UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020

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	**45-0969585**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
875 E. Wisconsin Avenue, Suite 800	
Milwaukee, WI	**53202**
(Address of principal executive offices)	*(Zip Code)*

(414) 390-6100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value $0.01 per share	APAM	New York Stock Exchange

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	☑	Accelerated filer	☐
Non-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 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 July 24, 2020 were 61,354,644, 5,589,292 and 11,631,164, respectively.

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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"). On March 12, 2013, APAM closed its initial public offering and related corporate reorganization. Prior to that date, APAM was a subsidiary of Artisan Partners Holdings.

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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 18, 2020, as such factors may be updated from time to time. Our periodic and current reports are accessible on the SEC's website at www.sec.gov. 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, including our ability to operate under different and unique circumstances;
- 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.

Part I — Financial Information
Item 1. Unaudited Consolidated Financial Statements

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

	June 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 190,855	$ 134,621
Accounts receivable	94,106	81,868
Investment securities	5,297	23,878
Property and equipment, net	37,564	39,495
Deferred tax assets	465,648	435,897
Restricted cash	629	629
Prepaid expenses and other assets	11,028	12,688
Operating lease assets	81,783	87,155
Assets of consolidated investment products		
Cash and cash equivalents	4,800	9,005
Accounts receivable and other	2,797	1,647
Investment assets, at fair value	107,396	106,736
Total assets	$ 1,001,903	$ 933,619
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Accounts payable, accrued expenses, and other	$ 28,672	$ 19,926
Accrued incentive compensation	79,260	16,159
Borrowings	199,194	199,103
Operating lease liabilities	94,944	101,154
Amounts payable under tax receivable agreements	392,116	375,324
Liabilities of consolidated investment products		
Accounts payable, accrued expenses, and other	23,208	34,156
Investment liabilities, at fair value	12,676	6,186
Total liabilities	830,070	752,008
Commitments and contingencies		
Redeemable noncontrolling interests	46,027	43,110
Common stock		
Class A common stock ($0.01 par value per share, 500,000,000 shares authorized, 61,354,644 and 56,429,825 shares outstanding at June 30, 2020 and December 31, 2019, respectively)	614	564
Class B common stock ($0.01 par value per share, 200,000,000 shares authorized, 5,589,292 and 7,803,364 shares outstanding at June 30, 2020 and December 31, 2019, respectively)	56	78
Class C common stock ($0.01 par value per share, 400,000,000 shares authorized, 11,631,164 and 13,568,665 shares outstanding at June 30, 2020 and December 31, 2019, respectively)	116	136
Additional paid-in capital	88,098	89,149
Retained earnings	34,562	44,455
Accumulated other comprehensive income (loss)	(2,539)	(1,425)
Total Artisan Partners Asset Management Inc. stockholders' equity	120,907	132,957
Noncontrolling interests - Artisan Partners Holdings	4,899	5,544
Total stockholders' equity	$ 125,806	$ 138,501
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	$ 1,001,903	$ 933,619

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Management fees	$ 194,927	$ 196,400	$ 394,831	$ 383,264
Performance fees	8,015	4,327	10,947	4,425
Total revenues	$ 202,942	$ 200,727	$ 405,778	$ 387,689
Operating Expenses				
Compensation and benefits	102,204	101,486	206,921	200,768
Distribution, servicing and marketing	5,355	5,836	10,903	11,239
Occupancy	5,213	5,341	10,402	12,908
Communication and technology	9,682	10,269	18,887	19,697
General and administrative	3,861	6,937	11,078	14,487
Total operating expenses	126,315	129,869	258,191	259,099
Total operating income	76,627	70,858	147,587	128,590
Non-operating income (expense)				
Interest expense	(2,715)	(2,827)	(5,400)	(5,602)
Net investment gain (loss) of consolidated investment products	12,877	2,043	(47)	4,389
Other net investment gain (loss)	1,174	1,383	(1,083)	3,340
Total non-operating income (expense)	11,336	599	(6,530)	2,127
Income before income taxes	87,963	71,457	141,057	130,717
Provision for income taxes	16,256	11,484	25,707	20,926
Net income before noncontrolling interests	71,707	59,973	115,350	109,791
Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings	18,132	19,795	34,244	37,104
Less: Net income attributable to noncontrolling interests - consolidated investment products	7,424	990	130	1,960
Net income attributable to Artisan Partners Asset Management Inc.	$ 46,151	$ 39,188	$ 80,976	$ 70,727
Basic and diluted earnings per share	$ 0.72	$ 0.66	$ 1.26	$ 1.15
Basic and diluted weighted average number of common shares outstanding	55,884,366	51,242,911	54,574,923	50,697,329
Dividends declared per Class A common share	$ 0.61	$ 0.55	$ 1.89	$ 2.14

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income before noncontrolling interests	$ 71,707	$ 59,973	$ 115,350	$ 109,791
Other comprehensive income (loss), net of tax				
Foreign currency translation gain (loss)	(44)	(460)	(1,286)	(82)
Total other comprehensive income (loss)	(44)	(460)	(1,286)	(82)
Comprehensive income	71,663	59,513	114,064	109,709
Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings	18,152	19,683	34,072	37,132
Comprehensive income attributable to noncontrolling interests - consolidated investment products	7,424	990	130	1,960
Comprehensive income attributable to Artisan Partners Asset Management Inc.	$ 46,087	$ 38,840	$ 79,862	$ 70,617

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

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

Three months ended June 30, 2020	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non-controlling interest
Balance at April 1, 2020	$ 606	$ 60	$ 120	$ 86,224	$ 21,294	$ (2,475)	$ 4,919	$ 110,748	$ 37,223
Net income	—	—	—	—	46,151	—	18,132	64,283	7,424
Other comprehensive income - foreign currency translation	—	—	—	—	—	(35)	(9)	(44)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(2,089)	—	(29)	2,118	—	—
Amortization of equity-based compensation	—	—	—	6,989	—	—	2,000	8,989	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	1,415	—	—	—	1,415	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(86)	—	—	—	(86)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Exchange of subsidiary equity	8	(4)	(4)	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	1,380
Distributions	—	—	—	—	—	—	(22,246)	(22,246)	—
Dividends	—	—	—	(4,355)	(32,883)	—	(15)	(37,253)	—
Balance at June 30, 2020	$ 614	$ 56	$ 116	$ 88,098	$ 34,562	$ (2,539)	$ 4,899	$ 125,806	$ 46,027

Three months ended June 30, 2019	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non-controlling interest
Balance at April 1, 2019	$ 556	$ 80	$ 142	$ 69,471	$ 21,191	$ (1,658)	$ 3,168	$ 92,950	$ 36,547
Net income	—	—	—	—	39,188	—	19,795	58,983	990
Other comprehensive income - foreign currency translation	—	—	—	—	—	(332)	(128)	(460)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(1,737)	—	(16)	1,753	—	—
Amortization of equity-based compensation	—	—	—	8,739	—	—	3,334	12,073	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	479	—	—	—	479	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(8)	—	—	—	(8)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Exchange of subsidiary equity	5	(1)	(4)	—	—	—	—	—	—
Capital Contributions, net	—	—	—	—	—	—	—	—	767
Distributions	—	—	—	—	—	—	(25,733)	(25,733)	—
Dividends	—	—	—	—	(31,014)	—	(17)	(31,031)	—
Balance at June 30, 2019	$ 561	$ 79	$ 138	$ 76,944	$ 29,365	$ (2,006)	$ 2,172	$ 107,253	$ 38,304

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

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

Six months ended June 30, 2020	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non-controlling interest
Balance at January 1, 2020	$ 564	$ 78	$ 136	$ 89,149	$ 44,455	$ (1,425)	$ 5,544	$ 138,501	$ 43,110
Net income	—	—	—	—	80,976	—	34,244	115,220	130
Other comprehensive income - foreign currency translation	—	—	—	—	—	(965)	(321)	(1,286)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(1,568)	—	(149)	1,717	—	—
Amortization of equity-based compensation	—	—	—	14,380	—	—	4,304	18,684	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	8,519	—	—	—	8,519	—
Issuance of Class A common stock, net of issuance costs	18	—	—	62,721	—	—	—	62,739	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	9	—	—	(9)	—	—	—	—	—
Employee net share settlement	(1)	—	—	(3,314)	—	—	(1,215)	(4,530)	—
Exchange of subsidiary equity	24	(4)	(20)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(18)	—	(63,009)	—	—	—	(63,027)	—
Capital contributions, net	—	—	—	—	—	—	—	—	5,228
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(2,441)
Distributions	—	—	—	—	—	—	(39,322)	(39,322)	—
Dividends	—	—	—	(18,771)	(90,869)	—	(52)	(109,692)	—
Balance at June 30, 2020	$ 614	$ 56	$ 116	$ 88,098	$ 34,562	$ (2,539)	$ 4,899	$ 125,806	$ 46,027

Six months ended June 30, 2019	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non-controlling interest
Balance at January 1, 2019	$ 541	$ 86	$ 142	$ 97,553	$ 38,617	$ (1,895)	$ 5,443	$ 140,487	$ 34,349
Net income	—	—	—	—	70,727	—	37,104	107,831	1,960
Other comprehensive income - foreign currency translation	—	—	—	—	—	(70)	(12)	(82)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(1,828)	—	(41)	1,869	—	—
Amortization of equity-based compensation	—	—	—	17,729	—	—	6,693	24,422	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	2,158	—	—	—	2,158	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(18)	—	—	—	(18)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	10	—	—	(10)	—	—	—	—	—
Employee net share settlement	(1)	—	—	(1,287)	—	—	(536)	(1,824)	—
Exchange of subsidiary equity	11	(7)	(4)	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	1,995
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	—
Distributions	—	—	—	—	—	—	(48,324)	(48,324)	—
Dividends	—	—	—	(37,353)	(79,979)	—	(65)	(117,397)	—
Balance at June 30, 2019	$ 561	$ 79	$ 138	$ 76,944	$ 29,365	$ (2,006)	$ 2,172	$ 107,253	$ 38,304

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

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

	For the Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities		
Net income before noncontrolling interests	$ 115,350	$ 109,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,262	2,967
Deferred income taxes	15,878	14,997
Asset impairment	—	2,107
Noncash lease expense	(885)	1,170
Net investment (gain) loss on nonconsolidated seed investment securities	1,215	(2,723)
(Gain) loss on disposal of property and equipment	(4)	128
Amortization of debt issuance costs	236	229
Share-based compensation	18,684	24,422
Net investment (gain) loss of consolidated investment products	47	(4,389)
Purchase of investments by consolidated investment products	(67,156)	(71,089)
Proceeds from sale of investments by consolidated investment products	72,073	42,364
Change in assets and liabilities resulting in an increase (decrease) in cash:		
Accounts receivable	(12,238)	(19,518)
Prepaid expenses and other assets	(754)	(637)
Accounts payable and accrued expenses	71,902	63,170
Net change in operating assets and liabilities of consolidated investment products	(13,672)	19,648
Net cash provided by operating activities	203,938	182,637
Cash flows from investing activities		
Acquisition of property and equipment	(942)	(2,372)
Leasehold improvements	(218)	(11,894)
Proceeds from sale of investment securities	19,365	—
Purchase of investment securities	(1,260)	—
Net cash provided by (used in) investing activities	16,945	(14,266)
Cash flows from financing activities		
Partnership distributions	(39,322)	(48,324)
Dividends paid	(109,692)	(117,397)
Payment under the tax receivable agreements	(20,318)	(19,009)
Net proceeds from issuance of common stock	63,027	—
Payment of costs directly associated with the issuance of Class A common stock	(220)	—
Purchase of equity and subsidiary equity	(63,027)	—
Taxes paid related to employee net share settlement	(4,530)	(1,824)
Capital contributions to consolidated investment products, net	5,228	1,995
Net cash used in financing activities	(168,854)	(184,559)
Net increase (decrease) in cash, cash equivalents, and restricted cash	52,029	(16,188)
Cash, cash equivalents and restricted cash		
Beginning of period	144,255	175,535
End of period	**$ 196,284**	**$ 159,347**
Cash, cash equivalents and restricted cash as of the end of the period		
Cash and cash equivalents	$ 190,855	$ 152,622
Restricted cash	629	629
Cash and cash equivalents of consolidated investment products	4,800	6,096
Cash, cash equivalents and restricted cash	**$ 196,284**	**$ 159,347**
Supplementary information		
Noncash activity:		
Establishment of deferred tax assets	$ 45,629	$ 11,054
Establishment of amounts payable under tax receivable agreements	37,110	8,894
Increase in investment securities due to deconsolidation of CIPs	1,469	—
Operating lease assets obtained in exchange for operating lease liabilities	—	3,606

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

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Notes to Unaudited 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 June 30, 2020, APAM held approximately 78% 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 financial statements are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of such consolidated financial statements have been included. Such interim results are not necessarily indicative of full year results.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting and accordingly they do not include all of the information and footnotes required in the annual consolidated financial statements and accompanying footnotes.

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. As a result, the interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in APAM's latest annual report on Form 10-K.

The accompanying financial statements were prepared in accordance with 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 Unaudited Consolidated Financial Statements. As of June 30, 2020, 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 Unaudited 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.

Recent accounting pronouncements

Accounting standards adopted as of January 1, 2020

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 adopted the new guidance on January 1, 2020. The Company capitalized $593 thousand of software implementation costs and recorded $11 thousand of related amortization expense during the six months ended June 30, 2020.

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 an 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 June 30, 2020	As of December 31, 2019
Investments in equity securities	$ 3,575	$ 7,543
Investments in equity securities accounted for under the equity method	1,722	16,335
Total investment securities	**$ 5,297**	**$ 23,878**

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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Net gains (losses) recognized on investment securities	$ 1,164	$ 1,108	$ (1,215)	$ 2,723
Less: Net realized gains (losses) recognized on investment securities sold during the period	119	—	4,996	—
Unrealized gains (losses) recognized on investment securities held as of the end of the period	$ 1,045	$ 1,108	$ (6,211)	$ 2,723

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 June 30, 2020 and December 31, 2019:

	Assets and Liabilities at Fair Value				
	Total	**NAV Practical Expedient (No Fair Value Level)**	**Level 1**	**Level 2**	**Level 3**
June 30, 2020					
Assets					
Money market funds	$ 70,846	$ —	$ 70,846	$ —	$ —
Equity securities	5,297	69	5,228	—	—
December 31, 2019					
Assets					
Money market funds	$ 30,673	$ —	$ 30,673	$ —	$ —
Equity securities	23,878	15,068	8,810	—	—

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 June 30, 2020 and December 31, 2019:

	Maturity	**Outstanding Balance**	**Interest Rate Per Annum**
Revolving credit agreement	August 2022	$ —	NA
Senior notes			
Series C	August 2022	90,000	5.82 %
Series D	August 2025	60,000	4.29 %
Series E	August 2027	50,000	4.53 %
Total borrowings		**$ 200,000**	

The fair value of borrowings was approximately $205.0 million as of June 30, 2020. 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".

Interest expense incurred on the unsecured notes and revolving credit agreement was $2.5 million and $2.6 million for the three months ended June 30, 2020 and 2019, respectively, and $5.1 million and $5.3 million for the six months ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, 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 VOEs. Artisan consolidates an investment product if it has a controlling financial interest in the entity. Any such entities are collectively referred to herein as consolidated investment products or CIPs.

As of June 30, 2020, 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 $33.1 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 14, "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 Unaudited Condensed 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 Unaudited Consolidated Statements of Operations.

During the six months ended June 30, 2020, 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 Unaudited Condensed Consolidated Statements of Financial Condition. There was no net impact to the Unaudited Consolidated Statements of Operations for the six months ended June 30, 2020. 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 $1.5 million direct equity investment was reclassified from investment assets of consolidated investment products to investment securities in the Company's Unaudited Condensed Consolidated Statements of Financial Condition.

As of June 30, 2020, Artisan held direct equity investments of $1.7 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 June 30, 2020 and December 31, 2019:

	Assets and Liabilities at Fair Value			
	Total	**Level 1**	**Level 2**	**Level 3**
June 30, 2020				
Assets				
Money market funds	$ 4,700	$ 4,700	$ —	$ —
Equity securities - long position	6,211	6,211	—	—
Fixed income instruments - long position	101,185	—	101,185	—
Liabilities				
Fixed income instruments - short position	$ 12,662	$ —	$ 12,662	$ —
Derivative liabilities	14	14	—	—

	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	—

CIP balances included in the Company's Unaudited Condensed Consolidated Statements of Financial Condition were as follows:

	As of June 30, 2020	**As of December 31, 2019**
Net CIP assets included in the table above	$ 99,420	$ 105,555
Net CIP assets/(liabilities) not included in the table above	(20,311)	(28,509)
Total Net CIP assets	79,109	77,046
Less: redeemable noncontrolling interest	46,027	43,110
Artisan's direct equity investment in CIPs	$ 33,082	$ 33,936

Note 7. Noncontrolling interests - Holdings

Net income attributable to noncontrolling interests - Artisan Partners Holdings in the Unaudited 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 June 30, 2020, APAM held approximately 78% 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 six months ended June 30, 2020, APAM's equity ownership interest in Holdings increased as a result of the following transactions:

	Holdings GP Units	Limited Partnership Units	Total	APAM Ownership %
Balance at December 31, 2019	**56,429,825**	**21,372,029**	**77,801,854**	**73 %**
2020 Follow-On Offering	1,802,326	(1,802,326)	—	2 %
Holdings Common Unit Exchanges	2,349,247	(2,349,247)	—	3 %
Issuance of APAM Restricted Shares[1]	916,085	—	916,085	— %
Delivery of Shares Underlying RSUs [1]	24,233	—	24,233	— %
Restricted Share Award Net Share Settlement [1]	(126,971)	—	(126,971)	— %
Forfeitures of Holdings GP Units from Employee Terminations [1]	(40,101)	—	(40,101)	— %
Balance at June 30, 2020	**61,354,644**	**17,220,456**	**78,575,100**	**78 %**

[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 Unaudited Condensed 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 Unaudited Condensed Consolidated Statements of Financial Condition:

	For the Six Months Ended June 30,	
Statement of Financial Condition	**2020**	**2019**
Additional paid-in capital	$ (2,089)	$ (1,828)
Noncontrolling interests - Artisan Partners Holdings	2,118	1,869
Accumulated other comprehensive income (loss)	(29)	(41)
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 $2.0 million and $0.6 million for the six months ended June 30, 2020 and 2019, respectively.

Note 8. Stockholders' Equity

APAM - Stockholders' Equity

APAM had the following authorized and outstanding equity as of June 30, 2020 and December 31, 2019, respectively:

		Outstanding			
	Authorized	As of June 30, 2020	As of December 31, 2019	Voting Rights [(1)]	Economic Rights
Common shares					
Class A, par value $0.01 per share	500,000,000	61,354,644	56,429,825	1 vote per share	Proportionate
Class B, par value $0.01 per share	200,000,000	5,589,292	7,803,364	1 vote per share	None
Class C, par value $0.01 per share	400,000,000	11,631,164	13,568,665	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 June 30, 2020, Artisan's employees held 5,186,737 restricted shares of Class A common stock and all 5,589,292 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 three and six months ended June 30, 2020 and 2019:

Type of Dividend	Class of Stock	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2020	2019	2020	2019
Quarterly	Class A Common	$ 0.61	$ 0.55	$ 1.29	$ 1.11
Special Annual	Class A Common	$ —	$ —	$ 0.60	$ 1.03

The following table summarizes APAM's stock transactions for the six months ended June 30, 2020:

	Total Stock Outstanding	Class A Common Stock[(1)]	Class B Common Stock	Class C Common Stock
Balance at December 31, 2019	**77,801,854**	**56,429,825**	**7,803,364**	**13,568,665**
2020 Follow-On Offering	—	1,802,326	(1,777,326)	(25,000)
Holdings Common Unit Exchanges	—	2,349,247	(403,941)	(1,945,306)
Restricted Share Award Grants	916,085	916,085	—	—
Restricted Share Award Net Share Settlement	(126,971)	(126,971)	—	—
Delivery of Shares Underlying RSUs	24,233	24,233	—	—
Employee/Partner Terminations	(40,101)	(40,101)	(32,805)	32,805
Balance at June 30, 2020	**78,575,100**	**61,354,644**	**5,589,292**	**11,631,164**

(1) There were 304,570 and 297,891 restricted stock units outstanding at June 30, 2020 and December 31, 2019, respectively. In addition, there were 60,000 performance share units outstanding at June 30, 2020. Based on the current status of the market and performance conditions, the 60,000 unvested performance share units would ultimately result in the issuance of 90,000 shares of Class A common stock if all other vesting conditions were met. Restricted stock units and performance share 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 three and six months ended June 30, 2020 and 2019, were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Holdings Partnership Distributions to Limited Partners	$ 22,246	$ 25,733	$ 39,322	$ 48,324
Holdings Partnership Distributions to APAM	66,251	59,483	111,355	112,884
Total Holdings Partnership Distributions	**$ 88,497**	**$ 85,216**	**$ 150,677**	**$ 161,208**

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

Disaggregated Revenue

The following table presents a disaggregation of revenue by type and vehicle for the three and six months ended June 30, 2020 and 2019:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Management fees				
Artisan Funds	$ 109,697	$ 112,025	$ 224,376	$ 218,205
Artisan Global Funds	7,313	8,037	15,429	16,172
Separate accounts[1]	77,917	76,338	155,026	148,887
Performance fees				
Separate accounts[1]	8,015	4,327	10,947	4,425
Total revenues[2]	**$ 202,942**	**$ 200,727**	**$ 405,778**	**$ 387,689**

[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.

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.

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

	As of June 30, 2020	As of December 31, 2019
Customer		
Artisan Funds	$ 6,592	$ 6,703
Artisan Global Funds	3,226	3,588
Separate accounts	78,171	69,413
Total receivables from contracts with customers	$ 87,989	$ 79,704
Non-customer receivables	6,117	2,164
Accounts receivable	**$ 94,106**	**$ 81,868**

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 June 30, 2020 or December 31, 2019.

Note 10. Compensation and Benefits

Total compensation and benefits consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Salaries, incentive compensation and benefits [1]	$ 93,139	$ 89,521	$ 188,669	$ 177,229
Restricted share-based award compensation expense	9,065	11,965	18,252	23,539
Total compensation and benefits	**$ 102,204**	**$ 101,486**	**$ 206,921**	**$ 200,768**

[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, restricted stock units, and performance share units (collectively referred to as "restricted share-based awards" or "awards") of Class A common stock to employees.

Standard Restricted Shares. Standard restricted shares are generally subject to a pro rata five-year service vesting condition.

Career Shares. Career shares are generally subject to both (i) a pro rata five-year service vesting condition and (ii) a qualifying retirement (as defined in the award agreement).

Franchise Shares. Like career shares, franchise shares are generally subject to both (i) a pro rata five-year service vesting condition and (ii) a qualifying retirement condition. In addition, franchise shares, which are only granted to investment team members, are subject to a Franchise Protection Clause, which provides that the number of shares that ultimately vest depends on whether certain conditions relating to client cash flows are met. If such conditions are not met, compensation cost will be reversed for any shares that do not vest.

Performance Share Units (PSUs). PSUs are generally subject to (i) a three-year service vesting condition, (ii) certain performance conditions related to the Company's operating margin and total shareholder return compared to a peer group during a three-year performance period, and (iii) for one-half of the PSUs eligible to vest at the end of the performance period, a qualifying retirement condition. The number of shares of Class A common stock that are ultimately issued in connection with each PSU award will depend upon the outcome of the performance, market and qualified retirement conditions. For the portion of a PSU award with a "performance condition" under ASC 718, expense is recognized over the service period if it is probable that the performance condition will be achieved.

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 stock awards and restricted stock units, and three years for performance share units. The fair value of each award is equal to the market price of the Company's common stock on the grant date, except for performance share units with a "market condition" performance metric under ASC 718, which have a grant-date fair value based on a Monte Carlo valuation model.

Unvested restricted share-based awards are subject to forfeiture. The Company’s accounting policy is to record the impact of forfeitures when they occur. Grantees are generally entitled to dividends or dividend equivalents on unvested and vested awards. 4,631,934 shares of Class A common stock were reserved and available for issuance under the Plan as of June 30, 2020.

During the six months ended June 30, 2020, Artisan granted 916,085 restricted stock awards, 3,370 restricted stock units, and 60,000 performance share units of Class A common stock to employees of the Company. Total compensation expense associated with the 2020 grant is expected to be approximately $34.1 million.

The following tables summarize the restricted share-based award activity for the six months ended June 30, 2020:

	Weighted-Average Grant Date Fair Value	Restricted Stock Awards and Restricted Stock Units
Unvested at January 1, 2020	**$ 35.00**	**5,005,422**
Granted	33.80	919,455
Forfeited	30.71	(40,101)
Vested	32.59	(588,144)
Unvested at June 30, 2020	**$ 35.09**	**5,296,632**

	Weighted-Average Grant Date Fair Value	Performance Share Units
Unvested at January 1, 2020	**$ —**	**—**
Granted	52.45	60,000
Forfeited	—	—
Vested	—	—
Unvested at June 30, 2020	**$ 52.45**	**60,000**

Based on the current status of the market and performance conditions, the 60,000 unvested performance share units would ultimately result in the issuance of 90,000 shares of Class A common stock if all other vesting conditions were met.

The unrecognized compensation expense for all unvested awards as of June 30, 2020 was $97.1 million with a weighted average recognition period of 3.4 years remaining.

During the six months ended June 30, 2020, the Company withheld a total of 126,971 restricted shares and paid $4.5 million as a result of net share settlements to satisfy employee tax withholding obligations. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the number of shares outstanding.

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. APAM's effective income tax rate was lower than the U.S. federal statutory rate of 21% primarily due to a rate benefit attributable to the fact that, for the six months ended June 30, 2020, approximately 25% of Artisan Partners Holdings' full year projected taxable earnings were attributable to other partners and not subject to corporate-level taxes. The effective tax rate was also lower than the statutory rate due to dividends paid on unvested share-based awards.

APAM's effective tax rate was 18.3% and 16.0% for the six months ended June 30, 2020 and 2019, respectively.

Components of the provision for income taxes consist of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Current:				
Federal	$ 5,553	$ 3,073	$ 7,146	$ 4,386
State and local	1,651	800	2,519	1,315
Foreign	55	107	164	228
Total	7,259	3,980	9,829	5,929
Deferred:				
Federal	7,712	6,706	13,610	13,402
State and local	1,285	798	2,268	1,595
Total	8,997	7,504	15,878	14,997
Income tax expense	**$ 16,256**	**$ 11,484**	**$ 25,707**	**$ 20,926**

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 Unaudited 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 six months ended June 30, 2020 is summarized as follows:

	Deferred Tax Asset - Amortizable basis	Amounts payable under tax receivable agreements
December 31, 2019	**$ 408,140**	**$ 375,324**
2020 Follow-On Offering	21,424	18,211
2020 Holdings Common Unit Exchanges	22,235	18,899
Amortization	(17,586)	—
Payments under TRA	—	(20,318)
June 30, 2020	**$ 434,213**	**$ 392,116**

Net deferred tax assets comprise the following:

	As of June 30, 2020	As of December 31, 2019
Deferred tax assets:		
Amortizable basis [(1)]	$ 434,213	$ 408,140
Other [(2)]	31,435	27,757
Total deferred tax assets	465,648	435,897
Less: valuation allowance [(3)]	—	—
Net deferred tax assets	**$ 465,648**	**$ 435,897**

[(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 Company's gross liability for unrecognized tax benefits was $1.5 million and $2.0 million as of June 30, 2020 and December 31, 2019, respectively. The total amount of unrecognized tax benefits is 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 June 30, 2020 and December 31, 2019. The gross unrecognized tax benefit is recorded within accounts payable, accrued expenses, and other in the Company's Unaudited Condensed 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 June 30, 2020, U.S. federal income tax returns filed 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

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.

The computation of basic and diluted earnings per share under the two-class method for the three and six months ended June 30, 2020 and 2019 were as follows:

Basic and Diluted Earnings Per Share	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	2020	**2019**	**2020**	**2019**
Numerator:				
Net income attributable to APAM	$ 46,151	$ 39,188	$ 80,976	$ 70,727
Less: Allocation to participating securities	6,001	5,340	12,155	12,524
Net income available to common stockholders	$ 40,150	$ 33,848	$ 68,821	$ 58,203
Denominator:				
Weighted average shares outstanding	55,884,366	51,242,911	54,574,923	50,697,329
Earnings per share	**$ 0.72**	**$ 0.66**	**$ 1.26**	**$ 1.15**

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 three and six months ended June 30, 2020 and 2019. 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 Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	2020	**2019**	**2020**	**2019**
Holdings limited partnership units	17,692,268	21,707,968	18,880,709	22,143,682
Unvested restricted share-based awards	5,402,581	5,162,101	5,290,103	5,019,710
Total	**23,094,849**	**26,870,069**	**24,170,812**	**27,163,392**

Note 13. 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 14. 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.

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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Artisan Funds	**2020**	**2019**	**2020**	**2019**
Investment management fees (Gross of fee waivers/expense reimbursements)	$ 109,863	$ 112,124	$ 224,630	$ 218,405
Fee waivers / expense reimbursements	$ 166	$ 99	$ 254	$ 200

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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Artisan Global Funds	**2020**	**2019**	**2020**	**2019**
Investment management fees (Gross of fee waivers/expense reimbursements)	$ 7,367	$ 8,096	$ 15,543	$ 16,268
Elimination of management fees from consolidated investment products[(1)]	(13)	(16)	(26)	(32)
Consolidated investment management fees (Gross of fee waivers / expense reimbursements)	**$ 7,354**	**$ 8,080**	**$ 15,517**	**$ 16,236**
Fee waivers / expense reimbursements	$ 115	$ 44	$ 210	$ 168
Elimination of fee waivers / expense reimbursements from consolidated investment products[(1)]	(74)	(1)	(122)	(104)
Consolidated fee waivers / expense reimbursements	**$ 41**	**$ 43**	**$ 88**	**$ 64**

[(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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Artisan Private Funds	**2020**	**2019**	**2020**	**2019**
Investment management fees (Gross of fee waivers/expense reimbursements)	$ 1,535	$ 665	$ 2,815	$ 1,269
Elimination of management fees from consolidated investment products[1]	(55)	(42)	(106)	(82)
Consolidated investment management fees (Gross of fee waivers / expense reimbursements)	**$ 1,480**	**$ 623**	**$ 2,709**	**$ 1,187**
Fee waivers / expense reimbursements	$ 59	$ 29	$ 104	$ 82
Elimination of fee waivers / expense reimbursements from consolidated investment products[1]	(17)	(29)	(30)	(82)
Consolidated fee waivers / expense reimbursements	**$ 42**	**$ —**	**$ 74**	**$ —**

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

Note 15. Subsequent Events

Distributions and dividends

APAM, acting as the general partner of Artisan Partners Holdings, declared, effective July 28, 2020, a distribution by Artisan Partners Holdings of $37.0 million to holders of Artisan Partners Holdings partnership units, including APAM. The board of directors of APAM declared, effective July 28, 2020, a quarterly dividend of $0.67 per share of Class A common stock. The APAM dividend is payable on August 31, 2020, to shareholders of record as of August 17, 2020.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We are an investment management firm focused on providing high-value added, active investment strategies to sophisticated clients globally. As of June 30, 2020, our nine autonomous investment teams managed a total of 18 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 June 30, 2020, approximately 80% of our assets under management were managed for clients and investors domiciled in the U.S. and 20% 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. Currently, we derive nearly all of our revenues from investment management fees, most 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 the quarter included:

- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Net of fees, 15 of our 18 strategies have outperformed relative to their broad-based benchmarks since inception.
- During the three months ended June 30, 2020, our assets under management increased to $120.6 billion, an increase of $25.4 billion, or 27%, compared to $95.2 billion at March 31, 2020, as a result of $22.1 billion in positive investment returns and $3.3 billion of net client cash inflows.
- 16 of our 18 strategies had positive net inflows in the three months ended June 30, 2020, with 10 of our strategies having net inflows in excess of $100 million. Our eight strategies with inception dates beginning in 2014 had $2.2 billion in net inflows during the quarter.
- Average assets under management for the three months ended June 30, 2020 were $109.3 billion, a decrease of 1% from the average of $110.2 billion for the three months ended June 30, 2019, and a decrease of 4% from the average of $113.8 billion for the three months ended March 31, 2020.
- We earned $203.0 million in revenue for the three months ended June 30, 2020, an increase of 1% from revenues of $200.7 million for the three months ended June 30, 2019.
- Our operating margin was 37.8% for the three months ended June 30, 2020, compared to 35.3% for the three months ended June 30, 2019.
- We generated $0.72 of earnings per basic and diluted share and $0.71 of adjusted EPS.
- We declared and distributed dividends of $0.61 per share of Class A common stock during the three months ended June 30, 2020.

COVID-19 Pandemic

The COVID-19 pandemic contributed to significant volatility in global markets and corresponding fluctuations in the valuation of our assets under management. Because most of the revenue we earn is based on the market value of our assets under management, fluctuations in global markets impact our revenues and earnings. Our assets under management declined from $125.4 billion on February 19, 2020 to $95.2 billion on March 31, 2020, and have subsequently rebounded to $120.6 billion as of June 30, 2020.

The COVID-19 pandemic continues to impact the manner in which we operate. As of the date of this filing, the majority of our employees are working from home and we have almost entirely eliminated business travel. Additionally, many third-party vendors on whom we rely for certain critical functions are also operating in remote environments. Given the continued uncertainty surrounding the COVID-19 pandemic, it is difficult to predict how long such remote working conditions will last.

We believe we are operating well under these circumstances, benefiting from the flexible and highly mobile operating environment we have built over 25 years. However, market volatility, as well as changes in our operations and those of our key vendors, may result in increased client redemptions; inefficiencies, delays and decreased communication; and an increase in the number and significance of operational and trade errors. In addition, we do not know what, if any, longer-term impact the current operating circumstances (and/or the extension of them) will have on our business and results.

Given the fluidity of the COVID-19 pandemic situation, our executive team is meeting regularly to ensure Artisan is well-positioned to quickly adjust and react as circumstances warrant, and is providing frequent communications internally with and among our associates and our board of directors—and externally with clients, prospects, consultants and shareholders.

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 22% of the equity interests in Holdings as of June 30, 2020. As a result, our results reflect that significant noncontrolling interest.

We operate our business in a single segment.

2020 Follow-On Offering and Holdings Unit Exchanges

On February 24, 2020, APAM completed an offering of 1,802,326 shares of Class A common stock and utilized all of the proceeds to purchase an aggregate of 1,802,326 common units from certain limited partners of Holdings. In connection with the offering, APAM received 1,802,326 GP units of Holdings.

During the six months ended June 30, 2020, certain limited partners of Holdings exchanged 2,349,247 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 2,349,247 shares of Class A common stock. In connection with the exchanges, APAM received 2,349,247 GP units of Holdings.

APAM’s equity ownership interest in Holdings increased from 73% at December 31, 2019 to 78% at June 30, 2020, 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 three and six months ended June 30, 2020 and 2019:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
S&P 500 total returns	20.5 %	4.3 %	(3.1) %	18.5 %
MSCI All Country World total returns	19.2 %	3.6 %	(6.3) %	16.2 %
MSCI EAFE total returns	14.9 %	3.7 %	(11.3) %	14.0 %
Russell Midcap® total returns	24.6 %	4.1 %	(9.1) %	21.3 %
MSCI Emerging Markets Index	18.1 %	0.6 %	(9.8) %	10.6 %
ICE BofA U.S. High Yield Master II Total Return Index	9.6 %	2.6 %	(4.8) %	10.2 %

Key Performance Indicators

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited; dollars in millions)			
Assets under management at period end	$ 120,574	$ 113,843	$ 120,574	$ 113,843
Average assets under management [(1)]	$ 109,295	$ 110,201	$ 111,638	$ 107,582
Net client cash flows	$ 3,331	$ (505)	$ 2,882	$ (1,615)
Total revenues	$ 203.0	$ 200.7	$ 405.8	$ 387.7
Weighted average management fee [(2)]	71.8 bps	71.5 bps	71.2 bps	71.9 bps
Operating margin	37.8 %	35.3 %	36.4 %	33.2 %

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

(2) We compute our weighted average management fee by dividing annualized investment management fees (excluding performance fees) by average assets under management for the applicable period. The weighted average management fee for prior periods have been recast to exclude performance fee revenue.

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 Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	Period-to-Period $	Period-to-Period %
	(unaudited; in millions)			
Beginning assets under management	$ 95,224	$ 107,803	$ (12,579)	(11.7)%
Gross client cash inflows	11,301	4,715	6,586	139.7 %
Gross client cash outflows	(7,970)	(5,220)	(2,750)	(52.7)%
Net client cash flows	3,331	(505)	3,836	759.6 %
Investment returns and other [1]	22,019	6,545	15,474	236.4 %
Ending assets under management	$ 120,574	$ 113,843	$ 6,731	5.9 %
Average assets under management	$ 109,295	$ 110,201	$ (906)	(0.8)%

[1] Includes the impact of translating the value of assets under management denominated in non-USD currencies into U.S. dollars. The impact was immaterial for the periods presented.

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019	Period-to-Period $	Period-to-Period %
	(unaudited; in millions)			
Beginning assets under management	$ 121,016	$ 96,224	$ 24,792	25.8 %
Gross client cash inflows	18,380	9,415	8,965	95.2 %
Gross client cash outflows	(15,498)	(11,030)	(4,468)	(40.5)%
Net client cash flows	2,882	(1,615)	4,497	278.5 %
Investment returns and other [1]	(3,324)	19,234	(22,558)	(117.3)%
Ending assets under management	$ 120,574	$ 113,843	$ 6,731	5.9 %
Average assets under management	$ 111,638	$ 107,582	$ 4,056	3.8 %

[1] Includes the impact of translating the value of assets under management denominated in non-USD currencies into U.S. dollars. The impact was immaterial for the periods presented.

During the quarter, our AUM increased by $25.4 billion due to $22.1 billion in positive investment returns resulting from the sharp rebound in global equity markets and $3.3 billion of net client cash inflows. 16 of our 18 investment strategies had net inflows, totaling $4.9 billion. Our eight strategies with inception dates beginning in 2014 had $2.2 billion in net inflows. We expect those strategies as a group to continue to experience net inflows.

Our Non-US Growth and US Mid-Cap Value strategies had a total of $1.6 billion of net outflows during the quarter.

Over the long-term, we expect to generate the majority of our AUM growth through investment returns, 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, all our strategies are open to new investors and client relationships. Our US Small-Cap Growth and Global Opportunities strategies have limited availability to most new client relationships.

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 June 30, 2020. Returns for periods less than one year are not annualized.

We measure investment performance based upon the results of our "composites", which represent the aggregate performance of all discretionary client accounts, including mutual funds, invested in the same strategy except those accounts with respect to which we believe client-imposed investment 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 10% of our assets under management at June 30, 2020, are maintained in separate composites the results of which are not included below.

Investment Team and Strategy	Composite Inception Date	Strategy AUM (in $MM)	Average Annual Total Returns (gross) (%) 1 YR	3 YR	5 YR	10 YR	Inception	Average Annual Value-Added[(1)] Since Inception (bps)
Growth Team								
Global Opportunities Strategy	2/1/2007	$ 21,469	23.41%	15.89%	14.31%	16.81%	11.68%	689
MSCI All Country World Index			*2.11%*	*6.13%*	*6.45%*	*9.15%*	*4.79%*	
Global Discovery Strategy	9/1/2017	$ 1,018	24.36%	--	--	--	20.25%	1,491
MSCI All Country World Index			*2.11%*	--	--	--	*5.34%*	
US Mid-Cap Growth Strategy	4/1/1997	$ 13,900	26.09%	20.25%	14.51%	17.59%	15.82%	611
Russell Midcap® Index			*(2.24)%*	*5.79%*	*6.75%*	*12.34%*	*9.71%*	
Russell Midcap® Growth Index			*11.91%*	*14.74%*	*11.59%*	*15.08%*	*9.63%*	
US Small-Cap Growth Strategy	4/1/1995	$ 4,692	26.17%	23.87%	16.76%	19.15%	11.85%	340
Russell 2000® Index			*(6.63)%*	*2.01%*	*4.28%*	*10.49%*	*8.45%*	
Russell 2000® Growth Index			*3.48%*	*7.85%*	*6.85%*	*12.91%*	*7.68%*	
Global Equity Team								
Global Equity Strategy	4/1/2010	$ 2,104	12.27%	16.00%	11.10%	14.81	13.13%	558
MSCI All Country World Index			*2.11%*	*6.13%*	*6.45%*	*9.15*	*7.55%*	
Non-US Growth Strategy	1/1/1996	$ 19,976	0.81%	6.43%	4.31%	9.18%	9.81%	552
MSCI EAFE Index			*(5.13)%*	*0.81%*	*2.05%*	*5.72%*	*4.29%*	
Non-US Small-Mid Growth Strategy	1/1/2019	$ 3,367	12.29%	--	--	--	24.76%	2,026
MSCI All Country World Index Ex USA Small Mid Cap			*(5.13)%*	--	--	--	*4.50%*	
US Value Team								
Value Equity Strategy	7/1/2005	$ 2,832	(5.53)%	2.27%	5.83%	10.17%	7.19%	(171)
Russell 1000® Index			*7.48%*	*10.63%*	*10.46%*	*13.96%*	*8.90%*	
Russell 1000® Value Index			*(8.84)%*	*1.82%*	*4.64%*	*10.40%*	*6.23%*	
US Mid-Cap Value Strategy	4/1/1999	$ 3,180	(13.16)%	(0.84)%	2.73%	9.17%	11.27%	243
Russell Midcap® Index			*(2.24)%*	*5.79%*	*6.75%*	*12.34%*	*8.84%*	
Russell Midcap® Value Index			*(11.81)%*	*(0.54)%*	*3.32%*	*10.28%*	*8.48%*	
International Value Team								
International Value Strategy	7/1/2002	$ 19,193	(6.91)%	0.04%	3.00%	9.12%	10.57%	520
MSCI EAFE Index			*(5.13)%*	*0.81%*	*2.05%*	*5.72%*	*5.37%*	
Global Value Team								
Global Value Strategy	7/1/2007	$ 16,000	(11.58)%	(0.13)%	3.81%	10.32%	6.71%	245
MSCI All Country World Index			*2.11%*	*6.13%*	*6.45%*	*9.15%*	*4.26%*	
Select Equity Strategy	3/1/2020	$ 13	--	--	--	--	(5.50)%	(1,115)
S&P 500 Market Index			--	--	--	--	*5.65%*	
Sustainable Emerging Markets Team								
Sustainable Emerging Markets Strategy	7/1/2006	$ 477	(2.14)%	3.82%	6.56%	3.73%	5.24%	73
MSCI Emerging Markets Index			*(3.39)%*	*1.89%*	*2.86%*	*3.27%*	*4.51%*	
Credit Team								
High Income Strategy	4/1/2014	$ 4,278	2.13%	4.77%	6.58%	--	6.42%	245
ICE BofA US High Yield Master II Total Return Index			*(1.10)%*	*2.94%*	*4.58%*	--	*3.97%*	
Developing World Team								
Developing World Strategy	7/1/2015	$ 5,396	39.32%	20.48%	16.40%	--	16.40%	1,354
MSCI Emerging Markets Index			*(3.39)%*	*1.89%*	*2.86%*	--	*2.86%*	
Thematic Team								
Thematic Strategy	5/1/2017	$ 1,859	15.34%	24.51%	--	--	24.66%	1,383
S&P 500 Market Index (Total Return)			*7.50%*	*10.72%*	--	--	*10.83%*	
Other Assets Under Management [2]		$ 820						
Total Assets Under Management		**$ 120,574**						

[(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 U.S. High Yield Master II Total Return Index. At times, this causes material differences in relative performance. The Thematic strategy's 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:

	By Investment Team									
Three Months Ended	**Growth**	**Global Equity**	**US Value**	**International Value**	**Global Value**	**Sustainable Emerging Markets**	**Credit**	**Developing World**	**Thematic**	**Total**
June 30, 2020	(unaudited; in millions)									
Beginning assets under management	$ 29,691	$ 22,024	$ 4,973	$ 15,895	$ 13,701	$ 377	$ 3,312	$ 3,366	$ 1,885	$ 95,224
Gross client cash inflows	3,484	1,449	255	2,705	1,075	23	946	942	422	11,301
Gross client cash outflows	(1,623)	(2,163)	(358)	(2,139)	(922)	(7)	(351)	(331)	(76)	(7,970)
Net client cash flows	1,861	(714)	(103)	566	153	16	595	611	346	3,331
Investment returns and other	9,527	4,137	1,142	2,732	2,159	84	444	1,419	375	22,019
Ending assets under management	$ 41,079	$ 25,447	$ 6,012	$ 19,193	$ 16,013	$ 477	$ 4,351	$ 5,396	$ 2,606	$ 120,574
Average assets under management	$ 35,451	$ 24,250	$ 5,725	$ 17,873	$ 14,912	$ 422	$ 3,960	$ 4,406	$ 2,296	$ 109,295
June 30, 2019										
Beginning assets under management	$ 30,832	$ 24,727	$ 7,170	$ 19,871	$ 18,449	$ 201	$ 3,383	$ 2,228	$ 942	$ 107,803
Gross client cash inflows	1,120	1,358	110	603	277	3	409	579	256	4,715
Gross client cash outflows	(1,282)	(1,535)	(441)	(1,101)	(562)	(5)	(144)	(130)	(20)	(5,220)
Net client cash flows	(162)	(177)	(331)	(498)	(285)	(2)	265	449	236	(505)
Investment returns and other	2,348	2,042	341	805	699	3	87	162	58	6,545
Ending assets under management	$ 33,018	$ 26,592	$ 7,180	$ 20,178	$ 18,863	$ 202	$ 3,735	$ 2,839	$ 1,236	$ 113,843
Average assets under management	$ 31,736	$ 25,468	$ 7,094	$ 19,857	$ 18,597	$ 198	$ 3,582	$ 2,529	$ 1,140	$ 110,201

Six Months Ended	By Investment Team: Growth	Global Equity	US Value	International Value	Global Value	Sustainable Emerging Markets	Credit	Developing World	Thematic	Total
June 30, 2020	(unaudited; in millions)									
Beginning assets under management	$ 34,793	$ 27,860	$ 7,402	$ 22,000	$ 19,707	$ 234	$ 3,850	$ 3,374	$ 1,796	$ 121,016
Gross client cash inflows	4,904	2,759	696	3,978	1,715	305	1,578	1,530	915	18,380
Gross client cash outflows	(3,780)	(3,509)	(1,044)	(3,543)	(1,762)	(11)	(1,007)	(641)	(201)	(15,498)
Net client cash flows	1,124	(750)	(348)	435	(47)	294	571	889	714	2,882
Investment returns and other	5,162	(1,663)	(1,042)	(3,242)	(3,647)	(51)	(70)	1,133	96	(3,324)
Ending assets under management	$ 41,079	$ 25,447	$ 6,012	$ 19,193	$ 16,013	$ 477	$ 4,351	$ 5,396	$ 2,606	$ 120,574
Average assets under management	$ 34,603	$ 25,252	$ 6,037	$ 18,980	$ 16,452	$ 387	$ 3,860	$ 3,953	$ 2,114	$ 111,638
June 30, 2019										
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	2,237	2,073	280	1,992	524	7	961	778	563	9,415
Gross client cash outflows	(2,767)	(2,922)	(836)	(2,097)	(1,432)	(7)	(361)	(535)	(73)	(11,030)
Net client cash flows	(530)	(849)	(556)	(105)	(908)	—	600	243	490	(1,615)
Investment returns and other	7,297	4,474	1,159	2,602	2,658	23	275	603	143	19,234
Ending assets under management	$ 33,018	$ 26,592	$ 7,180	$ 20,178	$ 18,863	$ 202	$ 3,735	$ 2,839	$ 1,236	$ 113,843
Average assets under management	$ 30,494	$ 24,837	$ 7,136	$ 19,652	$ 18,565	$ 197	$ 3,372	$ 2,341	$ 988	$ 107,582

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 [(1)]:

	As of June 30, 2020		As of June 30, 2019	
	$ in millions	**% of total**	**$ in millions**	**% of total**
	(unaudited)		(unaudited)	
Institutional	$ 78,960	65.5 %	$ 75,959	66.7 %
Intermediary	36,455	30.2 %	32,925	28.9 %
Retail	5,159	4.3 %	4,959	4.4 %
Ending Assets Under Management	$ 120,574	100.0 %	$ 113,843	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 12% of our total assets under management as of June 30, 2020.

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

Three Months Ended	**Artisan Funds & Artisan Global Funds**	**Separate Accounts**	**Total**
June 30, 2020		(unaudited; in millions)	
Beginning assets under management	$ 44,426	$ 50,798	$ 95,224
Gross client cash inflows	6,818	4,483	11,301
Gross client cash outflows	(5,015)	(2,955)	(7,970)
Net client cash flows	1,803	1,528	3,331
Investment returns and other	10,321	11,698	22,019
Net transfers [1]	—	—	—
Ending assets under management	$ 56,550	$ 64,024	$ 120,574
Average assets under management	$ 51,262	$ 58,033	$ 109,295
June 30, 2019			
Beginning assets under management	$ 51,951	$ 55,852	$ 107,803
Gross client cash inflows	3,081	1,634	4,715
Gross client cash outflows	(3,736)	(1,484)	(5,220)
Net client cash flows	(655)	150	(505)
Investment returns and other	3,037	3,508	6,545
Net transfers [1]	(238)	238	—
Ending assets under management	$ 54,095	$ 59,748	$ 113,843
Average assets under management	$ 52,670	$ 57,531	$ 110,201

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

Six Months Ended	**Artisan Funds & Artisan Global Funds**	**Separate Accounts**	**Total**
June 30, 2020		(unaudited; in millions)	
Beginning assets under management	$ 57,288	$ 63,728	$ 121,016
Gross client cash inflows	11,543	6,837	18,380
Gross client cash outflows	(10,590)	(4,908)	(15,498)
Net client cash flows	953	1,929	2,882
Investment returns and other	(1,626)	(1,698)	(3,324)
Net transfers [1]	(65)	65	—
Ending assets under management	$ 56,550	$ 64,024	$ 120,574
Average assets under management	$ 52,563	$ 59,075	$ 111,638
June 30, 2019			
Beginning assets under management	$ 46,654	$ 49,570	$ 96,224
Gross client cash inflows	6,547	2,868	9,415
Gross client cash outflows	(7,849)	(3,181)	(11,030)
Net client cash flows	(1,302)	(313)	(1,615)
Investment returns and other	8,981	10,253	19,234
Net transfers [1]	(238)	238	—
Ending assets under management	$ 54,095	$ 59,748	$ 113,843
Average assets under management	$ 51,635	$ 55,947	$ 107,582

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

Results of Operations

Three months ended June 30, 2020, Compared to Three months ended June 30, 2019

	For the Three Months Ended June 30,		For the Period-to-Period	
	2020	2019	$	%
Statements of operations data:	(unaudited; in millions, except share and per-share data)			
Revenues	$ 203.0	$ 200.7	$ 2.3	1 %
Operating Expenses				
Total compensation and benefits	102.2	101.5	0.7	1 %
Other operating expenses	24.2	28.3	(4.1)	(14)%
Total operating expenses	126.4	129.8	(3.4)	(3)%
Total operating income	76.6	70.9	5.7	8 %
Non-operating income (expense)				
Interest expense	(2.7)	(2.8)	0.1	4 %
Other non-operating income	14.1	3.4	10.7	315 %
Total non-operating income (expense)	11.4	0.6	10.8	1,800 %
Income before income taxes	88.0	71.5	16.5	23 %
Provision for income taxes	16.2	11.5	4.7	41 %
Net income before noncontrolling interests	71.8	60.0	11.8	20 %
Less: Noncontrolling interests - Artisan Partners Holdings	18.2	19.8	(1.6)	(8)%
Less: Noncontrolling interests - consolidated investment products	7.4	1.0	6.4	640 %
Net income attributable to Artisan Partners Asset Management Inc.	$ 46.2	$ 39.2	$ 7.0	18 %
Share Data				
Basic and diluted earnings per share	$ 0.72	$ 0.66		
Basic and diluted weighted average number of common shares outstanding	55,884,366	51,242,911		

Revenues

Essentially all of our revenues consist of 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.

Approximately 3% of our $120.6 billion of assets under management as of June 30, 2020 have performance fee billing arrangements. While performance fees may be earned and recognized in each quarter of the year, we expect the majority of our performance fees to be recognized during the June quarter. Performance fees of $8.0 million were recognized in the three months ended June 30, 2020, compared to $4.3 million in the three months ended June 30, 2019.

The increase in revenues of $2.3 million, or 1%, for the three months ended June 30, 2020, compared to the three months ended June 30, 2019, was driven primarily by the increase in performance fees. The weighted average investment management fee, excluding performance fees, was 71.8 basis points for the three months ended June 30, 2020 compared to 71.5 basis points for the three months ended June 30, 2019.

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 Three Months Ended June 30,	Separate Accounts 2020	Separate Accounts 2019	Artisan Funds and Artisan Global Funds 2020	Artisan Funds and Artisan Global Funds 2019
	(unaudited; dollars in millions)			
Total revenues	$ 85.9	$ 80.6	$ 117.1	$ 120.1
Weighted average management fee[1]	54.1 bps	53.3 bps	91.8 bps	91.4 bps
Percentage of ending AUM	53 %	52 %	47 %	48 %

[1] We compute our weighted average management fee by dividing annualized investment management fees (excluding performance fees) by average assets under management for the applicable period. The weighted average management fee for prior periods have been recast to exclude performance fee revenue.

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 our own privately offered funds.

Operating Expenses

Operating expenses decreased $3.4 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily as a result of lower equity-based compensation expense, a decrease in travel and entertainment expenses resulting from the COVID-19 pandemic, and lower technology costs. The decreases were partially offset by higher incentive compensation expense related to increased revenues.

Compensation and Benefits

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	Period-to-Period $	Period-to-Period %
	(unaudited; in millions)			
Salaries, incentive compensation and benefits[1]	$ 93.1	$ 89.6	$ 3.5	4 %
Restricted share-based award compensation expense	9.1	11.9	(2.8)	(24) %
Total compensation and benefits	**$ 102.2**	**$ 101.5**	**$ 0.7**	1 %

[1] Excluding restricted share-based award compensation expense

The increase in salaries, incentive compensation, and benefits was driven primarily by a $2.4 million increase in incentive compensation paid to our investment and marketing professionals as a result of the increase in revenue.

Restricted share-based award compensation expense decreased $2.8 million, as the awards that became fully amortized during 2019 and 2020 had a higher value than the awards granted in 2019 and 2020. Restricted share-based award compensation expense for all outstanding awards is expected to be approximately $9 million per quarter in 2020.

Total salaries, incentive compensation and benefits was 50% and 51% of our revenues for the three months ended June 30, 2020, and 2019, respectively.

Other operating expenses

Other operating expenses decreased $4.1 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to a decrease in travel and entertainment expenses resulting from the COVID-19 pandemic.

Non-Operating Income (Expense)

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

	For the Three Months Ended June 30,		Period-to-Period	
	2020	2019	$	%
	(unaudited; in millions)			
Interest expense	$ (2.7)	$ (2.8)	$ 0.1	(4)%
Net investment gain (loss) of consolidated investment products	12.9	2.1	10.8	514 %
Other investment gain (loss)	1.2	1.3	(0.1)	(8)%
Total non-operating income (expense)	**$ 11.4**	**$ 0.6**	**$ 10.8**	1,800 %

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. APAM's effective income tax rate for the three months ended June 30, 2020 and 2019 was 18.5% and 16.1%, respectively. Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 25% and 31% of Holdings' full year projected taxable earnings were not subject to corporate-level taxes for the three months ended June 30, 2020 and 2019, respectively. 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. 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. The effective tax rate was favorably impacted in both periods due to tax deductible dividends paid on unvested restricted share-based awards.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the three months ended June 30, 2020, compared to the three months ended June 30, 2019, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, "Earnings Per Share" in the Notes to the Unaudited Consolidated Financial Statements for further discussion of earnings per share.

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Six months ended June 30, 2020, Compared to Six months ended June 30, 2019

	For the Six Months Ended June 30,		Period-to-Period	
	2020	2019	$	%
Statements of operations data:	(unaudited; in millions, except share and per share data)			
Revenues	$ 405.8	$ 387.7	$ 18.1	5 %
Operating Expenses				
Total compensation and benefits	206.9	200.8	6.1	3 %
Other operating expenses	51.3	58.3	(7.0)	(12)%
Total operating expenses	258.2	259.1	(0.9)	— %
Total operating income	147.6	128.6	19.0	15 %
Non-operating income (expense)				
Interest expense	(5.4)	(5.6)	0.2	4 %
Other non-operating income	(1.1)	7.7	(8.8)	(114)%
Total non-operating income (expense)	(6.5)	2.1	(8.6)	(410)%
Income before income taxes	141.1	130.7	10.4	8 %
Provision for income taxes	25.7	20.9	4.8	23 %
Net income before noncontrolling interests	115.4	109.8	5.6	5 %
Less: Noncontrolling interests - Artisan Partners Holdings	34.3	37.1	(2.8)	(8)%
Less: Noncontrolling interests - consolidated investment products	0.1	2.0	(1.9)	(95)%
Net income attributable to Artisan Partners Asset Management Inc.	$ 81.0	$ 70.7	$ 10.3	15 %
Share Data				
Basic and diluted earnings per share	$ 1.26	$ 1.15		
Basic and diluted weighted average number of common shares outstanding	54,574,923	50,697,329		

Revenues

The increase in revenues of $18.1 million, or 5%, for the six months ended June 30, 2020, compared to the six months ended June 30, 2019, was driven primarily by a $4.1 billion, or 4%, increase in our average assets under management and an increase in performance fee revenue. The weighted average investment management fee, excluding performance fees, was 71.2 basis points for the six months ended June 30, 2020 compared to 71.9 basis points for the six months ended June 30, 2019. Performance fee revenue was $10.9 million and $4.4 million for the six months ended June 30, 2020 and 2019, respectively.

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.

	Separate Accounts		Artisan Funds and Artisan Global Funds	
For the Six Months Ended June 30,	2020	2019	2020	2019
	(unaudited; dollars in millions)			
Total revenues	$ 165.9	$ 153.3	$ 239.9	$ 234.4
Weighted average management fee[(1)]	52.8 basis points	53.7 basis points	91.8 basis points	91.5 basis points
Percentage of ending AUM	53 %	52 %	47 %	48 %

[(1)] We compute our weighted average management fee by dividing annualized investment management fees (excluding performance fees) by average assets under management for the applicable period. The weighted average management fee for prior periods have been recast to exclude performance fee revenue.

Operating Expenses

Operating expenses decreased $0.9 million for the six months ended June 30, 2020, compared to the six months ended June 30, 2019. Higher compensation expense related to increased revenues and an increased number of employees was more than offset by lower equity-based compensation expense, a decrease in travel and entertainment expenses resulting from the COVID-19 pandemic, an occupancy charge taken during the six months ended June 2019 related to the exit of an office space, and lower technology costs.

Compensation and Benefits

	For the Six Months Ended June 30,		Period-to-Period	
	2020	**2019**	**$**	**%**
	(unaudited; in millions)			
Salaries, incentive compensation and benefits [1]	$ 188.6	$ 177.3	$ 11.3	6 %
Restricted share-based award compensation expense	18.3	23.5	(5.2)	(22) %
Total compensation and benefits	**$ 206.9**	**$ 200.8**	**$ 6.1**	3 %

[1] Excluding share-based compensation

The increase in salaries, incentive compensation, and benefits was driven primarily by a $8.0 million increase in incentive compensation paid to our investment and marketing professionals as a result of the increase in revenue, as well as compensation expense related to additional full-time employees in 2020.

Restricted share-based award compensation expense decreased $5.2 million as the awards that became fully amortized during 2019 and 2020 had a higher value than the awards granted in 2019 and 2020.

Total salaries, incentive compensation and benefits was 51% and 52% of our revenues for the six months ended June 30, 2020, and 2019, respectively.

Other operating expenses

Other operating expenses decreased $7.0 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to a decrease in travel and entertainment expenses resulting from the COVID-19 pandemic. Occupancy expense also decreased $2.5 million due to accelerated rent and depreciation expense related to the exit of an office space in 2019.

Non-Operating Income (Expense)

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

	For the Six Months Ended June 30,		Period-to-Period	
	2020	**2019**	**$**	**%**
	(unaudited; in millions)			
Interest expense	$ (5.4)	$ (5.6)	$ 0.2	(4) %
Net investment gain (loss) of consolidated investment products	—	4.4	(4.4)	(100) %
Other investment gain (loss)	(1.1)	3.3	(4.4)	(133) %
Total non-operating income (expense)	**$ (6.5)**	**$ 2.1**	**$ (8.6)**	(410) %

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. APAM’s effective income tax rate for the six months ended June 30, 2020 and 2019 was 18.3% and 16.0%, respectively. Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 25% and 31% of Holdings’ full year projected taxable earnings were not subject to corporate-level taxes for the six months ended June 30, 2020 and 2019, respectively. 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. 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. The effective tax rate was favorably impacted in both periods due to tax deductible dividends paid on unvested restricted share-based awards.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the six months ended June 30, 2020, compared to the six months ended June 30, 2019, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, “Earnings Per Share” in the Notes to the Unaudited Consolidated Financial Statements for further discussion of earnings per share.

Supplemental Non-GAAP Financial Information

Our management uses non-GAAP measures (referred to as “adjusted” measures) of net 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) net gain (loss) on the tax receivable agreements (if any) and (2) net investment gain (loss) of investment products. 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) net gain (loss) on the tax receivable agreements (if any) and (2) net investment gain (loss) of investment products. 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 24.5% and 23.5% for the 2020 and 2019 periods presented, respectively.
- 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 EBITDA represents adjusted net income before interest expense, income taxes, depreciation and amortization expense.

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 nonconsolidated 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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited; in millions, except per share data)			
Reconciliation of non-GAAP financial measures:				
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	**$ 46.2**	**$ 39.2**	**$ 81.0**	**$ 70.7**
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	18.2	19.8	34.3	37.1
Add back: Provision for income taxes	16.2	11.5	25.7	20.9
Add back: Net investment (gain) loss of investment products attributable to APAM	(6.6)	(2.0)	1.5	(4.9)
Less: Adjusted provision for income taxes	18.1	16.1	34.9	29.1
Adjusted net income (Non-GAAP)	**$ 55.9**	**$ 52.4**	**$ 107.6**	**$ 94.7**
Average shares outstanding				
Class A common shares	55.9	51.2	54.6	50.7
Assumed vesting or exchange of:				
Unvested Class A restricted share-based awards	5.4	5.2	5.3	5.0
Artisan Partners Holdings units outstanding (noncontrolling interests)	17.7	21.7	18.8	22.2
Adjusted shares	**79.0**	**78.1**	**78.7**	**77.9**
Basic and diluted earnings per share (GAAP)	**$ 0.72**	**$ 0.66**	**$ 1.26**	**$ 1.15**
Adjusted net income per adjusted share (Non-GAAP)	**$ 0.71**	**$ 0.67**	**$ 1.37**	**$ 1.22**
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	**$ 46.2**	**$ 39.2**	**$ 81.0**	**$ 70.7**
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	18.2	19.8	34.3	37.1
Add back: Net investment (gain) loss of investment products attributable to APAM	(6.6)	(2.0)	1.5	(4.9)
Add back: Interest expense	2.7	2.8	5.4	5.6
Add back: Provision for income taxes	16.2	11.5	25.7	20.9
Add back: Depreciation and amortization	1.6	1.5	3.2	3.6
Adjusted EBITDA (Non-GAAP)	**$ 78.3**	**$ 72.8**	**$ 151.1**	**$ 133.0**

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 June 30, 2020, and December 31, 2019:

	June 30, 2020	December 31, 2019
	(unaudited; in millions)	
Cash and cash equivalents	$ 190.9	$ 134.6
Accounts receivable	$ 94.1	$ 81.9
Seed investments[1]	$ 38.4	$ 57.8
Undrawn commitment on revolving credit facility	$ 100.0	$ 100.0

[1] Seed investments include Artisan's direct equity investments in consolidated and nonconsolidated 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 June 30, 2020, 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 investment strategies and vehicles. As of June 30, 2020, the balance of all seed investments, including investments in consolidated investment products, was $38.4 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 six months ended June 30, 2020.

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.

These borrowings contain various covenants. Our failure to comply with any of the covenants 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 June 30, 2020.

Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM for the three and six months ended June 30, 2020 and 2019, were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited, in millions)			
Holdings Partnership Distributions to Limited Partners	$ 22.2	$ 25.7	$ 39.3	$ 48.3
Holdings Partnership Distributions to APAM	66.3	59.5	111.4	112.9
Total Holdings Partnership Distributions	**$ 88.5**	**$ 85.2**	**$ 150.7**	**$ 161.2**

On July 28, 2020, we, acting as the general partner of Artisan Partners Holdings, declared a distribution of $37.0 million, payable by Artisan Partners Holdings to holders of its partnership units, including us.

APAM declared and paid the following dividends per share during the three and six months ended June 30, 2020 and 2019:

Type of Dividend	Class of Stock	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2020	2019	2020	2019
Quarterly	Class A Common	$ 0.61	$ 0.55	$ 1.29	$ 1.11
Special Annual	Class A Common	$ —	$ —	$ 0.60	$ 1.03

Our board of directors declared, effective July 28, 2020, a variable quarterly dividend of $0.67 per share of Class A common stock with respect to the June quarter of 2020, payable on August 31, 2020 to shareholders of record as of the close of business on August 17, 2020. The variable quarterly dividend represents approximately 80% of the cash generated in the June quarter of 2020 and a pro-rata portion of 2020 tax savings related to our tax receivable agreements.

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 $392.1 million liability as of June 30, 2020. 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. We expect to make payments of approximately $27 million in 2020 related to the TRAs, $20.3 million of which we paid on April 15, 2020.

Cash Flows

	For the Six Months Ended June 30,			
	2020		2019	
	(unaudited; in millions)			
Cash, cash equivalents and restricted cash as of January 1	**$**	**144.3**	**$**	**175.5**
Net cash provided by operating activities		203.9		182.6
Net cash provided by (used in) investing activities		16.9		(14.3)
Net cash used in financing activities		(168.8)		(184.5)
Cash, cash equivalents and restricted cash as of June 30	**$**	**196.3**	**$**	**159.3**

Net cash provided by operating activities increased $21.3 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to an increase in operating income resulting from higher AUM and revenues as well as timing differences in working capital accounts. For the six months ended June 30, 2020 compared to the six months ended June 30, 2019, our operating income, excluding share-based related compensation expense, increased $13.7 million. Working capital positively impacted operating cash flows by $13.8 million primarily due to the timing of customer accounts receivable payments and income tax payments.

Investing activities consist primarily of acquiring and selling property and equipment, leasehold improvements and the purchase and sale of investment securities. Net cash provided by investment activities increased $31.2 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to a $18.1 million increase in net proceeds from the sale of investment securities and a $13.1 million decrease in the acquisition of property and equipment and leasehold improvements.

Financing activities consist primarily of partnership distributions to noncontrolling 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 by financing activities decreased $15.7 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to a $9.0 million decrease in distributions to limited partners, a $7.7 million decrease in dividends paid to holders of our Class A common stock, and a $3.2 million increase in contributions from noncontrolling interests in our consolidated investment products, partially offset by a $2.7 million increase in taxes paid related to employee net share settlement and a $1.3 million increase in payments of amounts owed under the TRAs.

Certain Contractual Obligations

As of June 30, 2020, there have been no material changes to our contractual obligations outside the ordinary course of business from those listed in the “Certain Contractual Obligations” table and related notes to the table in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 18, 2020, except for the changes in the TRA liability during the year.

As previously discussed in this report, the TRA liability increased from $375.3 million at December 31, 2019 to $392.1 million at June 30, 2020. 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 such exchanges or sales and decrease when payments are made. The actual amount and timing of payments associated with our existing payable under the TRAs 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 make payments of approximately $27 million in 2020 related to the TRAs, $20.3 million of which we paid on April 15, 2020.

Off-Balance Sheet Arrangements

As of June 30, 2020, 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

There have been no updates to our critical accounting policies from those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2019.

New or Revised Accounting Standards

See Part I, Item 1, Unaudited Consolidated Financial Statements - Note 2, "Summary of Significant Accounting Policies."

Item 3. Qualitative and Quantitative Disclosures Regarding Market Risk

There have been no material changes in our Quantitative and Qualitative Disclosures Regarding Market Risk from those previously reported in our Form 10-K for the year ended December 31, 2019.

Item 4. 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 Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at June 30, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

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 June 30, 2020, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II — Other Information

Item 1. 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 effect on our consolidated financial position, cash flows or results of operations.

Item 1A. Risk Factors

The outbreak of COVID-19, and the reaction thereto, has negatively affected the global economy and has disrupted our normal business operations.

The COVID-19 pandemic, together with resulting voluntary and government-imposed actions, has disrupted the global economy, increased market volatility, and resulted in significant fluctuations in the valuation of investment securities.

Market fluctuations and volatility may cause clients to choose to redeem their investments in our strategies (upon short or no notice), as well as increase the likelihood and consequences of trading, valuation, or other operational errors.

The COVID-19 pandemic has also impacted the manner in which we operate. As of the date of this filing, the majority of our employees are working from home and we have significantly reduced business travel. Additionally, many third-party vendors on whom we rely for certain critical functions are also operating in remote environments.

We believe we are operating well under these circumstances. We are benefiting from the flexible and highly mobile operating environment we have built over 25 years. However, we do not know what, if any, longer-term impact the current circumstances (and/or the extension of them) will have on our business and results. Most of our associates have never operated remotely for extended periods of time. And many of our associates typically travel extensively to conduct investment research; interact with clients, prospects and intermediaries; and/or manage our global business.

In addition, despite the precautions we have taken to protect the safety and well-being of our associates, no assurance can be given that our associates will not contract COVID-19. The loss of any of our key professionals (including portfolio managers and other senior leaders at our firm) for an extended period may prevent us from sustaining the historically strong investment performance we have achieved; adversely affect our ability to retain existing and attract new clients; and/or negatively impact our ability to operate our business and execute our long-term strategy.

For a discussion of related and other potential risks and uncertainties, see the information under the heading “Risk Factors” in our latest annual report on Form 10-K, which is accessible on the SEC’s website at www.sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

As described in Note 8, “Stockholders’ Equity”, to the Unaudited Consolidated Financial Statements included in Part I 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 APAM Class B common stock are canceled. APAM issues the former employee-partner a number of shares of APAM 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. During the three months ended June 30, 2020, 32,805 shares of Class B common stock were canceled, and 32,805 shares of Class C common stock were issued, as a result of the termination of employment of an employee-partner.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer 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					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					X
101	The following Extensible Business Reporting Language (XBRL) documents are collectively included herewith as Exhibit 101: (i) the Unaudited Condensed Consolidated Statements of Financial Condition as of June 30, 2020 and December 31, 2019; (ii) the Unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019; (iii) the Unaudited Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2020 and 2019; (iv) the Unaudited Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2020 and 2019; (v) the Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019 (vi) the Notes to Unaudited Consolidated Financial Statements as of and for the three and six months ended June 30, 2020 and 2019.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

SIGNATURES

Pursuant to the requirements 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: July 30, 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)

Exhibit 31.1

CERTIFICATION

I, Eric R. Colson, certify that:

1. I have reviewed this report on Form 10-Q 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: July 30, 2020

Exhibit 31.2

CERTIFICATION

I, Charles J. Daley, Jr., certify that:

1. I have reviewed this report on Form 10-Q 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: July 30, 2020

Exhibit 32.1

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 Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), 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-Q 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: July 30, 2020

Exhibit 32.2

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 Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), 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-Q 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: July 30, 2020