock subject to the same restrictions and limitations on exchange applicable to the other common units of Holdings.

If an employee-partner's employment was terminated as a result of retirement, death or disability, the employee-partner or his or her estate may (i) as of and after the time of termination of employment, sell (A) a number of shares of our Class A common stock up to one-half of the employee-partner's aggregate number of vested common units and shares of Class A common stock received upon exchange of common units held as of the date of termination of employment or, (B) if greater, vested shares of our Class A common stock having a market value as of the time of sale of up to \$250,000, and (ii) as of and after the first anniversary of the termination, the person's remaining shares of our Class A common stock received upon exchange of common units. Retirement, for these purposes, generally requires that the employee-partner have provided ten years of service or more at the date of retirement and offered one year's written notice (or eighteen months' written notice in the case of employee-partners who are decision-making portfolio managers or executive officers) of the intention to retire, subject to our right to accept a shorter period of notice. Prior to February 2019, the eighteen months' written notice requirement was three years, subject to the Company's discretion to waive the period to no less than one year.

If an employee-partner resigns or is terminated involuntarily, the employee-partner may in each 12-month period following the third, fourth, fifth and sixth anniversary of the termination, sell a number of shares of our Class A common stock up to one-fourth of the employee-partner's aggregate number of vested common units and shares of Class A common stock received upon exchange of common units held as of the date of termination of his or her employment (as well as the number of shares such employee-partner could have sold in any previous period or periods but did not sell in such period or periods).

As of December 31, 2019, former employee-partners owned an aggregate of 3,063,006 Class E common units, approximately 3.0 million of which may be sold during the first quarter of 2020.

As of December 31, 2019, our initial outside investors who are holders of Class A common units owned an aggregate of 7,049,686 Class A common units exchangeable for an equal number of shares of our Class A common stock. There is no limit on the number of shares of our Class A common stock the holders of Class A common units may sell.

We have paid and will continue to pay all expenses incident to our performance of any registration or marketing of securities pursuant to the resale and registration rights agreement, including reasonable fees and out-of-pocket costs and expenses of selling stockholders. We have also agreed to indemnify any selling stockholder, solely in their capacity as selling stockholders, against any losses or damages resulting from any untrue statement, or omission of material fact in any registration statement, prospectus or free writing prospectus pursuant to which they may sell shares of our Class A common stock, except to the extent the liability arose from their misstatement or omission of a material fact, in which case they have similarly agreed to indemnify us.

Amended and Restated Limited Partnership Agreement of Artisan Partners Holdings

As a holding company, we conduct all of our business activities through our direct subsidiary, Artisan Partners Holdings, an intermediate holding company, which wholly owns Artisan Partners Limited Partnership, our principal operating subsidiary. The rights and obligations of Artisan Partners Holdings' partners are set forth in its amended and restated limited partnership agreement.

We are the general partner of Artisan Partners Holdings and control its business and affairs and are responsible for the management of its business, subject to the voting rights of the limited partners as described below. No limited partners of Artisan Partners Holdings, in their capacity as such, have any authority or right to control the management of Artisan Partners Holdings or to bind it in connection with any matter.

Artisan Partners Holdings has outstanding GP units and common units. Net profits and net losses and distributions of profits of Artisan Partners Holdings are allocated and made to partners pro rata in accordance with the number of partnership units they hold. Artisan Partners Holdings is obligated to distribute to us and its other partners cash payments for the purposes of funding tax obligations of ours and theirs as partners of Artisan Partners Holdings. In order to make a share of our Class A common stock represent the same percentage economic interest, disregarding corporate-level taxes and payments with respect to the tax receivable agreements, in Artisan Partners Holdings as a common unit of Artisan Partners Holdings, we always hold a number of GP units equal to the number of shares of Class A common stock issued and outstanding.

As the general partner of Artisan Partners Holdings, we hold all GP units and control the business of Artisan Partners Holdings. Our approval, acting in our capacity as the general partner, along with the approval of holders of a majority of each class of limited partnership units (except the Class E common units), voting as a separate class, will be required to engage in a material corporate transaction; with certain exceptions, redeem or reclassify partnership units or interests in any subsidiary, issue additional partnership units or interests in any subsidiary, or create additional classes of partnership units or interests in any subsidiary; or make any in-kind distributions. If any of the foregoing affects only certain classes of partnership units, only the approval of us and the affected classes would be required. The approval rights of each class of partnership units will terminate when the holders of the respective class of units directly or indirectly cease to own units constituting at least 5% of the outstanding units of Artisan Partners Holdings.

The amended and restated limited partnership agreement may be amended with the consent of the general partner and the holders of a majority of the Class A common units, Class B common units and Class D common units, each voting as a separate class, provided that the general partner may, without the consent of any limited partner, make amendments that do not materially and adversely affect any limited partners. To the extent any amendment materially and adversely affects only certain classes of limited partners, only the holders of a majority of the units of the affected classes have the right to approve such amendment.

Artisan Partners Holdings will indemnify AIC, as its former general partner, us, as its current general partner, the former members of its pre-IPO Advisory Committee, the members of our stockholders committee and our directors and officers against any losses, damages, costs or expenses (including reasonable attorney's fees, judgments, fines and amounts paid in settlement) actually incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative (including any action by or on behalf of Artisan Partners Holdings) arising as a result of the capacities in which they serve or served Artisan Partners Holdings to the maximum extent that any of them could be indemnified if Artisan Partners Holdings were a Delaware corporation and they were directors of such corporation. In addition, Artisan Partners Holdings will pay the costs or expenses (including reasonable attorney's fees) incurred by the indemnified parties in advance of a final disposition of such matters so long as the indemnified party undertakes to repay the expenses if the party is adjudicated not to be entitled to indemnification.

Artisan Partners Holdings will also indemnify its officers and employees and officers and employees of its subsidiaries against any losses, damages, costs or expenses (including reasonable attorney's fees, judgments, fines and amounts paid in settlement) actually incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative arising as a result of their being an employee of Artisan Partners Holdings (or their serving as an officer or fiduciary of any of Artisan Partners Holdings' subsidiaries or benefit plans or any entity of which Artisan is sponsor or adviser), provided that no employee will be indemnified or reimbursed for any claim, obligation or liability adjudicated to have arisen out of or been based upon such employee's intentional misconduct, gross negligence, fraud or knowing violation of law.

Stockholders Agreement

Our employees (including all of our employee-partners) to whom we have granted equity have entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all shares of our common stock they have acquired from us (which shares represent approximately 17% of the combined voting power of our capital stock as of February 14, 2020) and any shares they may acquire from us in the future to a stockholders committee currently consisting of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). Any shares of our common stock that we issue to our employees in the future will be subject to the stockholders agreement so long as the agreement has not been terminated. Shares subject to the stockholders agreement will be voted in accordance with the majority decision of the three members of the stockholders committee.

The members of the stockholders committee must be Artisan employees and holders of shares subject to the agreement. If a member of the stockholders committee ceases to act as a member of the committee, our Chief Executive Officer (if he or she is a holder of shares subject to the stockholders agreement and is not already a member of the committee) will become a member of the committee. Otherwise, the two remaining members of the stockholders committee will jointly select a third member of the committee. Each member of the stockholders committee is entitled to indemnification from Artisan in his or her capacity as a member of the committee.

The stockholders agreement provides that in connection with our election of directors, the members of the stockholders committee will vote the shares subject to the agreement in support of the following:

- Matthew R. Barger, or, unless Mr. Barger is removed from the board of directors for cause, a successor selected by Mr. Barger who holds Class A common units, so long as the holders of the Class A common units beneficially own at least 5% of our outstanding capital stock. As of December 31, 2019, the holders of the Class A common units beneficially owned approximately 9% of our outstanding capital stock.
- A director nominee, initially Mr. Colson, designated by the stockholders committee who is an employee-partner.

Under the terms of the stockholders agreement, we are required to use our best efforts to elect the nominees described above, which efforts must include soliciting proxies for, and recommending that our stockholders vote in favor of, the election of each. Other than as provided above, under the terms of the stockholders agreement, the stockholders committee may in its discretion vote, or abstain from voting, all or any of the shares subject to the agreement on any matter on which holders of shares of our common stock are entitled to vote. The committee is specifically authorized to vote for its members as directors under the terms of the stockholders agreement.

If and when the stockholders committee is no longer obligated to vote in favor of a director nominee who is a Class A common unit holder, parties to the stockholders agreement holding at least two-thirds of the shares subject to the agreement may terminate the agreement.

Tax Receivable Agreements

We are party to two tax receivable agreements. The first tax receivable agreement is between APAM and the assignees of the Pre-H&F Corp Merger Shareholder that was the sole shareholder of our convertible preferred stock. As part of our IPO reorganization, a corporation (“H&F Corp”) controlled by Hellman & Friedman LLC merged with and into us pursuant to an Agreement and Plan of Merger. As consideration for the merger, the shareholder of H&F Corp received shares of our convertible preferred stock (all of which were converted to shares of Class A common stock in June 2014), contingent value rights (which were subsequently terminated in November 2013), and the right to receive an amount of cash. The tax receivable agreement between APAM and the assignees of the Pre-H&F Corp Merger Shareholder generally provides for the payment by APAM of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) the tax attributes of the preferred units APAM acquired in the merger, (ii) net operating losses available as a result of the merger, and (iii) tax benefits related to imputed interest.

The second tax receivable agreement, with each current or former holder of limited partnership units or their assignees, generally provides for the payment by APAM to each of them or their assignees of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of partnership units sold to us or exchanged (for shares of Class A common stock, convertible preferred stock or other consideration) and that are created as a result of such sales or exchanges and payments under the TRAs, and (ii) tax benefits related to imputed interest.

For purposes of these tax receivable agreements, cash savings in tax are calculated by comparing our actual income tax liability to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the tax receivable agreements, unless certain assumptions apply. The tax receivable agreements will continue until all tax benefits have been utilized or expired, unless we exercise our right to terminate the agreements or we materially breach any of our material obligations under the agreements, in which cases our obligations under the agreements will accelerate. The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of purchases or exchanges of partnership units, the price of our Class A common stock at the time of such purchases or exchanges, the extent to which such transactions are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable and the portion of our payments under the tax receivable agreements constituting imputed interest or depreciable or amortizable basis. In addition, in the case of a change of control, our obligations will be based on different assumptions that may affect the amount of the payments required under the agreements.

As of December 31, 2019, we recorded a \$375.3 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expect to realize from the merger described above and our purchase of Class A common units in connection with the IPO; our purchase of common and preferred units since the IPO; and the quarterly exchanges made by certain limited partners pursuant to the exchange agreement. The amount assumes no material changes in the related tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the tax receivable agreements. Additional purchases or exchanges of units of Artisan Partners Holdings will cause the liability to increase.

During 2019, we made payments under the tax receivable agreements totaling approximately \$25 million in the aggregate. Of that amount, \$6.1 million was paid to certain of our directors or entities associated with certain directors that hold or held Class C common stock; \$5.8 million was paid to our employee-partners, of which \$4.8 million was paid to certain of our currently-serving executive officers and several employee-partners, or entities controlled by employee-partners, who own greater than 5% of our outstanding Class B common stock; and \$1.5 million to other persons or entities who own Class A or Class E common units of Artisan Partners Holdings and greater than 5% of our outstanding Class C common stock.

Assuming no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with (i) the H&F Corp merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2019; and (iii) projected future purchases or exchanges of partnership units would aggregate to approximately \$646 million over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of \$32.32 per share of our Class A common stock, which was the closing price of our Class A common stock on December 31, 2019.

Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately \$577 million, over generally a minimum of 15 years. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock at the time of purchase or exchange and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit.

Indemnification Agreements

We have entered into an indemnification agreement with each of our executive officers, directors and the members of our stockholders committee that provides, in general, that we will indemnify them to the fullest extent permitted by Delaware law in connection with their service in such capacities. Due to the nature of the indemnification agreements, they are not the type of agreements that are typically entered into with or available to unaffiliated third parties.

Seed Investments in Artisan Private Funds

Several of our directors, executive officers and employees, including employees who own greater than 5% of our outstanding Class B common stock, have made seed investments in certain Artisan Private Funds. These investments provided the initial seed capital needed to support the launch of new investment strategies and products. Management and incentive fees are not charged and incentive allocations are not made on seed capital investments. The amount of management fees that would have been earned by us during 2019 had a fee been charged on seed capital investments made by related parties totaled approximately \$319,135. The amount of incentive allocations that would have been allocated to us in 2019 had incentive allocations been made on these investments totaled approximately \$90,383.

Review, Approval or Ratification of Transactions with Related Persons

We have adopted a written policy regarding the approval of any transaction or series of transactions in which we are a participant, the amount involved exceeds \$120,000, and a “related party” (a director, director nominee, executive officer, or a person known to us to be the beneficial owner of more than 5% of any class of our voting securities, or any immediate family member of any of the foregoing) has a direct or indirect material interest (a “related party transaction”). Under the policy, all potential related party transactions must be brought to the attention of the Chief Legal Officer who will evaluate the facts and circumstances of the transaction and determine whether it constitutes a related party transaction. If the Chief Legal Officer determines that a transaction is a related party transaction, the material terms of the transaction will be presented for consideration and approval or ratification at the Audit Committee’s next regularly scheduled meeting. If the Chief Legal Officer determines that it is impractical or undesirable to wait until the next Audit Committee meeting, the matter will be presented to the Chair of the Audit Committee for review and approval or ratification on behalf of the Audit Committee. Any related party transaction approved or ratified by the Chair will be reported to the Audit Committee at its next regularly scheduled meeting. The Chief Legal Officer may also determine to submit the related party transaction to the entire board of directors for review and approval or ratification.

A related party transaction will be approved or ratified if, after considering all relevant factors, it is determined in good faith that the transaction is not inconsistent with the best interests of the Company or its shareholders. When reviewing a related party transaction that commenced without approval, all available options, including ratification, amendment and termination of the transaction, will be considered. Under the policy, any director who has an interest in a related party transaction will recuse himself or herself from any formal action with respect to the transaction as deemed appropriate by the Audit Committee or board of directors.

Director Independence

Our board of directors is composed of a majority of directors who satisfy the criteria for independence under the NYSE listing standards and do not have any material relationship with the Company. Our board has determined that each of Matthew R. Barger, Seth W. Brennan (who resigned from the board on January 27, 2020), Tench Cox, Stephanie G. DiMarco, Jeffrey A. Joerres and Andrew A. Ziegler is independent in accordance with NYSE listing standards and our corporate governance guidelines, and does not have any relationship that would interfere with exercising independent judgment in carrying out his or her responsibilities as a director. See Item 10 for a list of the committees on which each director serves.

Item 14. Principal Accountant Fees and Services**Audit and Non-Audit Fees**

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP as of and for the fiscal years ended December 31, 2019 and 2018 are set forth below. The aggregate fees included in the “Audit Fees” and the “Audit-Related Fees” categories are fees for services performed *for* those fiscal years. The aggregate fees included in the “Tax Fees” and “All Other Fees” categories are fees for services performed *in* those fiscal years.

	Fiscal Year 2019	Fiscal Year 2018
Audit Fees	\$ 1,015,400	\$ 937,600
Audit-Related Fees ⁽¹⁾	301,000	367,700
Tax Fees ⁽²⁾	843,400	710,500
All Other Fees	4,600	4,600
Total	\$ 2,164,400	\$ 2,020,400

⁽¹⁾ For the years ended December 31, 2019 and 2018, audit-related fees includes \$227,500 and \$210,000, respectively, for audit services provided to our sponsored investment products, including consolidated investment products.

⁽²⁾ Tax fees for the years ended December 31, 2019 and 2018, includes \$147,000 and \$144,000, respectively, of fees related to tax return compliance and preparation. For the year ended December 31, 2019, tax fees also includes \$89,000 for tax services provided to our sponsored investment products, including consolidated investment products.

Audit Fees for the fiscal years ended December 31, 2019 and 2018 were for professional services rendered for the audits of our annual financial statements, reviews of quarterly financial statements and services that are customarily provided in connection with statutory or regulatory filings.

Audit-Related Fees for the fiscal years ended December 31, 2019 and 2018 were for consultations related to the accounting or disclosure treatment of transactions, audit services provided to our sponsored investment products, and attest services related to our compliance with the Global Investment Performance Standards (GIPS). Audit-Related Fees for the fiscal year ended December 31, 2018 includes fees for the review of a registration statement filed with the SEC.

Tax Fees for the fiscal years ended December 31, 2019 and 2018 were for domestic and foreign tax return compliance, including review of partner capital accounts, and consultations related to technical interpretations, applicable laws and regulations and tax accounting.

Other Fees for the fiscal years ended December 31, 2019 and 2018 were license fees for professional publications.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee is required to pre-approve, or adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors. The Committee will typically pre-approve specific types of audit, audit-related, tax and other services on an annual basis. The Committee pre-approves all other services on an individual basis throughout the year as the need arises. The Committee has delegated to its chairperson the authority to pre-approve independent auditor engagements between meetings of the Committee. Any such pre-approvals will be reported to the entire Committee at its next regular meeting.

All services for fiscal 2019 were pre-approved by the Audit Committee. In all cases, the Audit Committee concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of PricewaterhouseCoopers LLP's independence.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(1) Financial Statements: The information required by this Item is contained in Item 8 of Part II of this report.

(2) Financial Statement Schedules: None

(3) Exhibits:

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
2.1	Agreement and Plan of Merger between Artisan Partners Asset Management Inc. and H&F Brewer Blocker Corp.	10-K	001-35826	2.1	February 25, 2016	
3.1	Restated Certificate of Incorporation of Artisan Partners Asset Management Inc.	10-K	001-35826	3.1	February 25, 2016	
3.2	Amended and Restated Bylaws of Artisan Partners Asset Management Inc.	10-K	001-35826	3.2	February 25, 2016	
4.1	Description of the Registrant's Securities					X
10.1	Fifth Amended and Restated Limited Partnership Agreement of Artisan Partners Holdings LP	10-K	001-35826	10.1	February 25, 2016	
10.2	Amended and Restated Resale and Registration Rights Agreement	10-K	001-35826	10.2	February 25, 2016	
10.3	Exchange Agreement	10-K	001-35826	10.3	February 25, 2016	
10.4	Tax Receivable Agreement (Merger)	10-K	001-35826	10.4	February 25, 2016	
10.5	Tax Receivable Agreement (Exchanges)	10-K	001-35826	10.5	February 25, 2016	
10.6	Stockholders Agreement	10-K	001-35826	10.6	February 25, 2016	
10.7	Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan (1)	10-K	001-35826	10.9	February 25, 2016	
10.8	Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan	10-K	001-35826	10.10	February 25, 2016	
10.9	Form of Artisan Partners Holdings LP Restated Class B Common Units Grant Agreement	10-K	001-35826	10.12	February 25, 2016	
10.10	Form of Indemnification Agreement	10-K	001-35826	10.14	February 25, 2016	
10.11	Form of Indemnification Priority Agreement	10-K	001-35826	10.15	February 25, 2016	
10.12	Form of Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan - Restricted Share Unit Award Agreement	10-K	001-35826	10.18	February 25, 2016	
10.13	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Restricted Share Award Agreement (1)	10-K	001-35826	10.13	February 20, 2019	
10.14	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Career Share Award Agreement (1)	10-K	001-35826	10.14	February 20, 2019	
10.15	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Amended and Restated Restricted Share Award Agreement (1)	10-K	001-35826	10.15	February 20, 2019	
10.16	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Amended and Restated Career Share Award Agreement (1)	10-K	001-35826	10.16	February 20, 2019	
10.17	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Franchise Share Award Agreement	10-K	001-35826	10.17	February 20, 2019	
10.18	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Performance Share Unit Award Agreement (1)					X
10.19	Form of Unit Purchase Agreement	10-K	001-35826	10.22	February 25, 2016	

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
10.20	Second Amended and Restated Investment Advisory Agreement between Artisan Partners Limited Partnership and Artisan Partners Funds, Inc.					X
10.21	Note Purchase Agreement, dated as of August 16, 2017, among Artisan Partners Holdings LP and the purchasers listed therein	8-K	001-35826	10.1	August 18, 2017	
10.22	Amended and Restated Five-Year Revolving Credit Agreement, dated as of August 16, 2017, among Artisan Partners Holdings LP, the lenders named therein, and Citibank, N.A., as Administrative Agent	8-K	001-35826	10.2	August 18, 2017	
10.23	Note Purchase Agreement, dated August 16, 2012, as amended September 15, 2017, among Artisan Partners Holdings LP and the purchasers listed therein	10-Q	001-35826	10.3	November 1, 2017	
10.24	Note Purchase Agreement, dated as of June 6, 2019, among Artisan Partners Holdings LP and the purchasers listed therein	8-K	001-35826	10.1	June 6, 2019	
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
31.1	Certification of the Company's Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)					X
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)					X
101	The following Extensible Business Reporting Language (XBRL) documents are collectively included herewith as Exhibit 101: (i) the Consolidated Statements of Financial Condition as of December 31, 2019 and 2018; (ii) the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 and (vi) the Notes to Consolidated Financial Statements as of and for the years ended December 31, 2019, 2018 and 2017					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101)					X

(1) Indicates a management contract or compensatory plan.

(2) These certifications are deemed to be furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Artisan Partners Asset Management Inc.

Dated: February 18, 2020

By: /s/ Eric R. Colson

Eric R. Colson
President, Chief Executive Officer and Chairman of the Board
(principal executive officer)

/s/ Charles J. Daley Jr.

Charles J. Daley, Jr.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 18th day of February, 2020.

Signature	Title
/s/ Matthew R. Barger _____ Matthew R. Barger	Director
/s/ Tench Coxé _____ Tench Coxé	Director
/s/ Stephanie G. DiMarco _____ Stephanie G. DiMarco	Director
/s/ Jeffrey A. Joerres _____ Jeffrey A. Joerres	Director
/s/ Andrew A. Ziegler _____ Andrew A. Ziegler	Director

DESCRIPTION OF SECURITIES

The following description of our capital stock is a summary and is qualified in its entirety by reference to our restated certificate of incorporation and amended and restated bylaws, each of which is incorporated by reference as an exhibit to this Annual Report on Form 10-K.

Our authorized capital stock consists of 500,000,000 shares of Class A common stock, par value \$0.01 per share, 200,000,000 shares of Class B common stock, par value \$0.01 per share, 400,000,000 shares of Class C common stock, par value \$0.01 per share, and 100,000,000 shares of preferred stock.

As of December 31, 2019, 56,429,825 shares of our Class A common stock, 7,803,364 shares of our Class B common stock and 13,568,665 shares of our Class C common stock were outstanding. We had no shares of preferred stock outstanding as of December 31, 2019.

The only class of our common stock that is registered pursuant to Section 12 of the U.S. Securities Exchange Act of 1934, as amended is our Class A common stock. Our Class A common stock is listed on the NYSE under the symbol "APAM". The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

Common Stock

Class A Common Stock

The holders of our Class A common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders.

The holders of our Class A common stock are entitled to receive dividends (including dividends payable in shares of our Class A common stock or in rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class A common stock paid proportionally with respect to each outstanding share of our Class A common stock), if declared by our board of directors, out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

The holders of our Class A common stock do not have preemptive, subscription, redemption or conversion rights.

Voting

Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of the election of directors, by a plurality) of the votes entitled to be cast by all shares of Class A common stock, Class B common stock and Class C common stock present in person or represented by proxy, voting together as a single class. However, as set forth below under "Anti-Takeover Effects of Provisions of Delaware Law and Our Restated Certificate of Incorporation and Amended and Restated Bylaws-Amendments to Our Governing Documents", certain material amendments to our restated certificate of incorporation must be approved by at least 66 2/3% of the combined voting power of all of our outstanding capital stock entitled to vote in the election of our board, voting together as a single class. In addition, amendments to our restated certificate of incorporation, including in connection with a merger, that would alter or change the powers, preferences or rights of the Class A common stock, Class B common stock and Class C common stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class or series, as applicable. With certain exceptions, any amendment to our restated certificate of incorporation to increase or decrease the authorized shares of any class of common stock must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class or series, as applicable.

Anti-Takeover Effects of Provisions of Delaware Law and Our Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions in our restated certificate of incorporation, amended and restated bylaws and in the Delaware General Corporation Law may have the effect of delaying, deferring or preventing a change in control of the Company. Those provisions include:

- The right of the various classes of our capital stock to vote, as separate classes, on certain amendments to our restated certificate of incorporation and certain fundamental transactions.
- The ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares.
- Advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting.
- A limitation that, generally, stockholder action may only be taken at an annual or special meeting or by unanimous written consent.
- A requirement that a special meeting of stockholders may be called only by our board of directors or our Chairman and Chief Executive Officer.
- The ability of our board of directors to adopt, amend and repeal our amended and restated bylaws by majority vote, while such action by stockholders would require a super majority vote.
- Our incorporation in Delaware makes us subject to the provisions of the General Corporation Law of the State of Delaware, including Section 203 regarding business combinations with an interested stockholder.

ARTISAN PARTNERS ASSET MANAGEMENT INC.
2013 OMNIBUS INCENTIVE COMPENSATION PLAN

Performance Share Unit Award Certificate

Artisan Partners Asset Management Inc. (“Artisan”), pursuant to the Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan (as amended, from time to time, the “Plan”), has awarded performance share units (“PSUs”) to Grantee as set forth below in consideration of Grantee’s service as an employee of Artisan or any of its subsidiaries. Each PSU constitutes an unfunded and unsecured promise of Artisan to deliver (or cause to be delivered) to Grantee a share of Artisan’s Class A common stock (a “Share”) on the applicable Delivery Date (as defined below).

Grantee:

Grant Date:

Number of PSUs: PSUs are the “Standard PSUs”
 PSUs are the “Career PSUs”
The number of PSUs may increase or decrease based on the performance conditions described below.

Performance Period: January 1, 2020 through December 31, 2022

Performance Conditions: The PSUs are subject to the following performance conditions:

- Artisan’s TSR (as defined below) over the Performance Period must exceed the median TSR of the Peer Group (defined below) over the Performance Period
- Artisan’s Adjusted Operating Margin over the Performance Period (defined below) must exceed the median Adjusted Operating Margin of the Peer Group over the Performance Period

Earned PSUs: Subject to Grantee’s continued Employment with the Company, the Standard PSUs and Career PSUs will be earned to the extent that the performance conditions are met, as determined by the Compensation Committee, as follows:

- If neither condition is met, then 50% of the Standard PSUs and 50% of the Career PSUs will be Earned and the remainder will be forfeited as of the date on which the Committee determines performance was not met.
- If one condition is met, then 100% of the Standard PSUs and 100% of the Career PSUs will be Earned.
- If both conditions are met, then 150% of the Standard PSUs and 150% of the Career PSUs will be Earned.

Vesting Eligibility Schedule: There is no proportionate or partial vesting in the period prior to a vesting date.
Standard PSUs: Subject to Grantee’s continued Employment with the Company, the Earned Standard PSUs will vest on the date on which the Compensation Committee determines the level at which the performance conditions were met.
Career PSUs: The Earned Career PSUs will vest on Grantee’s Qualifying Retirement (as defined in the Award Agreement) after the Performance Period. For the avoidance of doubt, no Career PSUs will vest if Grantee’s Employment terminates for any reason (including due to retirement) during the Performance Period.

- Delivery Date:** Subject to applicable withholding, Shares underlying the Earned Standard PSUs and Earned Career PSUs will be delivered (and such PSUs will be cancelled) promptly following the date on which such PSUs vest and, in any case, within five business days following that date (each such date is a “Delivery Date”). “Business day” means any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York City and in the State of Wisconsin.
- Definitions:** “Adjusted Operating Margin” for Artisan and for each member of the Peer Group is determined by dividing adjusted operating income by total revenues, with additional adjustments made at the discretion of the Compensation Committee to improve comparability.
- “Peer Group” means the group of Artisan’s publicly traded peers listed below, provided that the Compensation Committee may modify the group as it deems appropriate in the event a merger, acquisition or other material corporate transaction impacts the status of a named peer.
- AllianceBernstein; Affiliated Managers Group; BlackRock; Eaton Vance; Federated Investors; Franklin Resources; GAMCO Investors; Invesco; Janus Capital Group; Lazard; Legg Mason; BrightSphere; T. Rowe Price Group; Virtus Investment Partners; and Waddell & Reed Financial.
- “TSR” for Artisan and for each member of the Peer Group is determined by dividing (a) the sum of (i) the difference obtained by subtracting the applicable Beginning Price from the applicable Ending Price plus (ii) all dividends and other distributions during the Performance Period by (b) the applicable Beginning Price. Any non-cash distributions will be valued at fair market value as determined by the Compensation Committee. For the purpose of determining TSR, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the date of distribution.
- “Beginning Price” means, with respect to Artisan and any other Peer Group member, the average of the closing market prices of such company’s common stock on the principal exchange on which such stock is traded for the twenty consecutive trading days ending on the last trading day prior to the beginning of the Performance Period.
 - “Ending Price” means, with respect to Artisan and any other Peer Group member, the average of the closing market prices of such company’s common stock on the principal exchange on which such stock is traded for the twenty consecutive trading days ending on the last trading day of the Performance Period.
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This award is subject to all of the terms, conditions and restrictions set forth in Grantee's Performance Share Unit Award Agreement, dated [] (including any schedules and appendices thereto) (the "Award Agreement") and the Plan, each of which has been provided to Grantee and are incorporated herein by reference.

Grantee acknowledges receipt of copies of the Award Agreement and the Plan, has read and understands the terms and provisions thereof, has had the opportunity to consult with his or her legal, tax and financial advisors, and accepts this award subject to all of the terms and conditions of the Award Agreement and the Plan.

Artisan may, in its sole discretion, deliver this Performance Share Unit Award Certificate, the Award Agreement, the Plan or any other documents related to this award, by electronic means and request Grantee's acceptance of this award and the terms of the Award Agreement by electronic means. Grantee hereby consents to receive such documents by electronic delivery, including by accessing such documents on a website, and agrees to accept this award and the terms of the Award Agreement through any on-line or electronic system utilized by Artisan for this purpose.

Artisan Partners Asset Management Inc.

Grantee

By: _____

Title: _____

ARTISAN PARTNERS ASSET MANAGEMENT INC.
2013 OMNIBUS INCENTIVE COMPENSATION PLAN

Performance SHARE Unit AWARD AGREEMENT

This Performance Share Unit Award Agreement (this "Award Agreement") between [] (the "Grantee") and Artisan Partners Asset Management Inc. ("Artisan") is effective [].

1. The Plan. Awards of performance share units ("PSUs") are made pursuant to the Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan (as amended, from time to time, the "Plan"). Each PSU constitutes an unfunded and unsecured promise of Artisan to deliver (or cause to be delivered) to the Grantee a share of Class A common stock of Artisan (a "Share") on the Delivery Date (as defined below). Capitalized terms used but not defined in this Award Agreement have the meanings as used or defined in the Plan and the applicable performance share unit award certificate.
2. Forfeiture. Subject to Section 3 and Section 4 and the terms of any employment, severance or similar agreement between Grantee and the Company, if Grantee's Employment with the Company terminates for any reason prior to a vesting date, any then unvested PSUs shall be automatically forfeited (regardless of whether any such PSUs were Earned) and the Company shall have no further obligations to Grantee or Grantee's legal representative under this Award Agreement.
3. Vesting upon Qualifying Retirement. Provided that Grantee (i) has given the Company at least one-year advance written notice of intention to retire and (ii) has attained at least ten years of service with the Company as of the retirement date, the Earned Career PSUs eligible to vest under any applicable Vesting Eligibility Schedule (as set forth in any performance share unit award certificates) will vest on Grantee's retirement date. If during any portion of Grantee's Employment with the Company, Grantee is or was an Executive Officer of Artisan or a decision-making portfolio manager (meaning he or she has or had investment discretion) with respect to any client accounts, then the advance written notice required under clause (i) of this Section 3 shall be 18-month advance written notice of intention to retire.

If Grantee would have attained at least ten years of service with the Company as of the retirement date but for the Company reducing the notice period and causing the retirement date to occur prior to the date on which Grantee will have attained ten years of service with the Company, then the ten-year service requirement will be deemed to be satisfied as of the retirement date.

4. Acceleration.
 - a. Change in Control: Upon a Change in Control, 100% of any outstanding PSUs will immediately vest in full, provided that if Grantee is a named executive officer of Artisan those outstanding PSUs will be treated in accordance with the terms of the Plan and, for such purpose, any reference to PSUs "vesting in full" will mean that 100% of outstanding PSUs will vest.
 - b. Death or Disability: Notwithstanding any other provision in this Agreement, upon termination of Grantee's employment with the Company by reason of death or Disability, 100% of any outstanding PSUs will vest in full as of the date of such termination. For purposes of this Award Agreement, "Disability" means Grantee's inability to perform the essential functions of his or her position, with or without reasonable accommodation, for a period aggregating 180 days within any continuous period of 365 days by reason of physical or mental incapacity.
 - c. Termination without Cause: If, on or after the fifth anniversary of a Grant Date (as set forth in any performance share unit award certificates), (i) the Company terminates the Employment of Grantee without Cause and (ii) Grantee has attained at least ten years of service with the Company as of the date of termination of Employment, the Earned Career PSUs granted five
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years or more ago will vest in full as of the date of such termination. In any dispute over whether the Company terminated the Employment of Grantee without Cause, the burden shall be on the Grantee to prove that the Company's purpose in terminating the Employment of Grantee was without Cause.

For purposes of this Section 4(c), "Cause" means the occurrence of any of the following: (i) such Grantee's material violation of any material contract, company standard, policy or agreement whether written or oral between Grantee and the Company; (ii) such Grantee's commission or attempted commission of any felony or any crime involving fraud, dishonesty or moral turpitude; (iii) such Grantee's attempted commission of, or participation in, a fraud or act of dishonesty against the Company or any client of the Company; or (iv) such Grantee's willful, material violation of the applicable rules or regulations of any governmental or self-regulatory authority that causes material harm to the Company, such Grantee's disqualification or bar by any governmental or self-regulatory authority from serving in the capacity required by his or her job description or such Grantee's loss of any governmental or self-regulatory license that is reasonably necessary for such Grantee to perform his or her duties or responsibilities as an employee of the Company.

5. Issuance and Delivery. Upon the Delivery Date(s) set forth in the performance share unit award certificates, Artisan will cause to be delivered to Grantee one Share for each vested Earned PSU scheduled to be paid on such date and as to which all other conditions have been satisfied. Each such Share will be free from risk of forfeiture (but still bearing and/or subject to any other legends that may be required by Artisan). Artisan may issue stock certificates or evidence Grantee's Shares by using a book entry account with Artisan's transfer agent.
 6. Non-Transferability. PSUs may not be sold, transferred, assigned, pledged, hedged or otherwise disposed of in any manner other than by will or by the laws of descent and distribution, and any attempt to sell, transfer, assign, pledge, hedge or otherwise dispose of the PSUs in violation of this Award Agreement shall be void and of no effect.
 7. Privileges of Share Ownership. Until the applicable Delivery Date, with respect to the PSUs, the Grantee will have only the rights of a general unsecured creditor and no rights of a shareholder of Artisan; provided that, notwithstanding the foregoing, the Grantee shall have the right to receive dividend equivalents (with respect to dividends whether ordinary or extraordinary and whether paid in cash, additional shares or other property) on outstanding PSUs at the time, and in such form, as such dividends are paid to Artisan's shareholders. For the avoidance of doubt, Grantee shall have no rights with respect to any forfeited PSUs. At the close of business on the applicable Delivery Date, the Grantee shall be deemed the beneficial owner of any Shares delivered with respect to the vested Earned PSUs scheduled to be settled on that date and such PSUs shall be cancelled.
 8. Restrictive Covenants. GRANTEE AGREES TO BE SUBJECT TO THE RESTRICTIVE COVENANTS SET FORTH IN APPENDIX A TO THIS AWARD AGREEMENT.
 9. Tax Withholding. In connection with the vesting of PSUs and/or delivery of Shares, Grantee will promptly pay, or otherwise provide for to the satisfaction of the Company, any applicable federal, state and local tax and social security and payroll withholding obligations of the Company. At its sole discretion, Artisan may provide and/or require for payment by Grantee of withholding taxes through either (i) cash payment or (ii) remitting to Artisan Shares with a fair market value (determined as of the applicable Delivery Date), in either case in an amount equal to the statutory minimum amount of taxes required to be withheld. In the latter case, without any further action by Grantee, Artisan will cause its transfer agent to deduct the Shares to be remitted from the Shares to be issued to the Grantee ("Net Share Settle"). If Grantee shall fail to make such payment or otherwise satisfy such obligations, the Company shall, to the extent permitted by law, have the right (but not the obligation) to withhold delivery of Shares and/or deduct from any payment of any kind otherwise due to Grantee any federal, state or local tax and social security and payroll
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withholding obligations with respect to the PSUs or Shares delivered pursuant to the PSUs. Notwithstanding the foregoing, if on an applicable Delivery Date Grantee is an executive officer of Artisan for whom the Company has withholding obligations, Grantee will be required to Net Share Settle, unless another method is specifically approved by the Compensation Committee of the Board of Directors of Artisan.

10. Compliance with Securities Laws. The issuance and delivery of Shares shall be subject to compliance by Artisan and Grantee with all applicable requirements under federal and state securities laws and with all applicable rules of the New York Stock Exchange. Shares will not be issued or delivered unless and until any then applicable requirements of federal and state laws and regulatory agencies have been fully complied with to the satisfaction of Artisan.
 11. Section 409A.
 - a. PSUs awarded under this Award Agreement are intended to be exempt from Section 409A and this Award Agreement shall be interpreted, administered and construed in accordance with that intent. The Compensation Committee will have full authority to give effect to the intent of this Section 11(a). Each payment or delivery under this Award Agreement shall be treated as a separate payment for purposes of Section 409A.
 - b. Without limiting the generality of Section 11(a), to the extent necessary to comply with Section 409A, references to the Grantee's termination of Employment shall mean the Grantee's "separation from service" within the meaning of Section 409A. To the extent required in order to avoid the imposition of any interest, penalties and additional tax under Section 409A, any payment to be made with respect to the PSUs as a result of Grantee's termination of Employment will be delayed for six months and one day following such termination of service, or if earlier, the date of Grantee's death, if Grantee is deemed to be a "specified employee" as defined in Section 409A and as determined by Artisan. For the avoidance of doubt, the Grantee shall in no event have the right to designate the taxable year in which the delivery of Shares occurs.
 - c. Without limiting the generality of Section 11(a), to the extent required in order to avoid the imposition of any interest, penalties and additional tax under Section 409A, a Change in Control shall not have occurred unless such Change in Control is a "change in the ownership or effective control" or a "change in the ownership of a substantial portion of the assets" of Artisan, in each case, as determined in accordance with Section 409A, and, if such Change in Control has not occurred, the issuance or transfer of any PSUs shall occur on the date of Grantee's "separation from service" as determined in accordance with Section 409A.
 12. Entire Agreement. This Award Agreement, together with any performance share unit award certificates, and the Plan constitute the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede all prior understandings and agreements (whether written or oral) between the Company and Grantee with respect to such subject matter.
 13. Notices. Any notice required to be given to Artisan under the terms of this Award Agreement will be in writing or email and be delivered to Artisan's Chief Legal Officer. Any notice required to be given to Grantee will be in writing or email and delivered to the address or addresses last maintained in the Company's records.
 14. Adjustments. In the event of any change in the outstanding Shares after the Grant Date or any other event described in Section 1.6.3 of the Plan occurring after the Grant Date, the Board or the Compensation Committee will make such equitable substitution or adjustment (including cash payments) as provided for under Section 1.6.3 of the Plan in order to preserve the value of the outstanding PSUs.
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15. Binding Effect. Any action taken or decision made in good faith by the Compensation Committee of the Board of Directors of Artisan in connection with the construction, administration or interpretation of this Award Agreement will lie within its sole and absolute discretion and will be final, conclusive and binding on Grantee and all persons claiming under or through Grantee.
16. Choice of Forum. As a condition to Grantee's receipt of the PSUs, Grantee hereby irrevocably submits to the exclusive jurisdiction of any state or federal court located in Delaware over any suit, action or proceeding arising out of or relating to the Plan or this Award Agreement.
17. Governing Law. This Award Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to its principles of conflict of laws.
18. Electronic Delivery and Signature. Artisan may, in its sole discretion, deliver this Award Agreement, the Plan and any other documents related to the PSUs by electronic means and request Grantee's agreement to the terms thereof by electronic means. Grantee hereby consents to receive such documents by electronic delivery, including by accessing such documents on a website, and agrees to accept the terms of the Award Agreement through any on-line or electronic system utilized by Artisan for this purpose.

Artisan Partners Asset Management Inc.

Grantee

By:

Title:

Appendix A: Restrictive Covenants

Definitions. For purposes of this Appendix A:

“**Artisan Client**” means each of the following:

- Any client of the Artisan Group (i) for which Grantee provided services (such as investment management or relationship management services) on behalf of the Artisan Group during the 12 months preceding Grantee’s last date of Employment and (ii) with whom the Grantee had substantive personal contact (including, without limitation, phone or email contact) during the 12 months preceding the Grantee’s last date of Employment.
- Any investor in a mutual fund, UCITS fund, private fund or other pooled investment vehicle advised, promoted, or sponsored by the Artisan Group (each, an “Artisan Pooled Vehicle”) (i) for which investor the Grantee provided services (such as investment management services to the relevant Artisan Pooled Vehicle or relationship management services) on behalf of the Artisan Group during the 12 months preceding Grantee’s last date of Employment and (ii) with whom the Grantee had substantive personal contact (including, without limitation, phone or email contact) during the 12 months preceding the Grantee’s last date of Employment.
- Any employee, partner or director of a financial intermediary, financial adviser or planner, consultant or broker-dealer (each, a “Client Intermediary”) (i) to whom the Grantee provided services (such as investment management or relationship management services) on behalf of the Artisan Group during the 12 months preceding the Grantee’s last date of Employment and (ii) with whom the Grantee had substantive personal contact (including, without limitation, phone or email contact) during the 12 months preceding the Grantee’s last date of Employment.

“**Artisan Group**” means Artisan Partners Asset Management Inc. and each of its subsidiaries and affiliates (including, for the avoidance of doubt, Artisan Partners Limited Partnership).

“**Artisan Prospective Client**” means any person or entity for which the Artisan Group made a proposal to perform services in which the Grantee participated by means of substantive personal contact with the person or entity or the agents of the person or entity during the 12 months preceding the Grantee’s last date of Employment. For the avoidance of doubt, “Artisan Prospective Client” shall include a person or entity with respect to which this definition otherwise applies, including but not limited to financial intermediaries, financial advisers or planners, consultants, and broker dealers, notwithstanding that the services that were proposed to be provided would have been provided indirectly through such person’s or entity’s investment in an Artisan Pooled Vehicle.

“**Competitive Enterprise**” means any business enterprise that either (i) engages in any activity that competes with any then-current activity of the Artisan Group, including, without limitation, investment management services, or (ii) holds a 5% or greater equity, voting or profit participation interest in any enterprise that engages in such a competitive activity.

“**Restricted Period**” means the period during which Grantee is Employed and for a period of one year immediately following termination of Grantee’s Employment for any reason.

“**Restricted Person**” means an individual who, at the time of the solicitation, was an employee of the Artisan Group and: (i) was an executive officer, portfolio manager (including associate or co-portfolio manager), or managing director of the Artisan Group (a “top-level employee”), had special skills or knowledge important to the Artisan Group, or had skills that are difficult for the Artisan Group to replace, and (ii) with whom Grantee had a working relationship or about whom Grantee acquired or possessed specialized knowledge, in each case, in connection with Grantee’s employment and during the 18 months prior to the termination of Grantee’s employment.

“Restricted Services” means any activity that Grantee was engaged in on behalf of the Artisan Group at any time during the 12 months preceding Grantee’s last date of Employment.

“Territory” means anywhere in the world.

Non-Competition. If during any portion of Grantee’s Employment with the Company Grantee is or was an Executive Officer of Artisan or a decision-making portfolio manager (meaning he or she has or had investment discretion) with respect to any client accounts, then the terms and conditions of this Section 2 shall apply. As a necessary measure to protect the confidential trade secrets and proprietary information of the Artisan Group, Grantee agrees that during the Restricted Period he or she will not, directly or indirectly, (i) hold an equity, voting or profit participation interest in a Competitive Enterprise (other than a 5% or less interest in a publicly traded entity which is only held for passive investment purposes); (ii) provide Restricted Services anywhere in the Territory to a Competitive Enterprise; or (iii) manage or supervise personnel engaged in providing Restricted Services anywhere in the Territory on behalf of a Competitive Enterprise. As it relates to the practice of law, the terms of this Section 2 and the terms of any other similar provision agreed to by the parties hereto shall be binding and effective upon Grantee only to the extent permissible under the Rules of Professional Conduct or any other professional or ethical rules governing the practice of law that Grantee may be subject to. Further, the prohibitions in this Section 2 shall not apply to Grantee’s management, without compensation, of the investments of the Grantee or members of the Grantee’s family or a trust or similar vehicle for the benefit of any of the foregoing.

Non-Solicitation of Clients and Prospective Clients. Grantee agrees that during the Restricted Period he or she will not induce or attempt to induce any Artisan Client or Artisan Prospective Client to use the investment management services (including by way of investing in a mutual fund, UCITS fund or other pooled investment vehicle) of any person or entity other than the Artisan Group or to cease using the investment management services (including any Artisan Pooled Vehicle) of the Artisan Group. The prohibitions in this Section 3 shall not apply to (i) Grantee’s management, without compensation, of the investments of the Grantee or members of the Grantee’s family or a trust or similar vehicle for the benefit of any of the foregoing, or (ii) the provision of services by Grantee to a business enterprise solely because such business enterprise engages in general advertising and solicitation efforts that may or do reach an Artisan Client.

Non-Solicitation of Restricted Persons

(a) Non-Solicitation of Restricted Persons. Grantee agrees that during the Restricted Period he or she will not directly or indirectly solicit or attempt to solicit any Restricted Person to terminate employment for the purpose of engaging in, or starting a business which engages in, a Competitive Enterprise.

(b) No Hire of Restricted Persons. To the extent not prohibited by local or state laws, Grantee agrees that during the Restricted Period he or she will not hire, employ or otherwise use the services of a Restricted Person.

(c) With respect to Sections 4(a) and 4(b) above, the parties hereto agree that it shall be conclusively presumed to have resulted from an impermissible solicitation, and therefore it shall be a deemed violation of such section, if during the Restricted Period, the Grantee and one or more persons who was an Artisan portfolio manager (including associate or co-portfolio manager) at any time within the period of 18 months prior to termination of the Grantee’s Employment, become employed by either the same employer or an affiliate thereof, or otherwise become affiliated as partners, contractors or other personal service providers with an entity together with its affiliates, to provide Restricted Services for the benefit of a Competitive Enterprise or any affiliate of a Competitive Enterprise.

Included Actions. Grantee shall be deemed to have taken any action which is prohibited by this Appendix A and to be in violation of this Appendix A if Grantee takes such action directly or indirectly, or if it is taken by any person or entity with whom Grantee is associated as an employee, independent contractor, consultant, agent, partner, member, proprietor, owner, stockholder, officer, director, or trustee, or by any person or entity directly or indirectly controlled by, controlling or under common control with Grantee.

Injunctive Relief; Enforceability of Restrictive Covenants. Grantee acknowledges that irreparable injury may result to the Artisan Group if Grantee breaches the provisions of this Appendix A and agrees that the Artisan Group will be entitled, in addition to all other legal remedies available to the Artisan Group, to an injunction or other equitable relief by any court of competent jurisdiction to prevent or restrain any breach of this Appendix A. The parties hereto acknowledge that the restrictions on Grantee imposed by this Appendix A are reasonable in both duration and geographic scope and in all other respects for the protection of the Artisan Group, and its business, goodwill, and property rights. Grantee acknowledges that the restrictions imposed in this Appendix A will not prevent Grantee from earning a living in the event of, and after, the end of Grantee's Employment. Grantee further acknowledges that Grantee had the opportunity to consult with his or her legal, tax and financial advisors regarding the restrictions imposed in this Appendix A prior to accepting this Award Agreement.

Severability. Should any provision of this Appendix A be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Appendix A shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Appendix A. The parties agree that any such court is expressly authorized to modify any such unenforceable provision, whether by revising or deleting the offending provision, or by making such other modifications to this Appendix A as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law. The parties expressly agree that this Appendix A as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Appendix A be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Appendix A shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

Survival of Provisions. The obligations contained in this Appendix A will survive, and will remain fully enforceable after, the delivery of any and all Shares underlying PSUs awarded pursuant to this Award Agreement, any termination of this Award Agreement, and the termination of the Grantee's Employment for any reason.

ARTISAN PARTNERS FUNDS, INC.

SECOND AMENDED AND RESTATED INVESTMENT ADVISORY AGREEMENT

THIS SECOND AMENDED AND RESTATED INVESTMENT ADVISORY AGREEMENT (the "Agreement") is made as of this 12th day of May, 2015 by and between Artisan Partners Funds, Inc., a Wisconsin corporation registered under the Investment Company Act of 1940, as amended ("1940 Act"), as an open-end diversified management investment company ("Artisan Funds"), and Artisan Partners Limited Partnership, a Delaware limited partnership registered under the Investment Advisers Act of 1940, as amended, as an investment adviser ("Artisan Partners").

WHEREAS, Artisan Funds and Artisan Partners previously entered into that certain Amended and Restated Investment Advisory Agreement, dated as of March 12, 2014 (the "Prior Agreement"); and

WHEREAS, Artisan Funds and Artisan Partners wish to amend and restate the Prior Agreement in its entirety as follows;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

1. *Engagement of Artisan Partners.*

(a) Artisan Partners shall manage the investment and reinvestment of the assets of each series of Artisan Funds listed on Schedule A hereto (each a "Fund" and together "the Funds"), as may be amended from time to time, subject to such policies as the board of directors of Artisan Funds (the "board") may determine, for the period and on the terms set forth in this Agreement. Artisan Partners shall give due consideration to the investment policies and restrictions and the other statements concerning the Funds in Artisan Funds' articles of incorporation, bylaws, and registration statements under the 1940 Act and the Securities Act of 1933 ("1933 Act") and to the provisions of the Internal Revenue Code applicable to each Fund as a regulated investment company. Artisan Partners shall be deemed for all purposes to be an independent contractor and not an agent of Artisan Funds or any Fund, and unless otherwise expressly provided or authorized, shall have no authority to act for or represent Artisan Funds or any Fund in any way.

(b) Artisan Partners is authorized to make the decisions to buy and sell portfolio investments, to place each Fund's portfolio transactions with broker-dealers, and to negotiate the terms of such transactions, including brokerage commissions on brokerage transactions, on behalf of such Fund.

Artisan Partners' primary consideration in effecting a security or other transaction for a Fund will be to obtain best execution for the Fund, taking into account all factors Artisan Partners deems relevant, including, by way of example, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into

account market prices and trends, the reputation, experience and financial stability of the broker-dealer involved and the quality of service rendered by the broker-dealer in other transactions. Subject to such policies as the board may determine and consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended, Artisan Partners shall not be deemed to have acted unlawfully or to have breached any duty created by this Agreement or otherwise solely by reason of its having caused any Fund to pay a broker-dealer, acting as agent, for effecting a portfolio transaction an amount of commission in excess of the amount of commission another broker-dealer would have charged for effecting that transaction if Artisan Partners determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, viewed in terms of either that particular transaction or Artisan Partners' overall responsibilities with respect to such Fund and to other clients as to which it exercises investment discretion, and in so doing shall not be required to make any reduction in its investment advisory fees.

(c) Artisan Partners may, from time to time, delegate to one or more sub-advisers (each a "Sub-adviser") any of Artisan Partners' duties under this Agreement with respect to any Fund. Any such Sub-adviser shall have all of the rights and powers of Artisan Partners as set forth in this Agreement and as specifically delegated to it by Artisan Partners with respect to such Fund; *provided* (i) that Artisan Partners must (A) oversee the provision of delegated services and (B) bear any additional costs for the services provided by any Sub-adviser and (ii) that no such delegation will relieve Artisan Partners of any of its obligations under this Agreement; and *provided further*, that the retention (or termination) of any Sub-adviser shall be approved in advance by (i) the board in conformity with the requirements of the 1940 Act, and (ii) the shareholders of the Fund if required under any applicable provisions of the 1940 Act and the rules and regulations under the 1940 Act, subject to any applicable guidance or interpretation of the Securities and Exchange Commission or its staff. Artisan Partners will review, monitor and report to the board regarding the performance and investment procedures of any Sub-adviser. A Sub-adviser may be an affiliate of Artisan Partners.

Artisan Partners represents that it will notify Artisan Funds of any change in the membership of Artisan Partners within a reasonable time after any such change, to the extent required by Section 205(a)(3) of the Advisers Act.

2. Expenses to be Paid by Artisan Partners. Artisan Partners shall furnish to Artisan Funds, at its own expense, office space and all necessary office facilities, equipment and personnel for managing each Fund. Artisan Partners shall also assume and pay all other expenses incurred by it in connection with managing the assets of each Fund; all expenses of marketing shares of each Fund to the extent that such expenses exceed amounts paid under any plan of distribution of shares pursuant to Section 12(b) of the 1940 Act; all expenses of placement of securities orders and related bookkeeping; and such portion of all fees, dues and other expenses related to membership of Artisan Funds in any trade association or other investment company organization as may be determined by the board from time to time. Artisan Partners shall not be obligated to pay any expenses of or for any Fund not expressly assumed by Artisan Partners herein.

3. Expenses to be Paid by Artisan Funds. Artisan Funds shall pay all expenses of its operation not specifically assumed by Artisan Partners, including, but not limited to, all charges of depositories, custodians and other agencies for the safekeeping and servicing of its cash, securities and other property and of its transfer agents and registrars and its dividend disbursing and redemption agents, if any; all expenses associated with daily price computations, including pricing services used in the valuation of securities; all charges of legal counsel and of independent accountants; all compensation of directors other than those affiliated with Artisan Partners and all expenses incurred in connection with their services to Artisan Funds; all costs of borrowing money; all expenses of publication of notices and reports to its shareholders and to governmental bodies or regulatory agencies; all expenses of proxy solicitations of the Funds or of the board; all expenses of shareholder meetings; all expenses of typesetting of the Funds' prospectuses and of printing and mailing copies of the prospectuses furnished to each then-existing shareholder or beneficial owner; all taxes and fees payable to federal, state or other governmental agencies, domestic or foreign; all stamp or other taxes; all expenses of printing and mailing certificates for shares of the Funds; all expenses of bond and insurance coverage required by law or deemed advisable by the board; all expenses of qualifying and maintaining qualification of shares of the Funds under the securities laws of such United States and non-United States jurisdictions as Artisan Funds may from time to time reasonably designate; all expenses of maintaining the registration of Artisan Funds under the 1933 Act and the 1940 Act; and such portion of all fees, dues and other expenses related to membership of Artisan Funds in any trade association or other investment company organization as may be determined by the board from time to time. In addition to the payment of expenses, the Funds also shall pay all brokers' commissions and other charges relating to the purchase and sale of portfolio securities for the Funds. Any expenses borne by Artisan Funds that are attributable solely to the operation or business of any particular Fund shall be paid solely out of such Fund's assets. Any expenses borne by Artisan Funds that are not solely attributable to any particular Fund shall be apportioned in such manner as Artisan Partners determines is fair and appropriate, or as otherwise specified by the board.

4. Compensation of Artisan Partners. For the services to be rendered and the charges and expenses to be assumed and to be paid by Artisan Partners hereunder, each Fund shall pay to Artisan Partners a monthly fee at the annual rate set forth in Schedule A hereto based on such Fund's average daily net assets. If Artisan Partners shall serve for less than the whole of a month, the foregoing compensation shall be prorated.

5. Services of Artisan Partners Not Exclusive. The services of Artisan Partners (and any person controlled by or under common control with Artisan Partners) to Artisan Funds hereunder are not to be deemed exclusive, and Artisan Partners (and any person controlled by or under common control with Artisan Partners) shall be free to render similar services to others so long as its services under this Agreement are not impaired by such other activities.

6. Services Other Than as Investment Adviser. Artisan Partners (or an affiliate of Artisan Partners) may act as broker for any Fund in connection with the purchase or sale of securities by or to such Fund if and to the extent permitted by procedures adopted from time to time by the board. Such brokerage services are not within the scope of the duties of Artisan

Partners under this Agreement, and, within the limits permitted by law and the board, Artisan Partners (or an affiliate of Artisan Partners) may receive brokerage commissions, fees or other remuneration from such Fund for such services in addition to its fee for services as an investment adviser pursuant to this Agreement. Within the limits permitted by law, Artisan Partners may receive compensation from any Fund for other services performed by it for such Fund which are not within the scope of the duties of Artisan Partners under this Agreement.

7. *Limitation of Liability of Artisan Partners.* Artisan Partners shall not be liable to Artisan Funds or its shareholders for any loss suffered by Artisan Funds or its shareholders from or as a consequence of any act or omission of Artisan Partners, or of any of the partners, employees or agents of Artisan Partners, in connection with or pursuant to this Agreement, except by reason of willful misfeasance, bad faith or gross negligence on the part of Artisan Partners in the performance of its duties or by reason of reckless disregard by Artisan Partners of its obligations and duties under this Agreement.

8. *Duration and Renewal.* This Agreement is effective with respect to each Fund as of each Fund's Original Effective date set forth in Schedule A. Unless terminated as provided in Section 9 of this Agreement, this Agreement shall continue in full force and effect through each Fund's Initial Term End Date set forth in Schedule A (which date shall not be later than the date that is two years from the Original Effective Date), and shall continue in full force and effect with respect to each Fund for successive periods of one year thereafter, but only so long as each continuance is specifically approved at least annually (a) by a majority of those directors who are not interested persons of Artisan Funds or of Artisan Partners, voting in person at a meeting called for the purpose of voting on such approval, and (b) by either the board or vote of the holders of a "majority of the outstanding shares of the Fund"; provided, however, that if the continuance of this Agreement is submitted to the shareholders of a Fund for their approval and such shareholders fail to approve such continuance of this Agreement as provided herein, Artisan Partners may continue to serve hereunder as investment adviser to such Fund in a manner consistent with the 1940 Act and the rules and regulations under the 1940 Act, subject to any applicable guidance or interpretation of the Securities and Exchange Commission or its staff.

9. *Termination.* This Agreement may be terminated as to any Fund at any time, without payment of any penalty, by the board or by vote of the holders of a majority of the outstanding shares of such Fund, upon 60 days' written notice, delivered or mailed by registered mail, postage prepaid, to Artisan Partners. This Agreement may be terminated as to any Fund by Artisan Partners at any time, without payment of any penalty, upon 60 days' written notice, delivered or mailed by registered mail, postage prepaid, to Artisan Funds. This Agreement shall terminate automatically, without payment of any penalty, in the event of its assignment, provided that no delegation of responsibilities by Artisan Partners pursuant to Section 1(c) of this Agreement shall be deemed to constitute an assignment. The termination of this Agreement with respect to any one Fund shall not be deemed to terminate this Agreement with respect to any other Fund.

10. *Amendment.* This Agreement may not be amended orally, but only by an instrument in writing signed by the party against which enforcement of the amendment is sought.

No amendment to this Agreement shall become effective until approved in a manner consistent with the 1940 Act, the rules and regulations thereunder and any applicable guidance or interpretation of the Securities and Exchange Commission or its staff.

11. *Definitions.*

For the purposes of this Agreement, the term “a majority of the outstanding shares of the Fund” will be construed in accordance with the definition of “vote of a majority of the outstanding voting securities of a company” in Section 2(a)(42) of the 1940 Act.

For the purposes of this Agreement, the terms “affiliated person,” “control,” “interested person” and “assignment” have their respective meanings defined in the 1940 Act, subject, however, to the rules and regulations under the 1940 Act and any applicable guidance or interpretation of the Securities and Exchange Commission or its staff; the term “approve at least annually” will be construed in a manner consistent with the 1940 Act and the rules and regulations under the 1940 Act and any applicable guidance or interpretation of the Securities and Exchange Commission or its staff; and the term “brokerage and research services” has the meaning given in the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder and under any applicable guidance or interpretation of the Securities and Exchange Commission or its staff.

IN WITNESS WHEREOF, ARTISAN PARTNERS FUNDS, INC. and ARTISAN PARTNERS LIMITED PARTNERSHIP have each caused this Agreement to be signed on its behalf by its duly authorized representative, all as of the day and year first above written.

Artisan Partners Funds, Inc.

By: /s/ Sarah A. Johnson

Artisan Partners Limited Partnership

By: /s/ Sarah A. Johnson

Schedule A

Amended as of February 12, 2020 to add Artisan Select Equity Fund

<u>Fund</u>	<u>Annual Rate of Fee</u>	<u>Asset Base</u>	<u>Original Effective Date of Agreement</u>	<u>Initial Term End Date</u>
Developing World Fund	1.050% 1.025% 1.000% 0.975% 0.950%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	May 12, 2015	May 12, 2017
Global Discovery Fund	0.975% 0.950% 0.925% 0.900% 0.875%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	August 18, 2017	August 18, 2019
Global Equity Fund	0.900% 0.875% 0.850% 0.825% 0.800%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	March 12, 2014	June 30, 2015
Global Opportunities Fund	0.900% 0.875% 0.850% 0.825% 0.800%	up to \$1 billion \$1 billion up to \$4 billion \$4 billion up to \$8 billion \$8 billion up to \$12 billion over \$12 billion	March 12, 2014	June 30, 2015
Global Value Fund	1.000% 0.975% 0.950% 0.925% 0.900%	up to \$1 billion \$1 billion up to \$4 billion \$4 billion up to \$8 billion \$8 billion up to \$12 billion over \$12 billion	March 12, 2014	June 30, 2015
High Income Fund	0.725% 0.700% 0.675% 0.650% 0.625%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$10 billion over \$10 billion	March 12, 2014	June 30, 2015
International Fund	1.000% 0.975% 0.950% 0.925% 0.900%	up to \$500 million \$500 million up to \$750 million \$750 million up to \$1 billion \$1 billion up to \$12 billion over \$12 billion	March 12, 2014	June 30, 2015
International Small-Mid Fund (formerly International Small Cap Fund)	1.050% 1.025% 1.000% 0.975% 0.950%	up to \$2 billion \$2 billion up to \$3 billion \$3 billion up to \$4 billion \$4 billion up to \$5 billion over \$5 billion	March 12, 2014	June 30, 2015
International Value Fund	1.000% 0.975% 0.950% 0.925%	up to \$500 million \$500 million up to \$750 million \$750 million up to \$1 billion over \$1 billion	March 12, 2014	June 30, 2015
Mid Cap Fund	1.000% 0.975% 0.950% 0.925%	up to \$500 million \$500 million up to \$750 million \$750 million up to \$1 billion over \$1 billion	March 12, 2014	June 30, 2015

[Schedule A to Second Amended & Restated Investment Advisory Agreement]

Mid Cap Value Fund	1.000% 0.975% 0.950% 0.925%	up to \$500 million \$500 million up to \$750 million \$750 million up to \$1 billion over \$1 billion	March 12, 2014	June 30, 2015
Select Equity Fund	0.750% 0.725% 0.700% 0.675% 0.650%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	February 12, 2020	February 12, 2022
Small Cap Fund	1.000% 0.975% 0.950% 0.925%	up to \$500 million \$500 million up to \$750 million \$750 million up to \$1 billion over \$1 billion	March 12, 2014	June 30, 2015
Sustainable Emerging Markets Fund (formerly Emerging Markets Fund)	1.000% 0.975% 0.950% 0.925% 0.900%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	March 12, 2014	June 30, 2015
Thematic Fund	1.000% 0.975% 0.950% 0.925% 0.900%	up to \$1 billion \$1 billion up to \$2 billion \$2 billion up to \$3.5 billion \$3.5 billion up to \$5 billion over \$5 billion	February 16, 2017	February 16, 2019
Value Fund	0.800% 0.760% 0.720% 0.680% 0.640%	up to \$50 million \$50 million up to \$100 million \$100 million up to \$500 million \$500 million up to \$7.5 billion over \$7.5 billion	March 12, 2014	June 30, 2015

IN WITNESS WHEREOF, ARTISAN PARTNERS FUNDS, INC. and ARTISAN PARTNERS LIMITED PARTNERSHIP have each caused this Schedule A to be signed on its behalf by its duly authorized representative, all as of the day and year first written above.

Artisan Partners Funds, Inc.

By: /s/ Sarah A. Johnson

Artisan Partners Limited Partnership

By: /s/ Sarah A. Johnson

[Schedule A to Second Amended & Restated Investment Advisory Agreement]

Subsidiaries of Artisan Partners Asset Management Inc.

Name	Jurisdiction of Incorporation/Organization
Artisan Partners Holdings LP	Delaware
Artisan Partners Distributors LLC	Wisconsin
Artisan Investments GP LLC	Delaware
Artisan Partners Limited Partnership	Delaware
Artisan Partners Asia-Pacific PTE Ltd.	Singapore
Artisan Partners Limited	United Kingdom
Artisan Partners II Limited	United Kingdom
Artisan Partners UK LLP	United Kingdom
Artisan Partners Services LLC	Delaware
Artisan Partners Australia Pty Ltd.	Australia
Artisan Partners Canada Holdings LLC	Delaware
Artisan Partners Canada ULC	Canada
Artisan Credit Opportunities GP LLC	Delaware
Artisan Credit Opportunities Master Fund LP	Cayman Islands
Artisan Credit Opportunities Fund LP	Delaware
Artisan Credit Opportunities Offshore Fund Ltd	Cayman Islands
Credit Team Holdco LLC	Delaware
Artisan Thematic GP LLC	Delaware
Artisan Thematic Master Fund LP	Cayman Islands
Artisan Thematic Fund LP	Delaware
Artisan Thematic Offshore Fund Ltd	Cayman Islands
Thematic Team Holdco LLC	Delaware
Artisan Partners Europe Holdings LLC	Delaware
APEL Financial Distribution Services Ltd.	Ireland
Artisan Partners International Holdings LLC	Delaware
Artisan Partners GP LLC	Delaware
Artisan Sustainable Emerging Markets Fund LP	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.333-187180) and Form S-3 (No. 333-216165 and 333-194684) of Artisan Partners Asset Management Inc. of our report dated February 18, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Chicago, IL
February 18, 2020

CERTIFICATION

I, Eric R. Colson, certify that:

1. I have reviewed this report on Form 10-K of Artisan Partners Asset Management Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric R. Colson

Eric R. Colson
President, Chief Executive Officer and Chairman of the Board
(principal executive officer)

Date: February 18, 2020

CERTIFICATION

I, Charles J. Daley, Jr., certify that:

1. I have reviewed this report on Form 10-K of Artisan Partners Asset Management Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Charles J. Daley, Jr.

Charles J. Daley, Jr.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: February 18, 2020

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Eric R. Colson, the President, Chief Executive Officer and Chairman of the Board of Artisan Partners Asset Management Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric R. Colson

Eric R. Colson
President, Chief Executive Officer and Chairman of the Board
(principal executive officer)

Date: February 18, 2020

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Charles J. Daley, Jr., the Executive Vice President, Chief Financial Officer and Treasurer of Artisan Partners Asset Management Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles J. Daley, Jr.

Charles J. Daley, Jr.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: February 18, 2020