

ARTISAN PARTNERS ASSET MANAGEMENT

# Artisan Partners Asset Management

BUSINESS UPDATE AND FIRST QUARTER 2013 EARNINGS PRESENTATION

APRIL 30, 2013

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# INTRODUCTION

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## **Makela Taphorn—Director of Investor Relations, Artisan Partners Asset Management Inc.:**

Good afternoon and thank you for joining our conference call to review Artisan Partners Asset Management's results for the first quarter of 2013.

Hosting the call today are Eric Colson, our President and Chief Executive Officer and C. J. Daley our Executive Vice President, Chief Financial Officer, and Treasurer.

Before Eric begins, I would like to remind you that our first-quarter earnings release and related supplemental presentation materials are available on the investor relations section of our website at [www.artisanpartners.com](http://www.artisanpartners.com).

I would also like to remind you that the comments made on today's call and some of the responses to your questions may deal with forward-looking statements related to Artisan Partners and are subject to risks and uncertainties. Factors that may cause our actual results to differ from expectations are listed under the caption, "Forward Looking Statements," in the earnings release and are detailed in our filings with the SEC. We undertake no obligation to revise these statements following the date of this conference call, except as required by law.

In addition, some of the Company's remarks this morning include references to non-GAAP financial measures. You can find reconciliations of those measures to the most comparable GAAP measures in the earnings release and exhibits which are posted on the investor relations section of our website.

With that, I will now turn the call over to our President and Chief Executive Officer, Eric Colson.

## BUSINESS UPDATE & QUARTERLY RESULTS DISCUSSION

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**Eric R. Colson** is President and Chief Executive Officer of Artisan Partners. Prior to joining the firm in January 2005, Mr. Colson was an executive vice president of Callan Associates, Inc. where he managed the institutional consulting group, providing business and investment advice to asset management firms. Prior to managing the institutional consulting group, he managed Callan's global manager research. Mr. Colson holds a BA in Economics from the University of California-Irvine. Mr. Colson is a Chartered Financial Analyst.

- 20 years of industry experience
- 8 years at Artisan Partners



**Charles (C.J.) Daley, Jr.** is a Managing Director and Chief Financial Officer of Artisan Partners. Prior to joining the firm in July 2010, Mr. Daley was senior executive vice president, chief financial officer and treasurer of the global asset management firm Legg Mason, Inc. Mr. Daley holds a BS in Accounting from the University of Maryland. He is an inactive Certified Public Accountant.

- 25 years of industry experience
- 2 years at Artisan Partners

## BUSINESS UPDATE & QUARTERLY RESULTS DISCUSSION

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Thank you, Makela. Good afternoon everybody. Welcome to the Artisan Partners Asset Management business update and quarterly earnings call. I am Eric Colson CEO and I am joined today by CJ Daley our CFO.

As we stated on our roadshow, we are in a talent business. Our people are the essence of who we are and they define our business strategy. So we know that time is a precious asset. We value time very highly. So, I thank you for your time today and I hope you find this discussion useful.

I want to spend the first couple minutes today reviewing the foundation of our business and Who We Are. Mainly because it will set the tone for our communications. Then I will review our long-term business strategy and approach using the quarter as a backdrop. We have a business philosophy and framework for how we approach the investment management business and we want this review to reflect that.

Once I am done, CJ will take the lead on walking through our financials and our transition to a public company.

## FIRM FACTS

- Founded in 1994; focused on providing high value-added investment strategies
- Five autonomous investment teams managing twelve investment strategies for sophisticated, institutional investors
- Principal offices in Milwaukee, San Francisco, Atlanta, New York and London, with approximately 282 associates
- Approximately \$83.2 billion under management as of March 31, 2013

### MANAGEMENT TEAM

Andrew A. Ziegler  
Executive Chairman

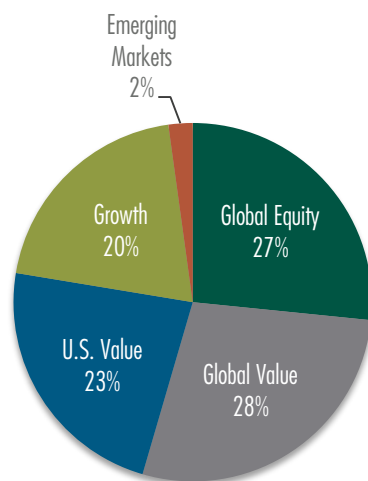
Eric R. Colson  
Chief Executive Officer

Charles (C.J.) Daley, Jr.  
Chief Financial Officer

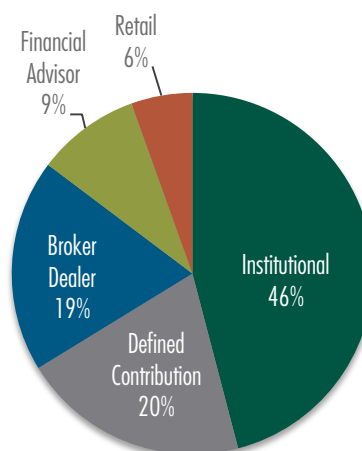
Janet D. Olsen  
Chief Legal Officer

Dean J. Patenaude  
Executive Vice President –  
Global Distribution

AUM by Investment Team



AUM by Distribution Channel<sup>1</sup>



As of March 31, 2013. <sup>1</sup>The allocation of AUM by distribution channel involves the use of estimates and the exercise of judgment.

## FIRM FACTS

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Flipping to slide 2, we have a basic set of business facts.

The foundation to our business was set in 1994 by our founders Andy and Carlene Ziegler. At the time, two secular trends that were taking hold in the market shaped our growth strategy—free agency or talent movement and open architecture or choice.

When we started the Company, we had one team and a vision shaped by these trends. In the 18 years since our founding, the attraction of our business model has allowed us to selectively leverage talent movement. We now have five autonomous investment teams, highlighted on the lower left of the slide.

Open architecture provided investors with choice and, through our distribution networks, we have grown to over \$80 billion under management across multiple channels highlighted on the bottom right pie chart.

The firm is managed by a dedicated business leadership team. Our business leadership team protects our investment culture and focus by managing time in the best interest of our investment teams. Everything we do is consciously designed to create an investment culture that allows our talent to thrive.

BUSINESS PHILOSOPHY & APPROACH

High Value Added Investment Firm	Talent Driven Business Model	Growth-Oriented Culture
Active Strategies	Designed for Investment Talent to Thrive	Based on Actively Identifying Talent
Autonomous Franchises	Managed by Business Professionals	Committed to Maintaining an Entrepreneurial Spirit
Proven Results	Structured to Align Interests	Focused on Long-Term Demand Globally

Since its founding, Artisan has built its business based upon a consistent philosophy and business model.

## BUSINESS PHILOSOPHY & APPROACH

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

On page 3 of our presentation, you can see the three core principles that define Who We Are. We are a high value-added investment firm designed for investment talent to thrive in a growth oriented culture.

Our principles have evolved over time, but they have been consistent since the firm was founded. As we discuss them, you will note a strong connection among the three and that is important because any one of these principles can shape a view of our firm. Over the years, we have been known for our strategies, our people, and culture. However, in our minds, we are the intersection of all three principles.

The real importance of knowing and communicating who you are, is the ability to set expectations and deliver on those expectations consistently. For example, when our investors look at our portfolio strategies they want to understand the process and team to develop performance expectations. If the results don't match expectations, our clients lose trust in the process and people. In a people business like ours, you need to manage expectations and deliver a consistent business model, because if you change the game, you will create instability. We have all seen it happen.

We manage our business with a similar mindset to our portfolio strategies. We believe strongly in the philosophy and approach that define Who We Are. We believe it should be well articulated. And we manage to these principles consistently. In the end our goal is to build a stable environment for everybody to thrive.



Management Guideposts



Long-Term Growth Strategy

Secular Market Trends



### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Now on slide 4, I would like to take the discussion from our principles to a more specific discussion of how we approach business management at Artisan Partners and ultimately how that drives our current strategy.

The four guideposts noted on the page help drive our tactics back to a long-term approach. I am going to hit on each of these in the context of the quarter, but let me quickly summarize.

- Our talent focus is the lifeblood of our business. As a result, we spend a lot of time on the development of our people assets—both externally and internally.
- Investment results are obviously one of the primary measuring tools for our business success. But our evaluation of success looks as much to the execution of the investment process as it does the raw numbers. We obviously look at numbers, but when we do, we look at them from a variety of perspectives.
- Asset diversification is related to how we grow and this is immensely important to us.
- We think that managing our asset mix in a diversified way and with strict financial discipline is critical to long-term business health.

We understand we operate in a highly fluid industry, but those guideposts provide strong context to our business strategy. I am going to come back to each of them on the coming slides, but I want to finish this page off by hitting on the trends driving our strategy.

Our business strategy doesn't pivot off of short-term details. They can be distracting. We use the details to identify broad, sometimes obvious trends, to drive strategy. Globalization, investment policy evolution, and open architecture solutions are three such trends.

Since the mid-2000s, our business and investment strategies have been impacted by globalization. From an investment standpoint this trend has driven more degrees of freedom into our investment strategies by allowing our teams to loosen geographical constraints. On the business side it has pushed us to leverage our distribution with intermediaries and consultants around the world.

Client investment policy statements have tended to evolve over time to incorporate more diverse asset classes and risk inputs driven by events like the TMT bubble and the global credit crisis. With the acceptance of broader categories and new strategies within the investment policy statement, we're seeing clients increasingly alter their asset allocation methodology away from the traditional mean-variance model using traditional asset classes to risk-based asset allocation using categories such as company-specific risk, liquidity, inflation, interest rate, and other risk categories. This trend is extremely important to Artisan because the newer categories are long-term, global and supportive of increased investment freedom, creating an opportunity in which we're happy to compete.

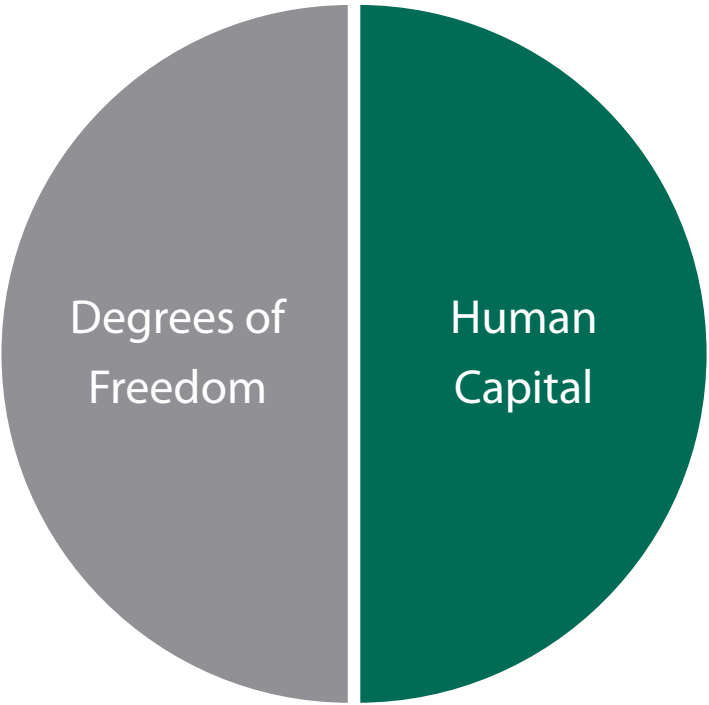
Finally, open architecture platforms have influenced the design of Artisan since day one. Fundamentally, investors and market participants prefer choice to allow a level playing field. To play and compete in this industry, the key is investment results. Our firm is designed to create an environment in which investment talent has the opportunity to deliver performance results. Today, solution-based providers including target-date funds, discretionary consultant models, and implemented broker/dealer solutions primarily use proprietary products. Similar to the evolution of the defined contribution marketplace in the late 90s and early 2000s, we anticipate these solution-based models will evolve to an open architecture environment, giving us, again, an environment in which we're happy to compete.

Team and Product Philosophy



Development Strategy

- Alternatives and Emerging Markets networking
- Continued Globalization



- Global Equity Team Promotions
- Equity Participation

### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Having cleared those pages, I want to use our guideposts as an outline for how developments in the quarter intersected with our current strategy—beginning with our talent focus.

Our process evaluates individual characteristics, fit with our business model, long-term demand within the institutional framework, and fit with our culture. Similar to our investment teams, we evaluate information and data based on philosophical beliefs and process to provide consistent judgment and insights.

One of our portfolio managers reminded us this quarter that data is information, not insights or knowledge. This quarter, our IPO provided us an enormous amount of data. We conducted approximately 50 one-on-one meetings and numerous group meetings that expanded our investment professional network by hundreds of individuals. 250-plus firms invested in our firm at the IPO. Post-IPO, we were amazed by the amount of information and data that we gathered about investment professionals and investment firms. This information has expanded our network immensely.

Over time, we plan to convert that data into insights to manage our firm towards our key priorities. Two of our key priorities are investment degrees of freedom and human capital.

With respect to human capital, we promoted two individuals this quarter within the Global Equity team to portfolio manager. Andrew Euretig and Charles Hamker were promoted to portfolio manager on the Global Equity strategy. We also began planning for equity awards to recognize value creation within the firm and to align our interests for the long term. We believe that economic alignment for value creation is critical to our business model and expect to grant equity each year.

With regard to degrees of freedom, our business continues to globalize in operations and distribution, as well as in our client base. Artisan Partners has been investing globally since 1995, with the launch of our first international equity strategy with portfolio manager, Mark Yockey. Today, globalization is making the line between US and non-US investing disappear. As I mentioned earlier, with the evolution of investment policy statements supporting diverse categories, we are interested in strategies with greater degrees of investment freedom and growth in emerging markets.













## LONG-TERM INVESTMENT PERFORMANCE — Full Cycle Return Goals

Process Consistency

Wealth Compounding

Index  
Outperformance

Peer  
Outperformance

	Strategy Inception	AUM (in billions)	Average Annual Value Add Since Inception <sup>1</sup>
<b>Global Equity Team</b>			
Non-U.S. Growth Strategy	1/1/96	\$ 20.6	 6.83%
Non-U.S. Small-Cap Growth Strategy	1/1/02	\$ 1.4	 5.63%
Global Equity Strategy	4/1/10	\$ <0.1	 8.15%
<b>U.S. Value Team</b>			
U.S. Mid-Cap Value Strategy	4/1/99	\$ 12.9	 6.27%
U.S. Small-Cap Value Strategy	6/1/97	\$ 4.2	 5.32%
Value Equity Strategy	7/1/05	\$ 2.2	 1.37%
<b>Growth Team</b>			
U.S. Mid-Cap Growth Strategy	4/1/97	\$ 13.4	 6.09%
U.S. Small-Cap Growth Strategy	4/1/95	\$ 1.7	 0.97%
Global Opportunities Strategy	2/1/07	\$ 1.7	 6.87%
<b>Global Value Team</b>			
Non-U.S. Value Strategy	7/1/02	\$ 13.3	 7.40%
Global Value Strategy	7/1/07	\$ 9.9	 6.55%
<b>Emerging Markets Team</b>			
Emerging Markets Strategy	7/1/06	\$ 1.8	 (1.17%)

Note: Data as of and through March 31, 2013. <sup>1</sup> Value add measures the average annual outperformance or underperformance of the gross composite return of each Artisan Partners strategy compared to its broad-based benchmark. See Notes & Disclosures at the end of this presentation for more information about how investment performance.

## LONG-TERM INVESTMENT PERFORMANCE — Full Cycle Return Goals

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Continued on slides 6 and 7, I want to talk about our investment results.

As I mentioned earlier, we measure investment success over a generally defined full market cycle. We focus on longer periods because, ultimately, our teams invest in businesses. And business owners think about where they want to be in three, five, or ten years. Owners don't run a business three months at a time. So, when we think about the performance success of our managers we operate very similarly.

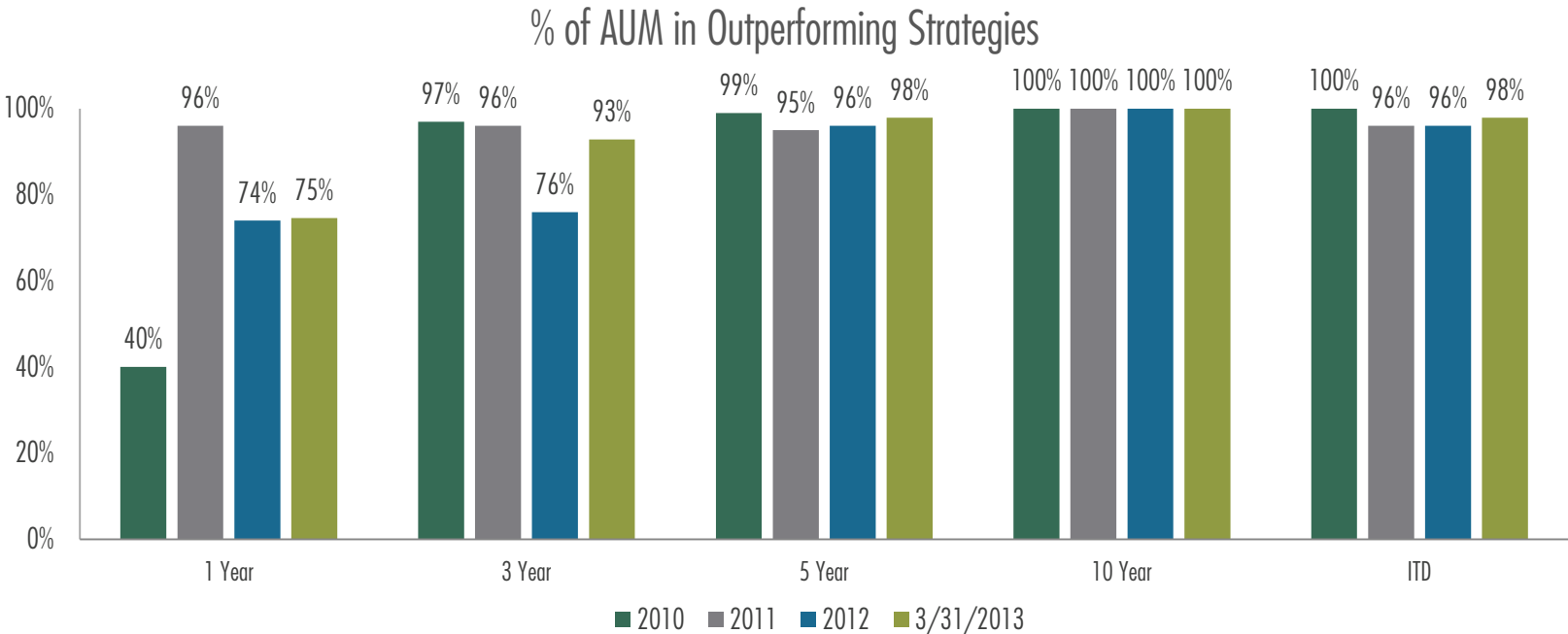
Performance data over very short time periods often will reflect liquidity, noise and market preferences. We think longer periods tend to be a better weighing mechanism to determine success. However, endpoint dependency must be taken into consideration.

Our goal is to produce superior investment returns, on an absolute and relative basis, with integrity. So when we look at investment performance, we answer three questions:

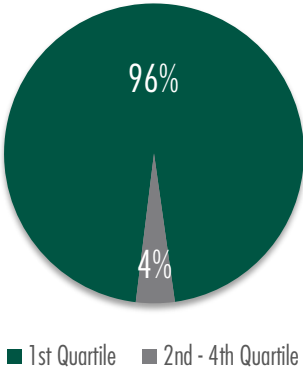
- Have we been faithful to a strategy's stated investment philosophy and process? To us, that's investing with integrity.
- Has the process produced good absolute performance?
- And third, how does the strategy's performance compare to the performance of its peers, competitors, and benchmarks?

As of March 31, 11 of our 12 investment strategies had added value relative to their broad performance benchmarks over the trailing 5-year and 10-year periods and since each strategy's inception. All 12 strategies have good absolute performance and followed their objectives with integrity.

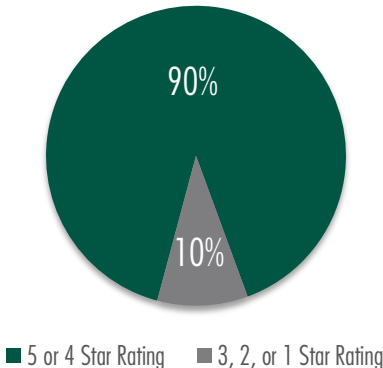
INVESTMENT PERFORMANCE — Outperformance and Rankings



**% of AUM By Overall Lipper Ranking**  
(as of 3/31/2013)



**% of AUM By Overall Morningstar Rating™**  
(as of 3/31/2013)



Sources: Artisan Partners/Lipper Inc./Morningstar. At December 31 of each year except as indicated. % of AUM in Outperforming Strategies represents the % of AUM in strategies where gross composite performance has outperformed its benchmark for the average annual periods indicated above and since inception. % of AUM in Outperforming Strategies includes assets under management in all strategies in operation throughout the period. Lipper rankings are based on total return, are historical, and do not represent future results. Morningstar ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. See Notes & Disclosures at the end of this presentation for more information about how investment performance.

## INVESTMENT PERFORMANCE — Outperformance and Rankings

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Slide 7 further reinforces the impact of our performance philosophy across our asset base.

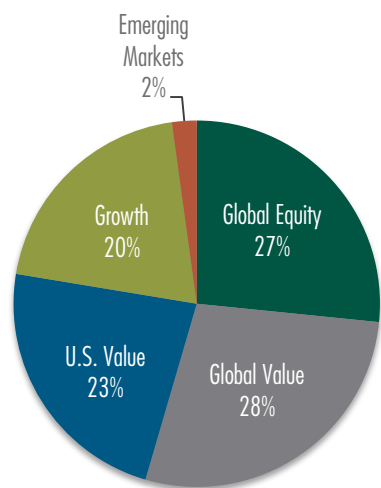
Our teams run active portfolios with fairly high degrees of investment freedom. Each also adheres to a time-tested investment process. None have a process or incentives that place much value on very short time frames. Therefore, the return patterns of all of our teams will be lumpy. That is evident in our 1-year returns, but each has proven to compound wealth for clients and outperform the indices long-term, as indicated by nearly 100% of the assets outdistancing the benchmarks over the 5-year, 10-year, and since inception time frames.

And this obviously translates well to peer ratings, which are highlighted at the bottom of the page.

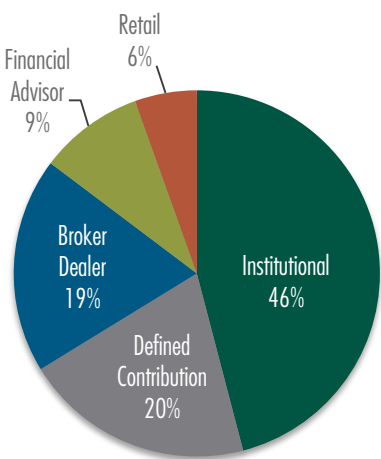


# ASSET DIVERSIFICATION

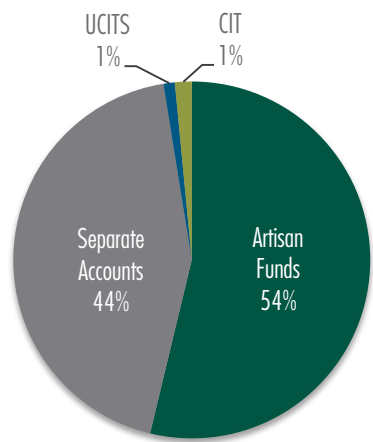
AUM by Investment Team



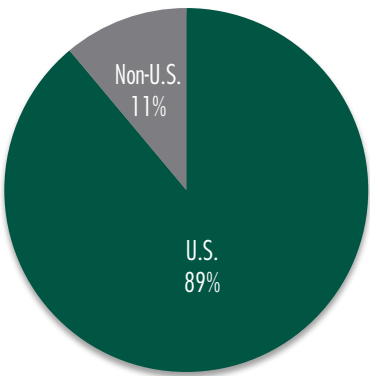
AUM by Distribution Channel<sup>1</sup>



AUM by Vehicle



AUM by Client Domicile



As of March 31, 2013. <sup>1</sup>The allocation of AUM by distribution channel involves the use of estimates and the exercise of judgment.

## ASSET DIVERSIFICATION

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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

My last slide, before turning it over to CJ, is really just a summary of our distribution strategy.

We focus on sophisticated investors with a long-term horizon, which makes for a more consistent asset base. We are deliberate about allocating capacity to particular distribution channels to provide diversification in our asset base. And we have a disciplined approach to fees because it is critical to talent retention. Managed well together, we think these characteristics contribute to stability in our business mix and investment teams. In our view, the combination also creates a more consistent cash flow stream, which yields a higher and more predictable present value.

At the end of the first quarter, our assets under management exceeded \$80 billion due to a strong combination of organic growth and market appreciation. Importantly, we had positive net client cash flows in 10 of our 12 strategies, four of our five investment teams, and four of our five distribution channels, generated by clients domiciled in the US and abroad.

We think that these are the kind of short-term data points that will push us toward our long-term business goals—asset diversification by team, distribution channel, investment vehicle and geography.

With that, I'll turn it over to CJ.

## SUMMARY OF FIRST QUARTER 2013 RESULTS

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### Assets Under Management

- AUM increased 11.9% to \$83.2 billion, the highest quarter-end level in the firm's history
- Average AUM was \$79.2 billion

### Net Client Cash Flows

- Total net flows of \$2.2 billion resulting in 11.9% annualized organic growth

### Overall Operating Results

- Operating margin of (284.3)%
- Net income per basic and diluted share of \$0.19
- Adjusted operating margin of 37.0%
- Adjusted net income per adjusted share of \$0.47

### Capital Management

- Issued 12.7 million shares of APAM Class A common stock
- Reduced debt by \$90 million

## SUMMARY OF FIRST QUARTER 2013 RESULTS

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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

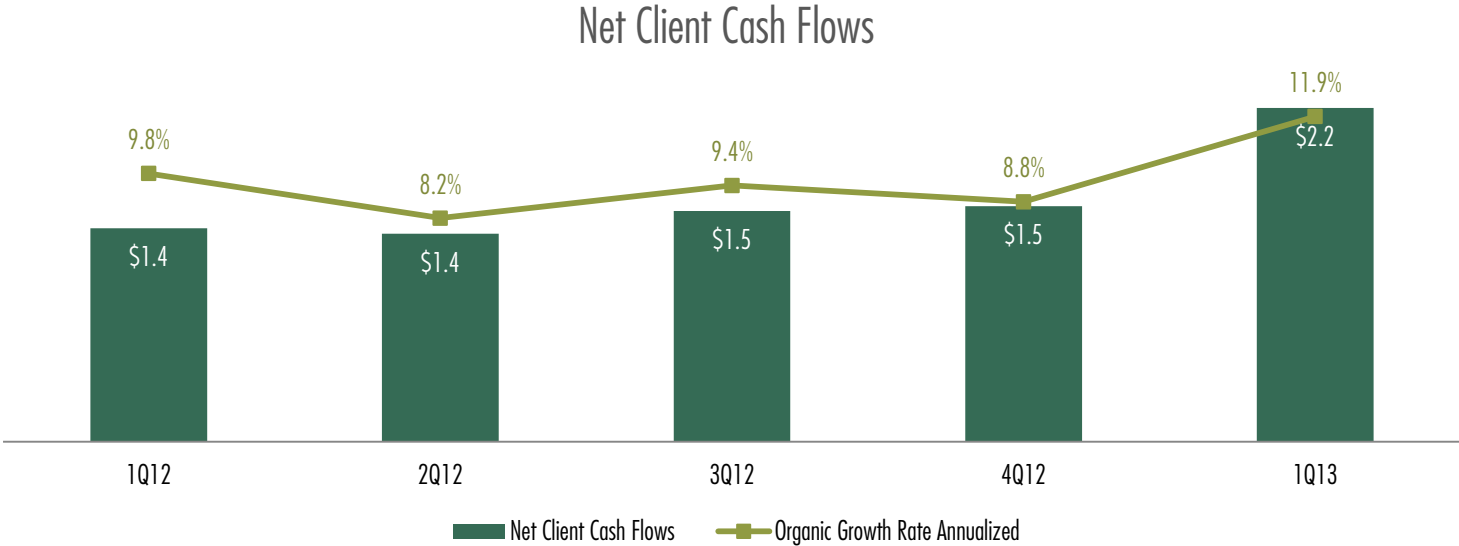
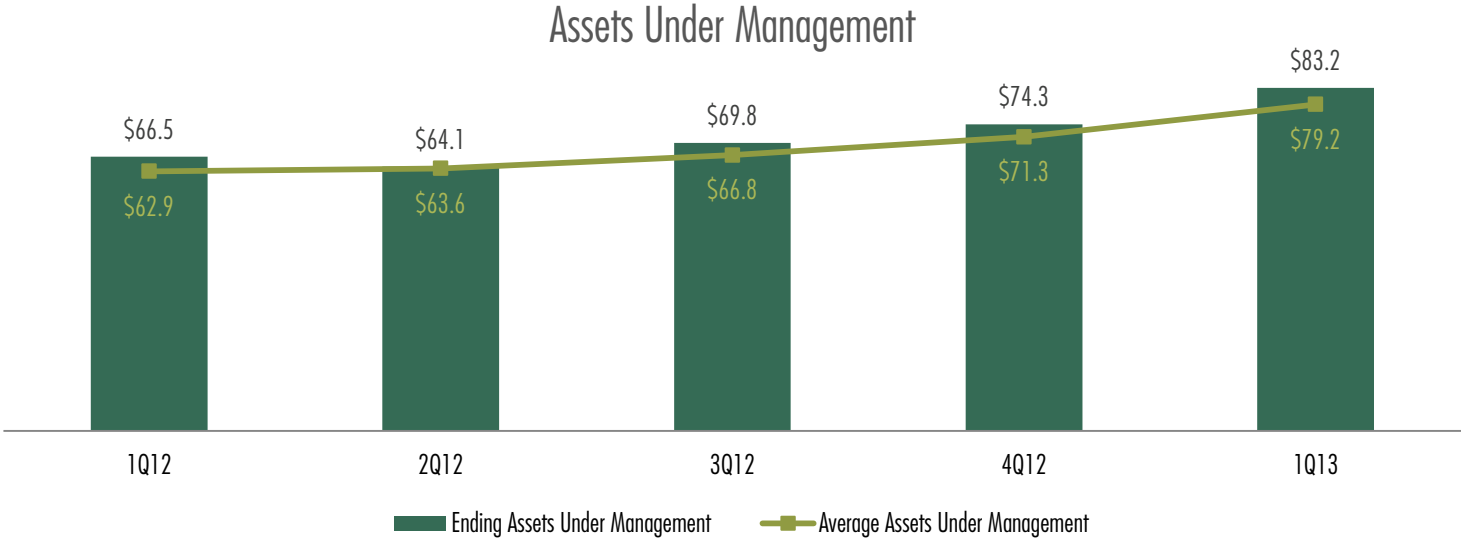
Thanks Eric. Good afternoon everyone. Slide 9 starts the review of our First Quarter Results

As of March 31, 2013, our Company's assets under management were \$83.2 billion, a 12% increase over AUM at December 31, 2012 and a 25% increase over AUM at March 31, 2012. The increase during the first quarter was achieved as a result of \$2.2 billion of net client cash inflows, which equates to a 3% organic growth rate for the quarter and a 12% annualized growth rate, as well as 9% of market appreciation. The increase in AUM over the last 12 months was achieved as a result of \$6.6 billion of net client cash inflows, a 10% annual organic growth rate, and 15% of market appreciation. Average AUM for the first quarter was \$79.2 billion, so our ending assets under management were 5% higher than average AUM on which we recorded our revenues for the quarter.

March 31 was the end of our first, but partial quarter as a public company and included numerous transactions related to our Initial Public Offering. Our GAAP results include significant charges related to the reorganization, including mark to market expense of our pre-IPO partners' equity and other compensation related charges incurred as a result of the IPO totaling \$476 million. The quarter also included a mark to market gain of \$25 million on our contingent value right liability and the previously disclosed charge for severance and cash retention awards that end in 2013. We present adjusted earnings on adjusted shares, which represents our earnings adjusted primarily for pre-IPO compensation expenses. So, on an adjusted basis, earnings were \$33.2 million or \$0.47 per share for the quarter. Keep in mind that this figure includes a \$.09 reduction for the cash retention expenses and a first quarter severance charge. As a result of these items, our adjusted operating margin of 37% was negatively impacted by 630 bps in the March quarter. The reconciliation of GAAP to non-GAAP results is on slide 16.

The remainder of my comments will reflect our Non-GAAP, adjusted earnings on adjusted shares results. We believe our adjusted results are a better representation of our results and it's what we, as management, use to assess business performance. We exclude the impact of pre-IPO income and expense and eliminate the large non-controlling interest by assuming that all limited partner interests in the partnership have been exchanged for shares of the public company. So adjusted net income per adjusted share represents our results as if the partnership was 100% owned by the public company.

ASSETS UNDER MANAGEMENT & NET CLIENT CASH FLOWS (in billions)



## ASSETS UNDER MANAGEMENT & NET CLIENT CASH FLOWS (in billions)

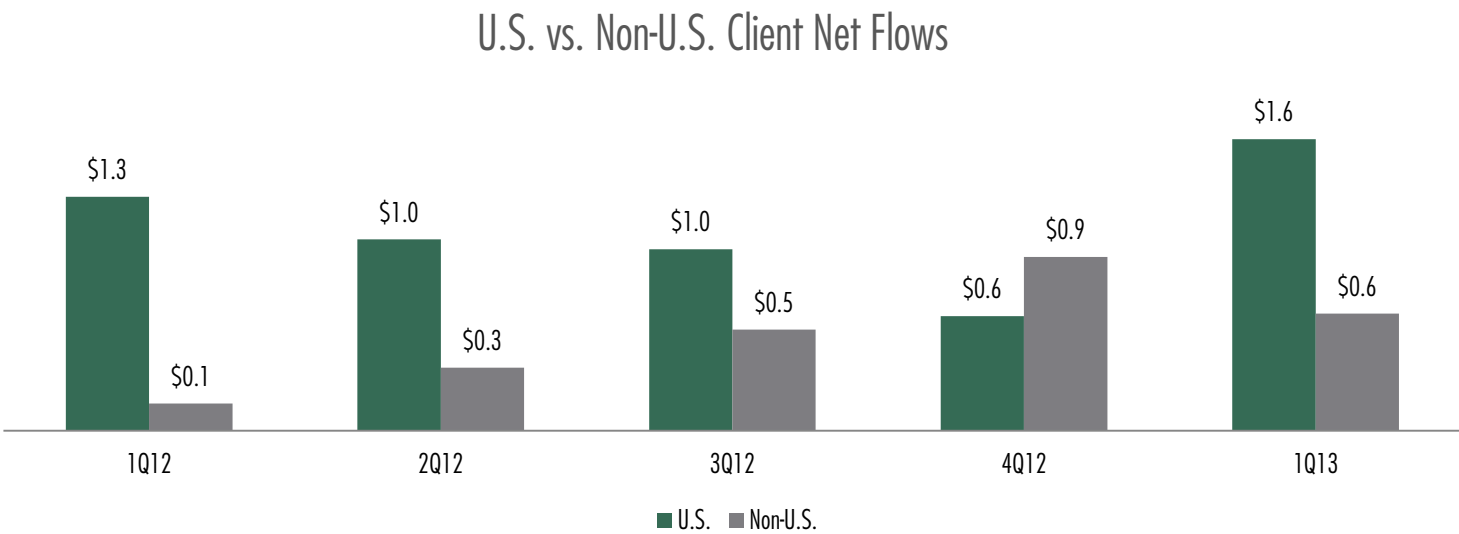
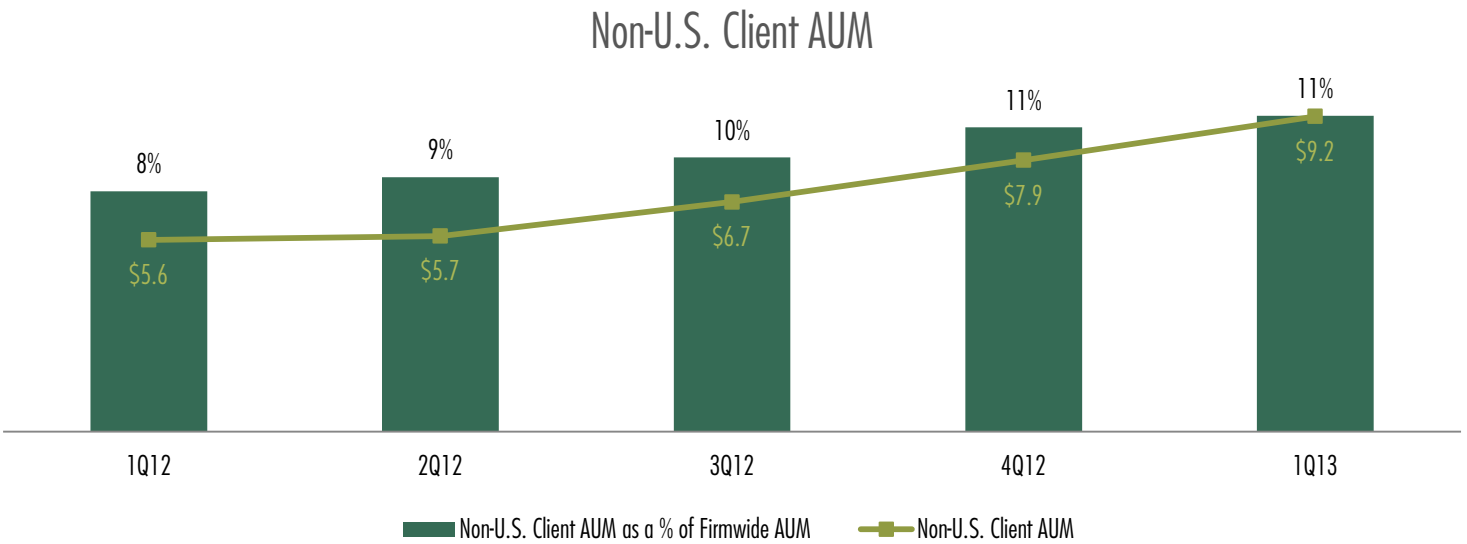
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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

AUM at March 31, 2013 was \$83.2 billion, that's up 12% from December 31, 2012 and 5% higher than the average AUM of \$79.2 billion for the first quarter.

AUM increased in the March quarter primarily as a result of market appreciation of \$6.7 billion and net client inflows of \$2.2 billion. Our inflows this quarter reflect increased client activity which is typical for the first quarter of each year, as investors update investment allocations and resume 401(k) contributions. We benefitted from that increased activity as 10 of our 12 strategies and 4 of our 5 distribution channels saw positive flow activity generated by clients in the US and abroad. We are pleased with the diversification of our growth this quarter.

GLOBAL DISTRIBUTION (in billions)



## GLOBAL DISTRIBUTION (in billions)

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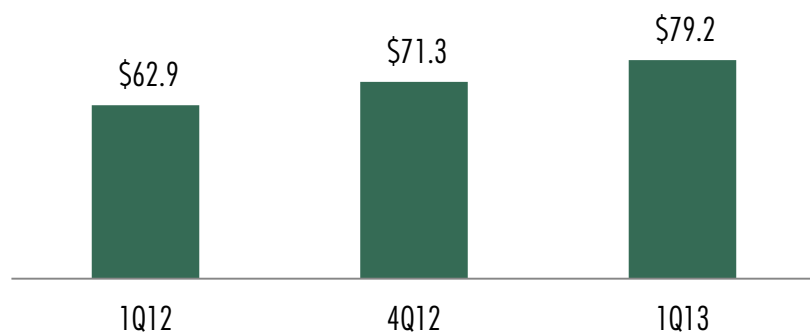
### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

On slide 11, you can see that we are continuing to build our non-US client base with assets from non-US clients growing \$1.3 billion in the quarter to \$9.2 billion or 11% of total AUM. Non-US client inflows this quarter accounted for 30% of our net flows.

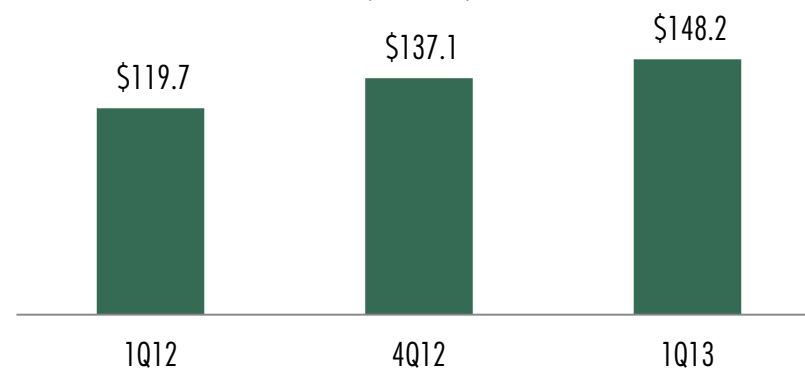


## FINANCIAL RESULTS — Financial Highlights

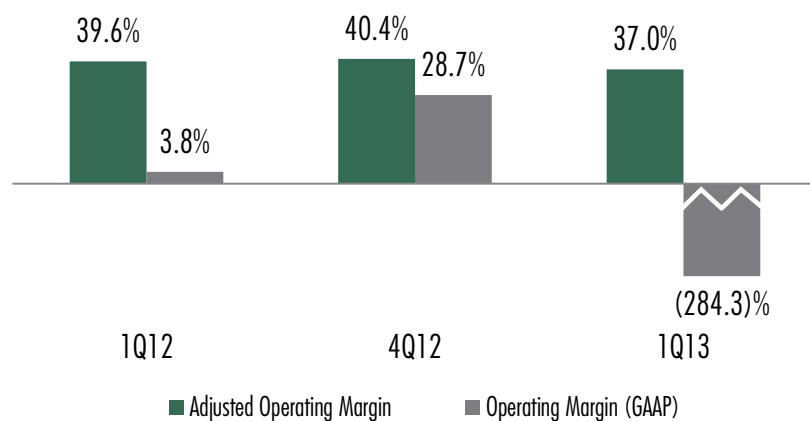
Average Total AUM  
(in billions)



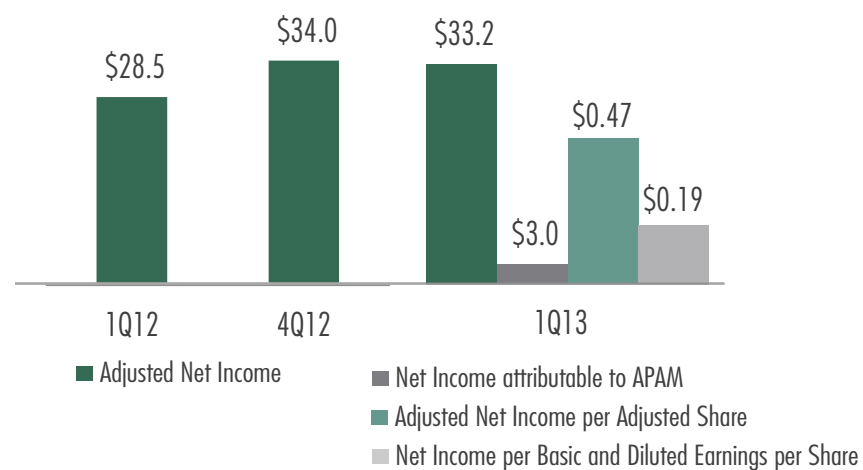
Revenues  
(in millions)



Operating Margin



Net Income (in millions) & Net Income per Share



## FINANCIAL RESULTS — Financial Highlights

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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

Slide 12 shows our financial results for the first quarter compared to both our preceding December quarter and the first quarter of 2012.

For the March 2013 quarter, revenues were \$148.0 million on average AUM of \$79.2 billion, an increase in revenues of 8% over the December 2012 quarter and 24% over the March 2012 quarter. The average management fee across all strategies and products was 76 bps, flat from the preceding and prior year quarters.

Adjusted operating income for the quarter, which excludes IPO-related compensation charges, was \$54.9 million, which translates to a 37% adjusted operating margin. Our adjusted margin this quarter is lower when compared to the December and March 2012 quarters due to increased cash retention and severance expenses in this year's March quarter. The impact of this increase to the current quarter margin was approximately 420 basis points when compared to the fourth quarter and first quarter of 2012.

Adjusted net income was \$33.2 million for the current quarter compared to \$34.0 million in the December 2012 quarter. Our higher first quarter revenues were offset by higher operating expenses due to the increase in cash retention and severance expenses in the first quarter of 2013, as we previously mentioned. Overall, the increase in cash retention and severance expenses in the current quarter negatively impacted net income by \$4.1 million, after taxes, or \$0.06 per adjusted share when compared to the December 2012 quarter.

## FINANCIAL RESULTS — Compensation & Benefits (in millions)

	<u>March 2013</u>	<u>% of Rev.</u>	<u>December 2012</u>	<u>% of Rev.</u>	<u>March 2012</u>	<u>% of Rev.</u>
Salary & Incentives	\$ 58.0	39.1%	\$ 56.2	41.0%	\$ 47.0	39.3%
Benefits & Payroll taxes	3.1	2.1%	1.7	1.2%	2.1	1.7%
<b>Subtotal Compensation and Benefits</b>	<b>61.1</b>	<b>41.2%</b>	<b>57.9</b>	<b>42.2%</b>	<b>49.1</b>	<b>41.0%</b>
Pre-offering related compensation	476.2	321.3%	16.0	11.7%	42.9	35.8%
Severance & cash retention award	9.3	6.3%	2.9	2.1%	2.5	2.1%
Seasonal benefits	2.3	1.6%	0.8	0.6%	4.1	3.4%
<b>Total Compensation and Benefits</b>	<b>\$ 548.9</b>	<b>370.4%</b>	<b>\$ 77.6</b>	<b>56.6%</b>	<b>\$ 98.6</b>	<b>82.4%</b>

- Total compensation and benefits increase in the March 2013 quarter was driven by compensation charges related to the reorganization of the Company's capital structure from a private partnership to a public company.
- Salary & Incentives includes incentive compensation, which increased in the March 2013 quarter due to higher revenues.
- March 2013 quarter includes previously disclosed severance of a former portfolio manager. Pre-IPO retention award amortization for investment teams, which is included in each of the quarters presented, ends in December 2013 quarter.
- Seasonal benefits costs increased due in part to the first quarter funding of 50% of the Company's annual contribution to employee health savings accounts and 401(k) matching. The March 2012 quarter also includes a full year vacation accrual prior to our policy revisions in 2013.
- Total Compensation and Benefits does not include amortization of post-IPO equity awards expense. Post-IPO equity awards have not yet been made.

## FINANCIAL RESULTS — Compensation & Benefits (in millions)

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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

On slide 13, I would like to spend some time explaining how we view our compensation ratio and our largest expense, Compensation and Benefits. As a result of the IPO-related compensation, our compensation ratio was significantly elevated compared to prior quarters. However, on a core expense basis, adjusting for the IPO-related compensation, severance, cash retention and seasonal effects, our compensation ratio has consistently been in the 41% to 42% range.

When looking at run-rate compensation expense for future quarters and years, there are a few items to keep in mind.

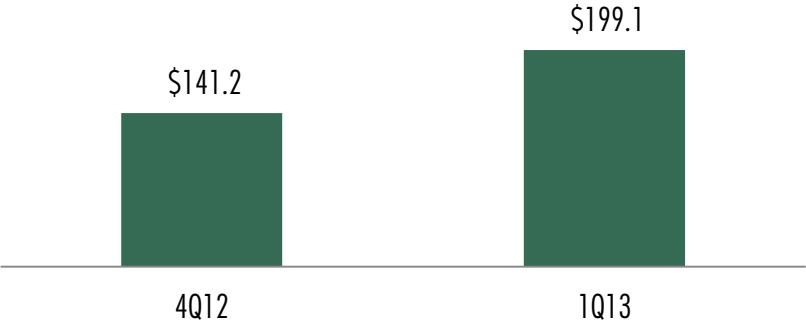
First, the cash retention award amortization that is in this quarter will end at the end of the year. This is roughly \$3 million, or 2% of revenues, this quarter that will go away at the end of 2013.

Second, seasonal benefits expenses will be higher in the first quarter of each year. The impact this quarter was \$2.3 million, or 1.6% of revenues.

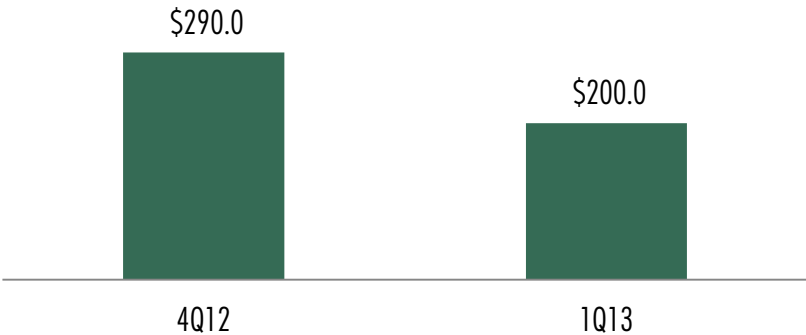
Last, we expect to issue equity grants in the future. Over the next several years as we layer in post-IPO equity awards, which we will expect to be in the 2% range on average, we expect our compensation ratio will grow to the mid 40% range. Of course, the size of the equity grants each year and related expenses will vary based on the rate of sustainable growth actually achieved and our stock value, which impacts the amount of expense we will amortize over the five year vesting period.

FINANCIAL RESULTS — Capital Management

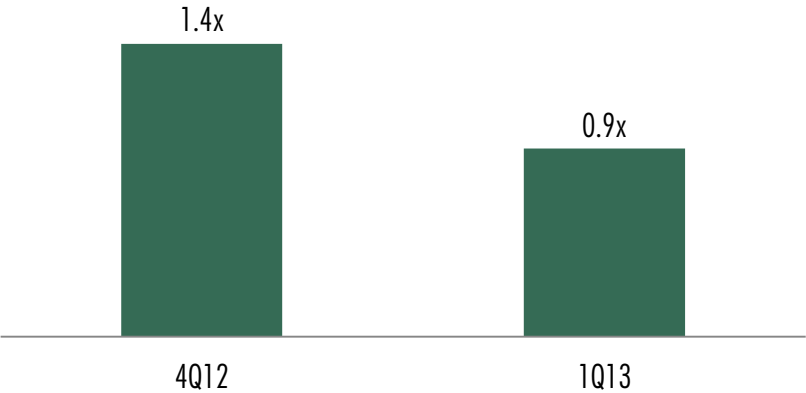
Cash  
(in millions)



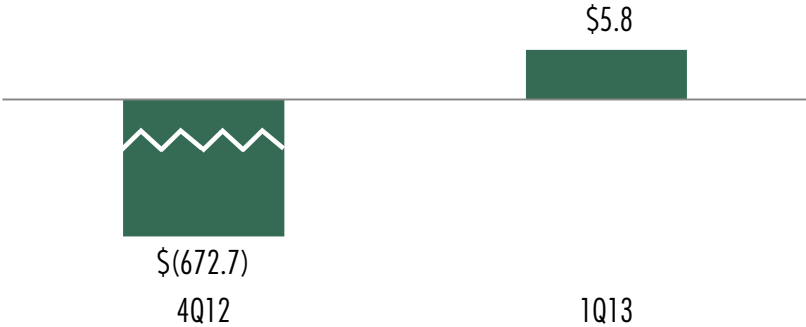
Borrowings  
(in millions)



Leverage Ratio<sup>1</sup>



Equity  
(in millions)



<sup>1</sup> Calculated in accordance with debt agreements.

## FINANCIAL RESULTS — Capital Management

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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

The last slide on Capital Management highlights the strengthening of our balance sheet as a result of our IPO and the application of the IPO proceeds. Cash ended the quarter at \$199 million, debt was reduced to \$200 million and total equity is slightly positive at \$6 million, that's substantially improved from negative equity of \$673 million at December 31, 2012. Our debt to leverage ratio is at .9x leverage.

In closing, the March quarter was a productive quarter from a business and capital management perspective. We completed a successful initial offering of our stock which closed on March 12, enjoyed increasing levels of AUM in the quarter, healthy net client cash inflows which annualized at an organic growth rate of 12%, and continued strong performance in most of our strategies. These factors give us confidence that we are well positioned for the remainder of 2013.

### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

In closing, we are proud of our business model and investment results. And we appreciate our success in the IPO and the confidence you have shown in us by becoming shareholders. We will communicate to you about our business in the way that we think about it and provide information for your insights and knowledge. We appreciate your time and your interest. We will now open the call for questions.



## APPENDIX

## RECONCILIATION OF GAAP TO NON-GAAP (“ADJUSTED”) MEASURES

	For the Three Months Ended		
	(in millions, except per share numbers)		
	March 31, 2013	December 31, 2012	March 31, 2012
<b>Net income attributable to Artisan Partners Asset Management Inc. (GAAP)</b>	<b>\$3.0</b>	<b>\$—</b>	<b>\$—</b>
Add back: Net income (loss) attributable to noncontrolling interests - Artisan Partners Holdings LP	(407.1)	36.7	1.2
Add back: Provision for income taxes	4.4	0.2	0.3
Add back: Pre-offering related compensation - share-based awards	333.2	15.8	34.8
Add back: Pre-offering related compensation - other	143.0	0.2	8.1
Less: Net gain on the valuation of contingent value rights	24.8	—	—
Adjusted provision for income taxes	18.5	18.9	15.9
<b>Adjusted net income (Non-GAAP)</b>	<b>\$33.2</b>	<b>\$34.0</b>	<b>\$28.5</b>
<b>Average shares outstanding</b>			
Class A common shares	12.7	—	—
Assumed conversion or exchange of:			
Convertible preferred shares outstanding	2.6	—	—
Artisan Partners Holdings LP units outstanding (non-controlling interest)	54.7	—	—
<b>Adjusted shares</b>	<b>70.0</b>	<b>N/A</b>	<b>N/A</b>
Adjusted net income per adjusted share (Non-GAAP)	\$0.47	N/A	N/A
<b>Operating income (loss) (GAAP)</b>	<b>(\$421.3)</b>	<b>\$39.4</b>	<b>\$4.5</b>
Add back: Pre-offering related compensation - share-based awards	333.2	15.8	34.8
Add back: Pre-offering related compensation - other	143.0	0.2	8.1
<b>Adjusted operating income (Non-GAAP)</b>	<b>\$54.9</b>	<b>\$55.4</b>	<b>\$47.4</b>
<b>Adjusted operating margin (Non-GAAP)</b>	<b>37.0%</b>	<b>40.4%</b>	<b>39.6%</b>



## LONG-TERM INVESTMENT RESULTS

As of March 31, 2013	Average Annual Total Returns (Gross)						Average Annual Value Add
	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Inception	Since Inception (bp)
<b>Global Equity Team</b>							
Artisan Non-U.S. Growth <i>(Inception: 1-Jan-96)</i>	16.52%	11.53%	3.08%	5.26%	12.90%	11.39%	683
<i>MSCI EAFE Index</i>	11.25%	4.99%	-0.89%	1.61%	9.68%	4.56%	
Artisan Non-U.S. Small-Cap Growth <i>(Inception: 1-Jan-02)</i>	23.49%	13.89%	5.24%	7.91%	18.68%	16.15%	563
<i>MSCI EAFE Small Cap Index</i>	13.28%	8.40%	2.06%	1.84%	13.16%	10.53%	
Artisan Global Equity <i>(Inception 1-Apr-10)</i>	26.34%	15.92%	—	—	—	15.92%	815
<i>MSCI All Country World Index</i>	10.55%	7.77%	—	—	—	7.77%	
<b>U.S. Value Team</b>							
Artisan U.S. Mid-Cap Value <i>(Inception: 1-Apr-99)</i>	19.79%	16.53%	11.72%	9.61%	15.57%	14.83%	627
<i>Russell Midcap<sup>®</sup> Index</i>	17.30%	14.61%	8.37%	6.18%	12.26%	8.56%	
Artisan U.S. Small-Cap Value <i>(Inception: 1-Jun-97)</i>	5.86%	8.73%	8.38%	6.48%	13.38%	12.66%	532
<i>Russell 2000<sup>®</sup> Index</i>	16.30%	13.44%	8.23%	4.58%	11.51%	7.34%	
Artisan Value Equity <i>(Inception: 1-Jul-05)</i>	14.43%	13.39%	6.93%	6.77%	—	7.46%	137
<i>Russell 1000<sup>®</sup> Index</i>	14.43%	12.92%	6.15%	5.20%	—	6.09%	
<b>Growth Team</b>							
Artisan U.S. Mid-Cap Growth <i>(Inception: 1-Apr-97)</i>	8.86%	17.73%	11.39%	9.50%	13.61%	15.94%	609
<i>Russell Midcap<sup>®</sup> Index</i>	17.30%	14.61%	8.37%	6.18%	12.26%	9.86%	
Artisan U.S. Small-Cap Growth <i>(Inception: 1-Apr-95)</i>	14.12%	19.66%	11.48%	5.73%	12.79%	9.87%	97
<i>Russell 2000<sup>®</sup> Index</i>	16.30%	13.44%	8.23%	4.58%	11.51%	8.90%	
Artisan Global Opportunities <i>(Inception: 1-Feb-07)</i>	14.83%	17.68%	10.55%	—	—	8.59%	687
<i>MSCI All Country World Index</i>	10.55%	7.77%	2.06%	—	—	1.72%	
<b>Global Value Team</b>							
Artisan Non-U.S. Value <i>(Inception: 1-Jul-02)</i>	19.87%	13.13%	8.81%	8.15%	17.07%	13.94%	740
<i>MSCI EAFE Index</i>	11.25%	4.99%	-0.89%	1.61%	9.68%	6.55%	
Artisan Global Value <i>(Inception: 1-Jul-07)</i>	20.32%	14.94%	10.60%	—	—	6.91%	655
<i>MSCI All Country World Index</i>	10.55%	7.77%	2.06%	—	—	0.36%	
<b>Emerging Markets Team</b>							
Artisan Emerging Markets <i>(Inception: 1-Jul-06)</i>	-1.42%	-0.91%	-1.39%	—	—	6.18%	-117
<i>MSCI Emerging Markets Index</i>	1.96%	3.27%	1.09%	—	—	7.36%	

Source: Artisan Partners/MSCI/Russell. Average Annual Total Returns (Gross) represents gross of fees performance for the Artisan Composites. Value add measures the average annual outperformance or underperformance of the gross composite return of each Artisan Partners strategy compared to its broad-based benchmark. See Notes & Disclosures at the end of this presentation for more information about how investment performance.

## NOTES & DISCLOSURES

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### Forward-Looking Statements

Certain information in this presentation, and other written or oral statements made by or on behalf of Artisan Partners, are “forward-looking statements” within the meaning of the federal securities laws. Statements regarding future events and developments and the company’s 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. These forward-looking statements are only predictions based on current expectations and projections about future events. These 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 or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Among the important factors that could cause actual results, level of activity, performance or achievements to differ materially from those indicated by such forward-looking statements are: fluctuations in quarterly and annual results; incurrence of net losses, adverse effects of management focusing on implementation of a growth strategy, failure to develop and maintain the Artisan Partners brand 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 the company’s registration statement on Form S-1 (File No. 333-184686). The company undertakes no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

### Investment Performance

We measure 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 socially based restrictions may have a material impact on portfolio construction and those accounts managed in a currency other than U.S. dollars (the results of these accounts, which represented approximately 8% of our assets under management at March 31, 2013, are maintained in separate composites, which are not presented in these materials).

Results for any investment strategy described herein, and for different investment products within a strategy, are affected by numerous factors, including different material market or economic conditions; different investment management fee rates, brokerage commissions and other expenses; and the reinvestment of dividends or other earnings. The returns for any strategy may be positive or negative, and past performance does not guarantee future results.

In these materials, we present “Value-Added”, which is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed or underperformed the market index most commonly used by our clients to compare the performance of the relevant strategy. The market indices used to compute the value added for each of our strategies are as follows: Non-U.S. Growth Strategy—MSCI EAFE® Index; Non-U.S. Small-Cap Growth Strategy—MSCI EAFE® Small Cap Index; U.S. Mid-Cap Growth Strategy—Russell Midcap® Index; Global Opportunities Strategy —MSCI ACWI® Index; U.S. Small-Cap Strategy—Russell 2000® Index; U.S. Small-Cap Value Strategy—Russell 2000® Index; U.S. Mid-Cap Value Strategy—Russell Midcap® Index; Value Equity Strategy—Russell 1000® Index; Non-U.S. Value Strategy—MSCI EAFE® Index; Global Value Strategy—MSCI ACWI® Index; Emerging Markets Strategy—MSCI Emerging Markets Index<sup>SM</sup>.

In this document, we present information based on Morningstar, Inc., or Morningstar, ratings for series of Artisan Partners Funds, Inc. (“Artisan Funds”). The Morningstar ratings refer to the ratings by Morningstar of the share class of the respective series of Artisan Funds with the earliest inception date and are based on a 5-star scale. Morningstar data © 2012 Morningstar, Inc.; all rights reserved. Morningstar data contained herein (1) is proprietary to Morningstar and/or its content providers, (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ which is based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund’s monthly performance, including the effects of sales charges, loads, and redemption fees, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star.

## NOTES & DISCLOSURES

Ratings are based on risk-adjusted returns and are historical and do not represent future results. The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-year, five-year, and ten-year (if applicable) Morningstar Ratings metrics. The Artisan Funds, the ratings of which form the basis for the information reflected in the table on page 7, and the categories in which they are rated are: Artisan International Fund—Foreign Large Blend Funds Category; Artisan International Small Cap Fund—Foreign Small/Mid Growth Funds Category; Artisan Global Equity Fund—World Stock; Artisan Small Cap Value Fund—Small Value Funds Category; Artisan Mid Cap Value Fund—Mid-Cap Value Funds Category; Artisan Value Equity Fund—Large Value Funds Category; Artisan Mid Cap Fund—Mid-Cap Growth Funds Category; Artisan Global Opportunities Fund—World Stock; Artisan Small Cap Fund—Small Growth Funds Category; Artisan International Value Fund—Foreign Small/Mid Funds Category; Artisan Global Value Fund—World Stock; Artisan Emerging Markets Fund—Diversified Emerging Markets Funds Category. Morningstar ratings are initially given on a fund's three year track record and change monthly.

We also present information based on Lipper rankings for series of Artisan Funds. Lipper rankings are based on total return, are historical and do not represent future results. The number of funds in a category may include multiple share classes of the same fund, which may have a material impact on a fund's ranking within a category. Lipper, a Thomson Reuters company, is the owner of all trademarks and copyrights relating to Lipper rankings.

### Financial Information

Throughout these materials, we present historical information about our assets under management and our average assets under management for certain periods. We use our information management systems to track our assets under management and we believe the information in these materials regarding our assets under management is accurate in all material respects. We also present information regarding the amount of our assets under management sourced through particular distribution channels. The allocation of assets under management sourced through particular distribution channels involves estimates and the exercise of judgment. We have presented the information on our assets under management sourced by distribution channel in the way in which we prepare and use that information in the management of our business. Data sourced by distribution channel on our assets under management are not subject to our internal controls over financial reporting.

### Rounding

Any discrepancies included in these materials between totals and the sums of the amounts listed are due to rounding.

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