

ARTISAN PARTNERS ASSET MANAGEMENT

# Artisan Partners Asset Management

BUSINESS UPDATE AND SECOND QUARTER 2019 EARNINGS PRESENTATION

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# INTRODUCTION

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

Thank you. Welcome to the Artisan Partners Asset Management business update and earnings call. Today's call will include remarks from Eric Colson, Chairman and CEO and C.J. Daley, CFO. Our latest results and investor presentation are available on the investor relations section of our website. Following these remarks, we will open the line for questions.

Before we begin, I'd like to remind you that comments made on today's call, including responses to your questions, may deal with forward-looking statements which are subject to risks and uncertainties. These are presented in the earnings release and detailed in our filings with the SEC. We are not required to update or revise any of these statements following this call.

In addition, some of our remarks made today will include references to non-GAAP financial measures. You can find reconciliations of those measures to the most comparable GAAP measures in the earnings release.

I will now turn the call over to Eric Colson.

# BUSINESS PHILOSOPHY & APPROACH

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| High Value Added Investment Firm | Talent Driven Business Model             | Thoughtful Growth                |
|----------------------------------|--|----------------------------------|
| Active Strategies                | Designed for Investment Talent to Thrive | Active Talent Identification     |
| Autonomous Franchises            | Managed by Business Professionals        | Entrepreneurial Commitment       |
| Proven Results                   | Structured to Align Interests            | Focus on Long-Term Global Demand |

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.:**

Thank you Makela. And thank you everyone for joining the call or reading the transcript.

As in the past, I will use this second quarter call to discuss our talent-driven business model, which is core to who we are as a firm. Artisan Partners provides a unique platform for investment talent. We provide stability, support, transparency, predictability, and time. We are also extremely flexible. Established investors and teams evolve over time. New individuals and teams enter the markets with fresh perspectives. What they want and need changes over time. As a firm, our structure and culture allow for change, while maintaining the discipline and alignment necessary to deliver for clients.

In our earnings release we reviewed three recent examples of the flexibility in our model. Last year, Rezo Kanovich joined our firm to manage what is now the Non-U.S. Small-Mid Growth strategy. Rezo and his analysts operate within the Global Equity franchise, but they have control of their philosophy, process, research, and decision-making. They own their strategy, and at the same time collaborate with a larger group of like-minded peers, without the responsibility of managing a larger entity. Also last year, we evolved our Global Value team into two separate teams, Global Value and International Value. The division was driven by the build-up of high-quality talent. A good problem to have. To increase space for that talent to grow and thrive, we disrupted ourselves. We knew that consultants and clients would struggle to compare this reorganization to other industry examples, but that's because our structure is uniquely focused on managing talent over the long term. A third example of talent evolution within our model is Jason White on the Growth team. Jason joined Artisan out of the United States Navy in 2000. He was promoted to Associate Portfolio Manager in 2011 and Portfolio Manager in 2016. In September 2017, we launched the Global Discovery strategy with Jason as Lead portfolio manager.

These are three very different approaches to optimizing for talent. With Rezo, we assembled a team of established individuals and imbedded it within an existing franchise to create a larger collaboration network, while maintaining autonomy and the alignment and accountability that go with it. With the Global Value team, we reorganized an established franchise, creating space and opportunity for professional growth. And with Jason White, you see how our Growth team has consciously built a platform for developing and unleashing internal talent.

These examples are what we mean when we say our firm is talent-driven. They demonstrate the flexibility that distinguishes us, and which is increasingly important as our people continue to grow and develop, and as collaboration models and preferences change.

# BUSINESS MODEL EVOLUTION



ARTISAN PARTNERS



# BUSINESS MODEL EVOLUTION

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

Turning to slide two.

When our firm was founded, there were limited options for a great investor who wanted to build a unique investment franchise, without the non-investment distractions of running a business. Artisan provided an ideal home for these free agents. At the same time, open architecture allowed independent investment managers to efficiently access clients through intermediaries, fund marketplaces, DC plans, and institutional consultants. Having established our firm, we evolved as the investment world globalized and as investment talent and asset allocators sought greater investment freedom. Today, these trends remain relevant and important. In addition, we have added two new defining trends to the timeline: Investment Talent Platforms and Client Outcomes. Collaboration models are changing all around us, most notably in the gig and sharing economies, where technology enables individuals to access vast networks and a nearly unlimited array of tools and resources. Today’s environment places a premium on the value we can add for talented investors by operating our firm and investment teams as flexible, high value-added platforms. We fulfill that role by: providing stability, guidance, and time; curating and validating talent, vendors, and data; reducing transaction costs and distraction; and by creating alignment and accountability between an increasingly short-term and transactional marketplace, on the one hand, and clients trying to solve for long-term financial outcomes, on the other. Today, we are pushing ourselves harder than ever before to think broadly about how we partner with, and operate for, talented investors, those at Artisan today, and those who will join us in the future.

Before moving on, let me say just a few words about the client outcomes concept. Clients are increasingly demanding more customized outcomes, which can include things like tax optimization, vehicle preference, alternative fee structures, customized ESG, and the like. With many of these trends, we are still in the early stages. We expect to continue to evolve our business to align with those that are durable and fit with who we are as a talent-driven investment firm. You should expect to hear more from us on these topics as we move forward.

## HIGH VALUE-ADDED INVESTMENTS

|  | YTD                          |                         |         | Since Inception Annualized Returns |                             |                         |
|--|------------------------------|-------------------------|---------|------------------------------------|-----------------------------|-------------------------|
|  | Value Added<br>(Net of Fees) | Lipper Fund<br>Rankings |         | ■ Index Return                     | ■ Value Added (Net of Fees) | Lipper Fund<br>Rankings |
| <b>Growth Team</b>                         |                              |                         |         |                                    |                             |                         |
| Global Opportunities (Feb 1, 2007)         | 7.32%                        | 20%                     | 44/220  | 5.00%                              | 4.87%                       | 4% 3/75                 |
| Global Discovery (September 1, 2017)       | 13.59%                       | 1%                      | 1/141   | 7.15%                              | 9.81%                       | 5% 6/130                |
| U.S. Mid-Cap Growth (Apr 1, 1997)          | 12.84%                       | 4%                      | 17/564  | 10.28%                             | 4.03%                       | 2% 1/81                 |
| U.S. Small-Cap Growth (Apr 1, 1995)        | 14.48%                       | 11%                     | 64/607  | 9.13%                              | 1.09%                       | 61% 29/47               |
| <b>Global Equity Team</b>                  |                              |                         |         |                                    |                             |                         |
| Global Equity (Apr 1, 2010)                | 6.72%                        | 24%                     | 53/220  | 8.16%                              | 3.95%                       | 7% 6/89                 |
| Non-U.S. Growth (Jan 1, 1996)              | 5.55%                        | 21%                     | 41/200  | 4.71%                              | 4.48%                       | 5% 1/23                 |
| Non-U.S. Small-Mid Growth (Jan 1, 2019)    | 10.83%                       | 5%                      | 9/222   | 12.61%                             | 10.83%                      | 17% 6/36                |
| <b>U.S. Value Team</b>                     |                              |                         |         |                                    |                             |                         |
| Value Equity (Jul 1, 2005)                 | -0.77%                       | 20%                     | 80/413  | -1.67%                             | 9.00%                       | 33% 61/185              |
| U.S. Mid-Cap Value (Apr 1, 1999)           | -3.67%                       | 65%                     | 241/375 | 9.42%                              | 2.16%                       | 8% 5/65                 |
| <b>International Value Team</b>            |                              |                         |         |                                    |                             |                         |
| Non-U.S. Value (Jul 1, 2002)               | 0.55%                        | 24%                     | 98/424  | 6.02%                              | 4.63%                       | 2% 1/74                 |
| <b>Global Value Team</b>                   |                              |                         |         |                                    |                             |                         |
| Global Value (Jul 1, 2007)                 | -0.37%                       | 19%                     | 23/125  | 4.44%                              | 2.92%                       | 3% 1/36                 |
| <b>Sustainable Emerging Markets Team</b>   |                              |                         |         |                                    |                             |                         |
| Sustainable Emerging Markets (Jul 1, 2006) | 1.96%                        | 55%                     | 453/826 | -0.41%                             | 5.14%                       | 64% 92/145              |
| <b>Credit Team</b>                         |                              |                         |         |                                    |                             |                         |
| High Income (Apr 1, 2014)                  | -1.13%                       | 76%                     | 378/499 | 4.97%                              | 1.53%                       | 1% 3/349                |
| <b>Developing World Team</b>               |                              |                         |         |                                    |                             |                         |
| Developing World (Jul 1, 2015)             | 20.28%                       | 1%                      | 8/826   | 4.48%                              | 5.67%                       | 2% 9/609                |
| <b>Thematic Team</b>                       |                              |                         |         |                                    |                             |                         |
| Thematic (May 1, 2017)                     | 1.30%                        | 53%                     | 117/220 | 12.41%                             | 15.58%                      | 1% 1/193                |

Sources: Artisan Partners/MSCI/Russell/ICE BAML/S&P. As of June 30, 2019. Performance for Artisan Thematic Long/Short and Credit Opportunities Strategies has been intentionally omitted. Lipper Fund Rankings are based on the performance rankings of the Artisan Partners Fund managed to each respective Artisan strategy. See Notes & Disclosures at the end of this presentation for more information about our investment performance.

## HIGH VALUE-ADDED INVESTMENTS

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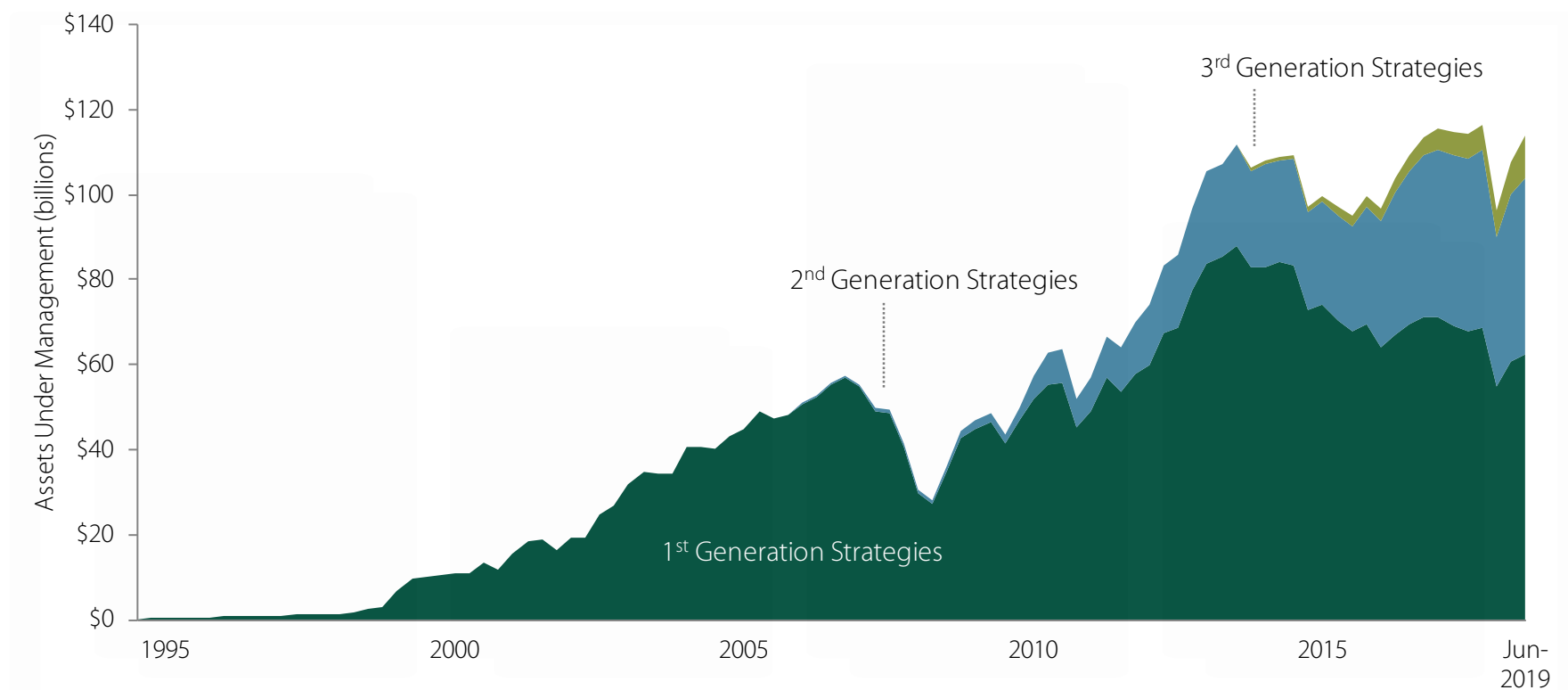
### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Slide three shows our investment performance.

No slide better summarizes why we believe our talent-driven model works. Long-term investment results are strong across the entire firm. For 11 of the 15 strategies, the corresponding mutual fund ranks in the top 10% of its Lipper category since inception. Year-to-date returns across our Growth, Global Equity, and Developing World teams have been exceptional on both an absolute and relative basis. In particular, the Global Discovery strategy has out-performed its benchmark by 1,359 basis points, after fees, and the strategy's corresponding mutual fund is ranked #1 of 141. The Non-U.S. Small-Mid Growth strategy has outperformed its benchmark by 1,083 basis points, after fees, and the strategy's corresponding fund is ranked #9 of 222 funds in its peer group. And the Developing World Team has outperformed its benchmark by 2,028 basis points after fees, placing it in the top 1% of its mutual fund peer group. As a reminder, in these materials we show value-added against each strategy's broad market benchmark. For several of our style-oriented strategies, many clients use a style benchmark to evaluate performance. At quarter end, the Value Equity strategy was out-performing its value index by 184 basis points year-to-date, and under-performing by just 7 basis points since inception. Likewise, against its value index, the U.S. Mid-Cap Value strategy under-performed by only 34 basis points year-to-date, and outperformed by 199 basis points since inception.



# ASSETS UNDER MANAGEMENT BY STRATEGY GENERATION



Strategy Launches

## 1<sup>st</sup> Generation

- U.S. Small-Cap Growth
- Non-U.S. Growth
- U.S. Mid-Cap Growth
- U.S. Small-Cap Value
- U.S. Mid-Cap Value
- Non-U.S. Small-Cap Growth
- Non-U.S. Value

## 2<sup>nd</sup> Generation

- Value Equity
- Sustainable Emerging Markets
- Global Opportunities
- Global Value
- Global Equity

## 3<sup>rd</sup> Generation

- High Income
- Developing World
- Thematic
- Credit Opportunities
- Global Discovery
- Thematic Long/Short
- Non-U.S. Small-Mid Growth
- Global Small-Cap Growth

The U.S. Small-Cap Value strategy was reorganized into the U.S. Mid-Cap Value strategy in May 2016, and the Global Small-Cap Growth strategy ceased operations in January 2017. Assets for both strategies are included in the AUM chart during their respective periods of operations. Years are marked at December 31, except where noted. Non-U.S. Small-Cap Growth transitioned to Non-U.S. Small-Mid Growth on December 1, 2018.

## ASSETS UNDER MANAGEMENT BY STRATEGY GENERATION

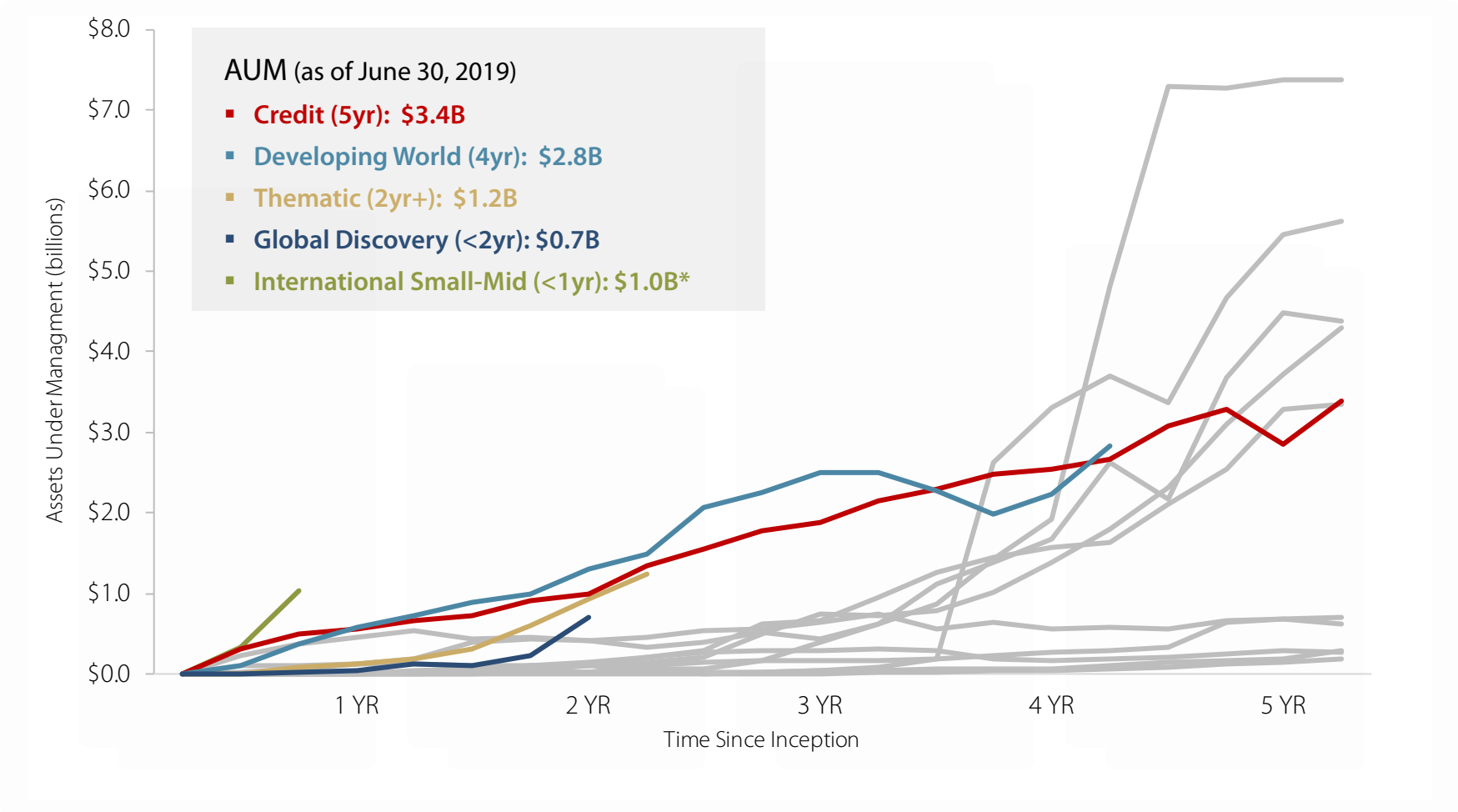
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### **Eric Colson—President & Chief Executive Officer, Artisan Partners Asset Management Inc.:**

Slide four shows how our investment performance has translated into AUM growth over time.

For our investment talent, we think in terms of developing and growing over an entire career, 20 or 30 + years. For our clients, we think about delivering results over long time horizons through multiple market cycles. Accordingly, when we think about the growth and development of our business, we emphasize the importance of long-term timeframes. It takes time to build and develop an investment franchise, and the path is never linear. If we create an environment in which talented people can grow and thrive, and deliver for clients, we are confident that our business will grow as well. It's also important to remember that the vast majority of long-term growth shown on this page is the result of investment returns, not net sales. That's what we expect and want. When we grow through investment returns, we grow with our clients. Year to date, our strong absolute and relative returns for clients have translated into \$19.2 billion of AUM growth. Approximately \$4.4 billion, or 23%, of that growth represents returns we have generated in excess of broad market indexes.

# RECENT LAUNCHES



Source: Artisan Partners as of June 30, 2019. First quarter AUM shown for each strategy is for the first full quarter since the strategy's inception. Credit includes High Income and Credit Opportunities strategies. Thematic includes Thematic and Thematic Long/Short strategies. \*International Small-Mid AUM is incremental AUM from December 31, 2018.

## RECENT LAUNCHES

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

On slide five, we have broken out the growth of our newest strategies and teams and compared them to our historical experience.

In the aggregate, the new strategies and teams highlighted on this page have seen \$2.7 billion of net inflows in the first 6 months of 2019. Their growth is tracking very nicely against the growth of our earlier strategies. In the early years, we take the time to establish the talent, process, and track record that are the foundation for long-term success, like that shown on the prior slide. Each of the teams highlighted on this page is doing an excellent job building a foundation for long-term investment excellence and business growth. Getting the hockey stick effect that some of our earlier strategies experienced often requires an outside event, such as a change in asset allocation preference or competitor blow up. If our new teams and strategies remain focused on building their franchises and delivering for existing clients, we are confident their businesses will continue to grow. Our talent-driven model remains in high demand. We will continue to build and execute on that model.

I will now turn it over to CJ to discuss our financial performance.

## FINANCIAL RESULTS—Financial Highlights

|   | For the Three Months Ended |                   |                  | For the Six Months Ended |                  |
|---|----------------------------|-------------------|------------------|--------------------------|------------------|
|   | June 30,<br>2019           | March 31,<br>2019 | June 30,<br>2018 | June 30,<br>2019         | June 30,<br>2018 |
| (unaudited, in millions except per share amounts or as otherwise noted) |                            |                   |                  |                          |                  |
| <b>Assets Under Management (amounts in billions)</b>                    |                            |                   |                  |                          |                  |
| Ending  | \$ 113.8                   | \$ 107.8          | \$ 114.2         | \$ 113.8                 | \$ 114.2         |
| Average   | 110.2                      | 104.9             | 115.8            | 107.6                    | 117.0            |
| <b>Consolidated Financial Results (GAAP)</b>                            |                            |                   |                  |                          |                  |
| Revenues  | \$ 200.7                   | \$ 187.0          | \$ 212.3         | \$ 387.7                 | \$ 424.3         |
| Operating income  | 70.9                       | 57.7              | 78.9             | 128.6                    | 158.9            |
| Operating margin  | 35.3%                      | 30.9%             | 37.2%            | 33.2%                    | 37.4%            |
| Net income attributable to Artisan Partners Asset Management Inc.       | \$ 39.2                    | \$ 31.5           | \$ 42.0          | \$ 70.7                  | \$ 83.3          |
| Basic and diluted earnings per share                                    | 0.66                       | 0.47              | 0.72             | 1.15                     | 1.48             |
| <b>Adjusted<sup>1</sup> Financial Results</b>                           |                            |                   |                  |                          |                  |
| Adjusted net income per adjusted share                                  | \$ 0.67                    | \$ 0.55           | \$ 0.76          | \$ 1.22                  | \$ 1.53          |

<sup>1</sup> Adjusted measures are non-GAAP measures and are explained and reconciled to the comparable GAAP measures in Exhibit 2 of our June 2019 earnings release.

## 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.:**

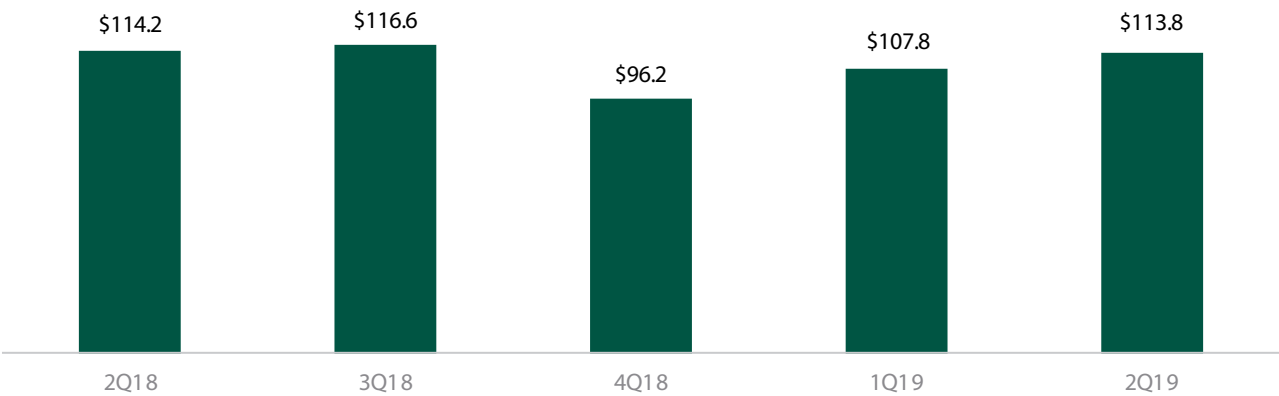
Thanks, Eric.

Financial highlights for the quarter and year-to-date are on slide six.

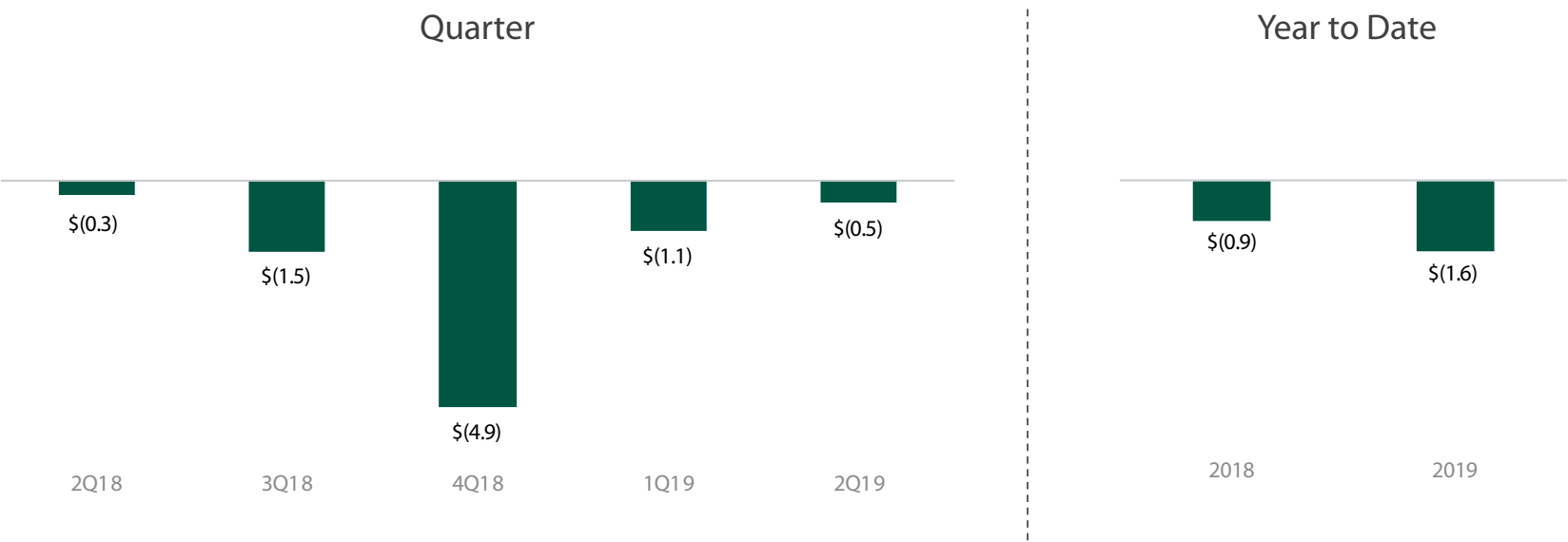
I will focus my comments on adjusted results which we utilize to evaluate our business results and operations. In summary, we ended the June 2019 quarter with AUM of \$113.8 billion, up 6% from the March 2019 quarter. Average AUM for the quarter was up 5%, which along with performance fees, grew revenues 7% to \$200.7 million. Expenses were flat compared to last quarter reflecting higher variable costs and lower seasonal and occupancy expenses relative to the March 2019 quarter. Our operating margin improved 440 basis points to 35.3% and Adjusted Net Income per Adjusted Share was \$0.67, up 22% compared to the March 2019 quarter. Results for the six-month period reflect lower average AUM following the sharp decline in global equity markets in the fourth quarter of 2018. Average AUM for the six-month period was \$107.6 billion, 8% lower than the prior year's six-month period and revenues were down 9%. Expenses declined 2% reflecting lower variable expenses which were partially offset by increased costs related to investments in occupancy, technology, and an increased number of full-time employees. Our year to date operating margin was 33.2% in 2019 compared to 37.4% in 2018, and Adjusted Net Income per Adjusted Share was \$1.22, down from \$1.53 for the same year-to-date period in 2018. Our board of directors approved a quarterly variable cash dividend of \$0.60 per share which represents approximately 80% of the cash generated during the quarter. Year-to-date, we have declared quarterly dividends of \$1.15.

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

Assets Under Management



Net Client Cash Flows



## FINANCIAL RESULTS—Financial Highlights

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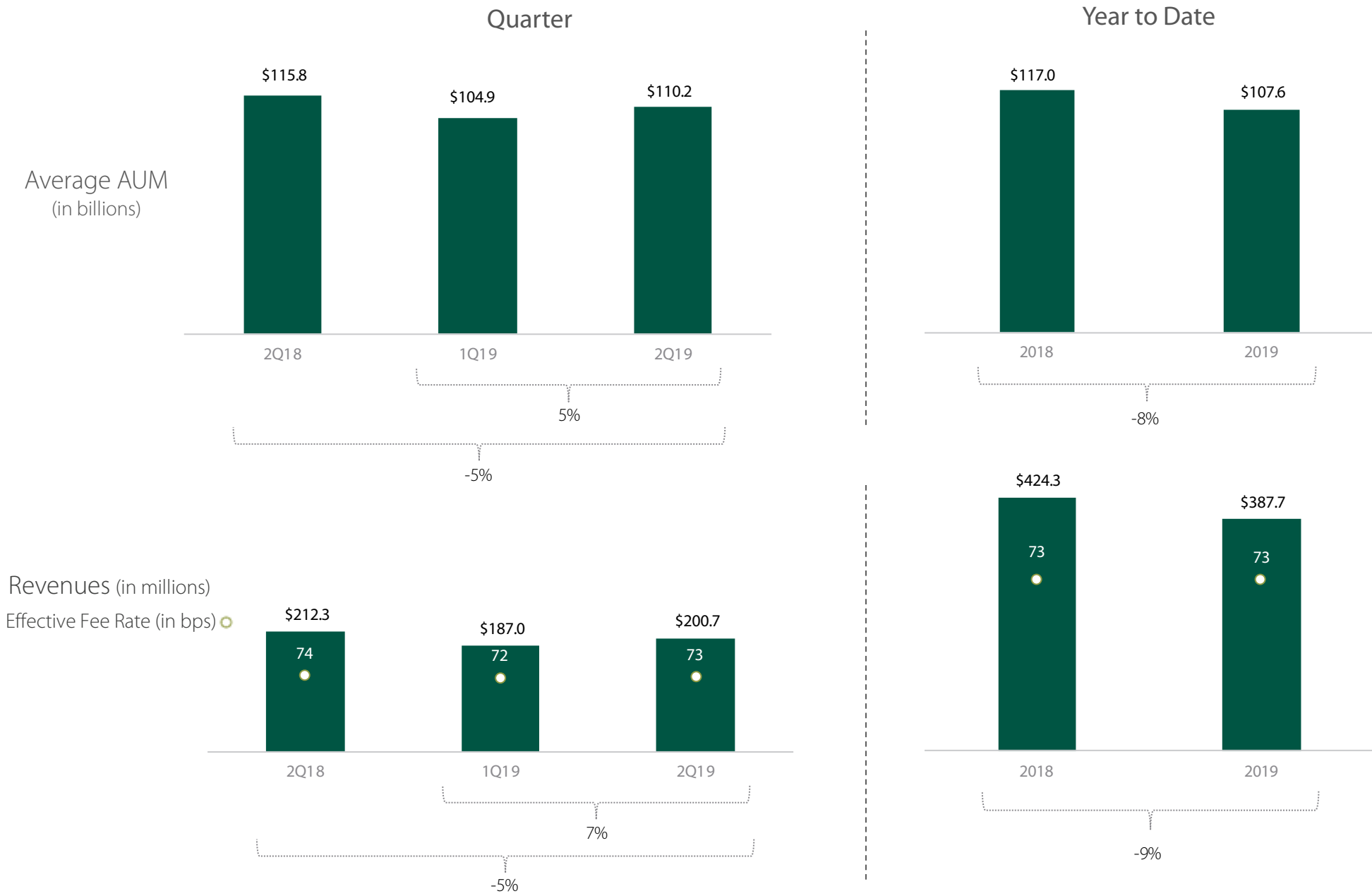
### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

Assets under management and net client cash flows are on slide seven.

AUM at the end of the June 2019 quarter was \$113.8 billion, up \$6 billion, or 6% from the March 2019 quarter and basically flat compared to the June 2018 quarter. Rising global equity markets and strong excess returns generated across our investment teams grew AUM \$6.5 billion during the June 2019 quarter. This appreciation was modestly offset by \$500 million in net client cash outflows. Client cash outflows in the quarter were largely in the Non-US Growth and Non-US Value strategies as we continued to see client portfolio rebalancing as well as asset allocation decisions away from active international equity. These net client cash outflows were offset, in part, by net client cash inflows from new clients and additional allocations into the Non-US Small-Mid Growth, Developing World, and Global Discovery strategies, among others. The June 2019 quarter-end AUM was essentially flat compared to the June 2018 quarter-end AUM of \$114.2 billion, as net client cash outflows were almost entirely offset by market appreciation and alpha generation over the 12-month period. Year to date as of June 30, 2019, AUM grew 20% due to rising global equity markets and strong excess returns generated by our investment teams. This growth was partially offset by \$1.6 billion, in net client cash outflows.



FINANCIAL RESULTS — Financial Highlights



## FINANCIAL RESULTS—Financial Highlights

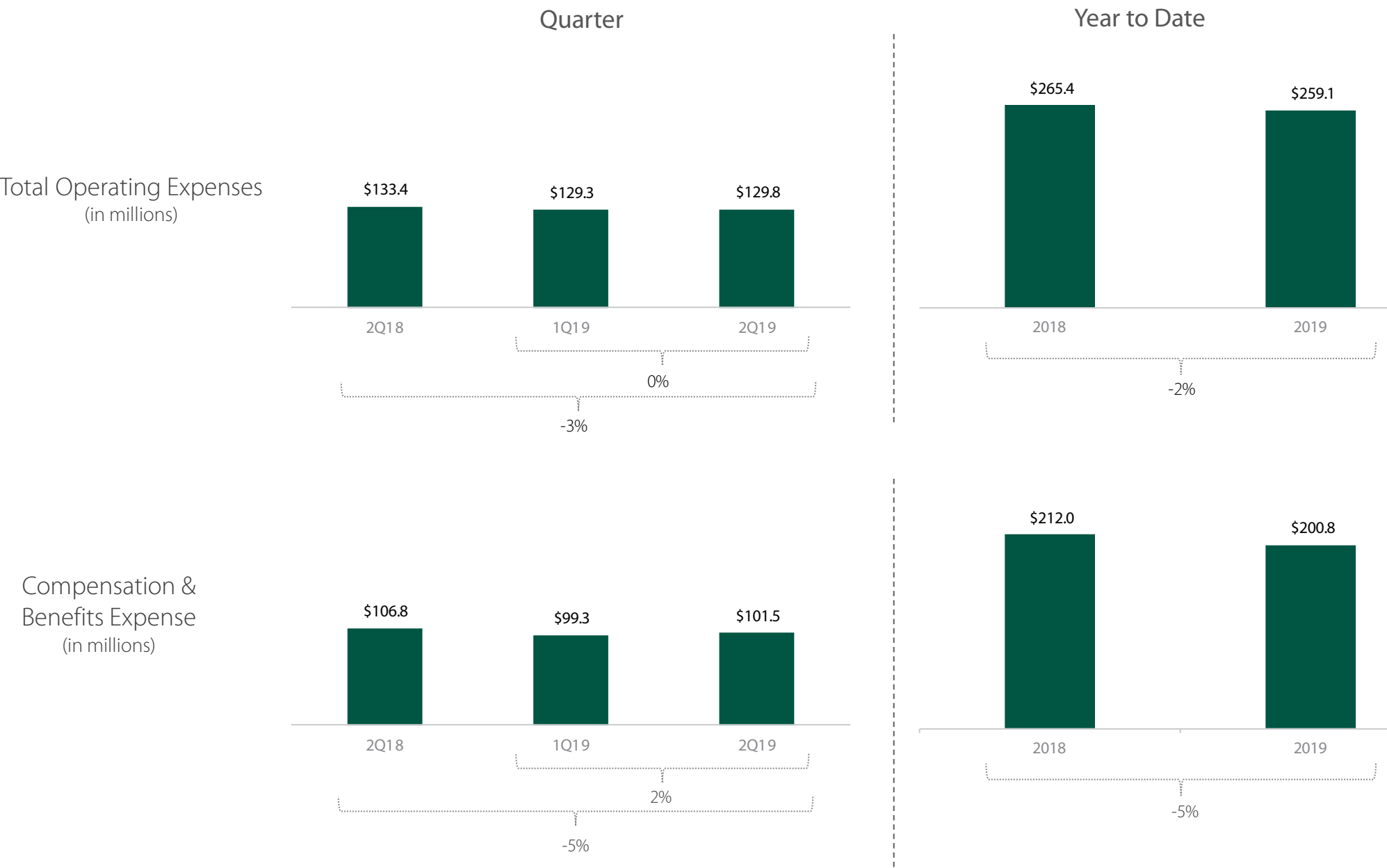
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### **Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

Average AUM and revenues are on slide eight.

Average AUM for the June 2019 quarter was 5% higher than the March 2019 quarter and 5% lower than the June 2018 quarter. Revenues for the June 2019 quarter were up 7% from the March 2019 quarter, reflecting higher average AUM and \$4.3 million of performance fees earned in the June quarter on accounts managed in our Global Equity and Global Opportunities strategies. Compared to last year, revenues for the quarter and year to date are down primary due to lower average AUM. Our effective fee rate rose this quarter to 73 basis points compared to the March 2019 quarter as a result of performance fees earned in the quarter, offset in part by a slight decline in the mix of AUM by vehicle.

FINANCIAL RESULTS — Financial Highlights



## 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.:**

Operating expenses are presented on slide nine.

Operating expenses in the June 2019 quarter were flat compared to the operating expenses in the March 2019 quarter, reflecting higher variable incentive compensation and third-party distribution costs and lower seasonal and occupancy expenses compared to the March 2019 quarter. Compared to the same periods last year, quarterly and YTD operating expenses reflect a decline in variable incentive compensation and third-party distribution costs and increased expenses related to investments in office space, technology and employees.

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

|  | For the Three Months Ended |              |                   |              |                  |              | For the Six Months Ended |              |                  |              |
|--|----------------------------|--------------|-------------------|--------------|------------------|--------------|--------------------------|--------------|------------------|--------------|
|  | June 30,<br>2019           | % of<br>Rev. | March 31,<br>2019 | % of<br>Rev. | June 30,<br>2018 | % of<br>Rev. | June 30,<br>2019         | % of<br>Rev. | June 30,<br>2018 | % of<br>Rev. |
| Salary                                 | \$ 15.8                    | 8%           | \$ 15.8           | 8%           | \$ 14.9          | 7%           | \$ 31.6                  | 8%           | \$ 29.0          | 7%           |
| Incentive Compensation                 | 66.8                       | 33%          | 62.1              | 33%          | 69.8             | 33%          | 128.9                    | 33%          | 138.5            | 33%          |
| Benefits, Payroll Taxes & Other        | 7.0                        | 3%           | 9.8               | 5%           | 6.9              | 3%           | 16.8                     | 4%           | 15.5             | 4%           |
| Equity Based Compensation Expense      | 11.9                       | 6%           | 11.6              | 6%           | 15.2             | 7%           | 23.5                     | 6%           | 29.0             | 7%           |
| <b>Total Compensation and Benefits</b> | <b>\$ 101.5</b>            | <b>51%</b>   | <b>\$ 99.3</b>    | <b>53%</b>   | <b>\$ 106.8</b>  | <b>50%</b>   | <b>\$ 200.8</b>          | <b>52%</b>   | <b>\$ 212.0</b>  | <b>50%</b>   |

- Incentive Compensation is primarily variable compensation paid to investment and distribution teams based on revenue-share percentages and discretionary cash incentives paid to other employees. Incentive Compensation increased in the June 2019 quarter as compared to the March 2019 quarter primarily due to an increase in revenues.
- Benefits, Payroll Taxes & Other decreased in the June 2019 quarter due to lower seasonal benefits.
- Equity Based Compensation Expense of \$11.9 million in the June 2019 quarter is the quarterly amortization of the equity grants we have made since our IPO in March 2013.

## 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.:**

Details of our largest expense, compensation and benefits, are presented on slide ten.

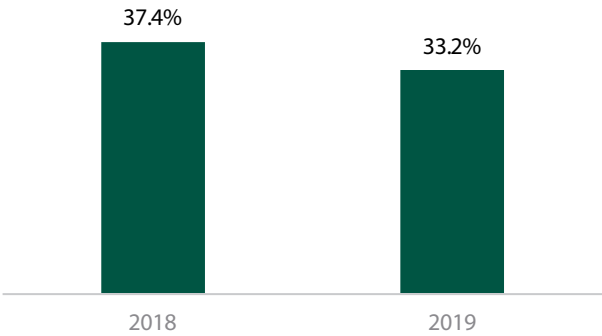
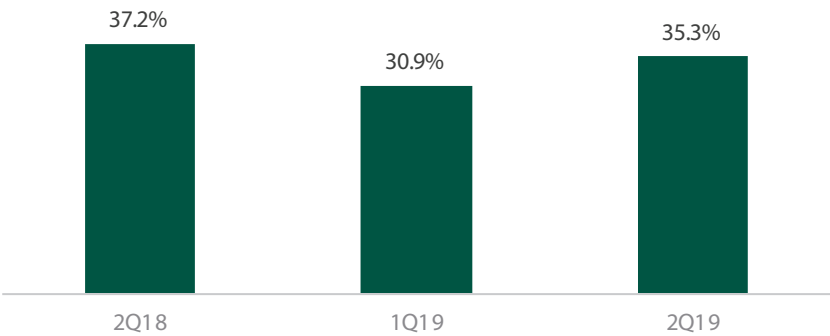
Total compensation and benefits expense as a percentage of revenue declined in the June 2019 quarter to 51% compared to 53% in the March 2019 quarter and rose slightly compared to the June 2018 quarter. The decline in June 2019 quarter compared to March 2019 was due to lower seasonal expenses. Equity based compensation expense in the June 2019 quarter was slightly higher compared to the March 2019 quarter as we recognized a full quarter of amortization related to our 2019 employee equity grant and was \$3.3 million less than the June quarter of 2018 as earlier, higher grant date value equity awards fully vested.

FINANCIAL RESULTS — Financial Highlights

Quarter

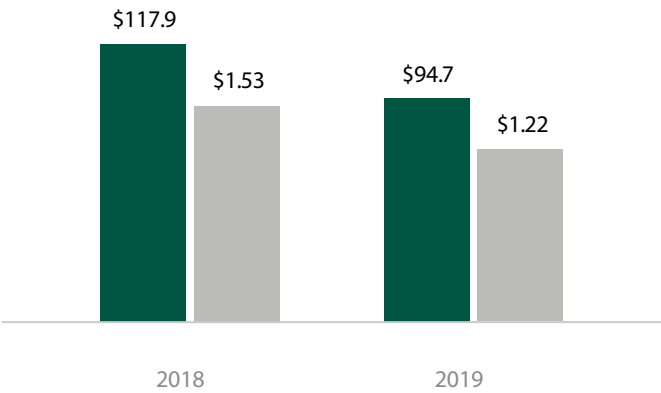
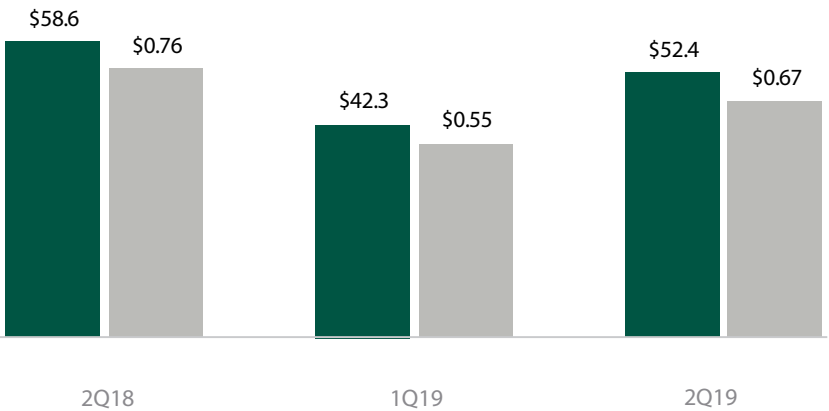
Year to Date

Operating Margin



Adjusted Net Income  
(in millions)

Adjusted Net Income per  
Adjusted Share



■ Adjusted Net Income ■ Adjusted Net Income per Adjusted 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.:**

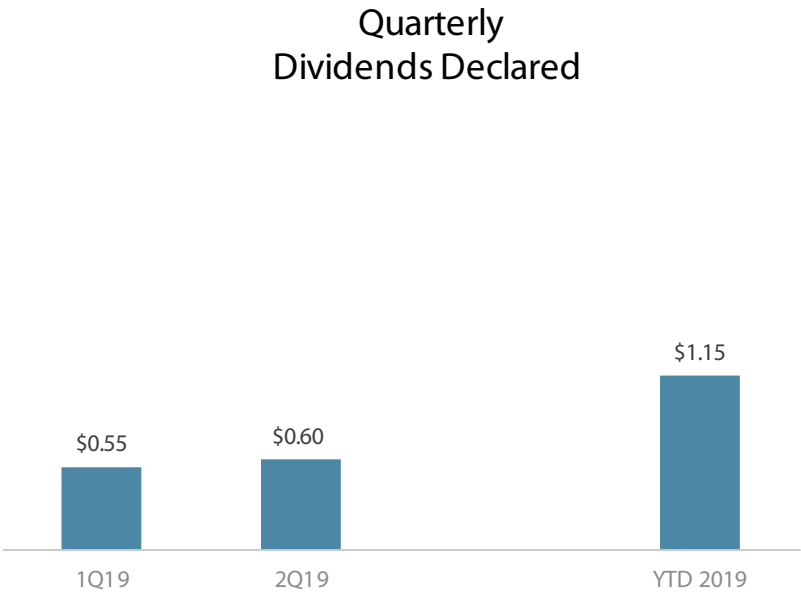
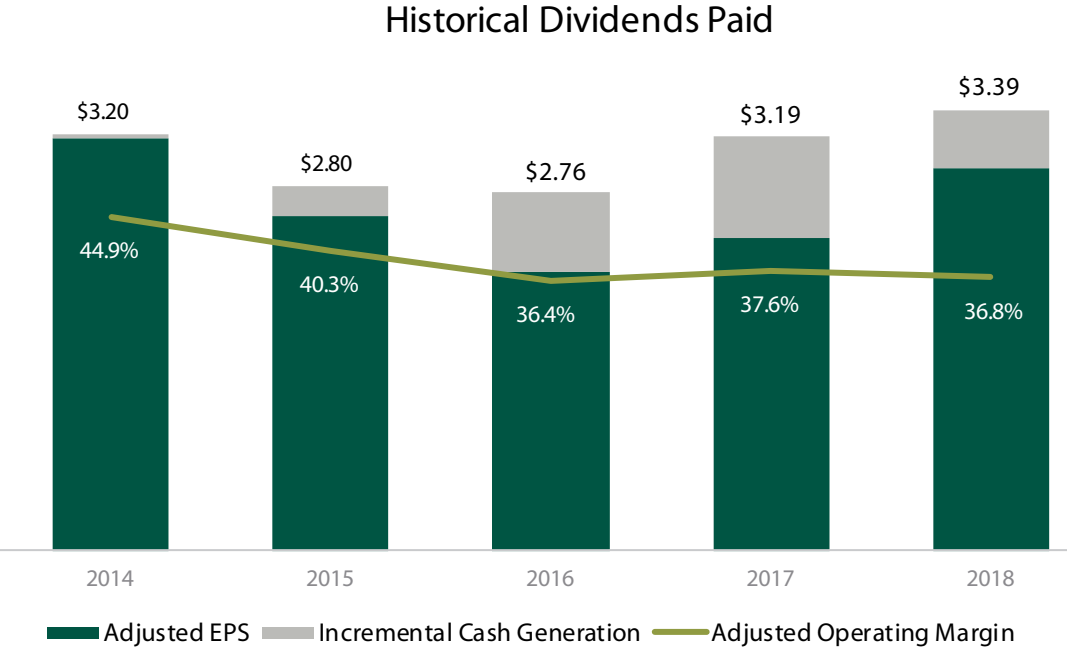
Turning to slide 11.

Our operating margin was 35.3% for the June 2019 quarter, up 440 basis points from the March 2019 quarter. Compared to the June 2018 quarter, our operating margin was down 190 basis points, primarily due to lower average AUM. The impact of our increased investments in occupancy, technology, and additional employees was offset by lower equity-based compensation expense. For the six months ended June 2019, our operating margin was 33.2% or 420 basis points below our margin for the six-month period ended June 2018. The majority of this decline was the result of lower average AUM year-to-date and higher occupancy expense and relocation charges in the March 2019 quarter. Trends in adjusted net income and adjusted net income per share were consistent with the trends in operating margin.

Adjusted net income and adjusted net income per adjusted share were up 24% and 22%, respectively, compared to the prior quarter. Compared to the June 2018 quarter, adjusted net income and adjusted net income per adjusted share were 11% and 12% lower in the June 2019 quarter, respectively. June 2019 year to date adjusted net income and adjusted net income per adjusted share were each down 20% compared to the same year-to-date period last year.



# DIVIDENDS



Note: The historical dividend amounts shown represent the dividends paid or declared with respect to the respective years or periods and therefore include dividends paid or declared in periods after the respective years or periods. "Incremental Cash Generation" equals the difference between dividends paid or declared for the period and Adjusted EPS for the period. GAAP EPS for the periods shown was \$(0.37), \$1.86, \$1.57, \$0.75, and \$2.84 for 2014, 2015, 2016, 2017, and 2018, respectively. GAAP Operating Margin for the periods shown was 37.0%, 35.1%, 32.5%, 36.0%, and 36.8% for 2014, 2015, 2016, 2017, and 2018, respectively.

## DIVIDENDS

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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 dividend history since 2014.

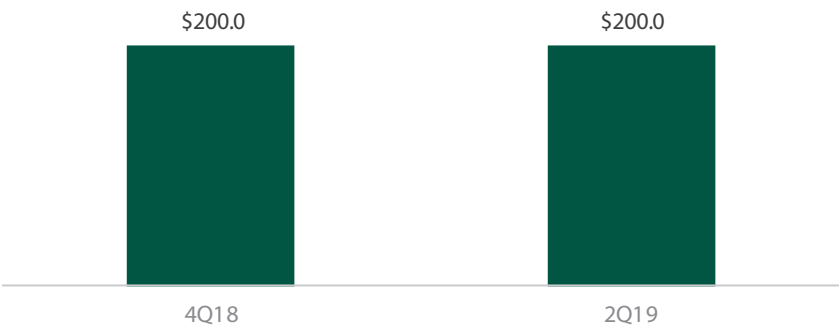
Our board declared a quarterly variable dividend of \$0.60 per share, which reflects approximately 80% of the cash generated in the June 2019 quarter. Year to date, we have declared quarterly dividends of \$1.15 per share. As in prior years, we will consider the payment of a special annual dividend after the end of the year. That process involves assessing the current market environment, business conditions and any needs to retain cash for strategic investment or other corporate purposes. Our capital management philosophy has been and continues to be payment of a majority if not all the cash generated from operations in the form of cash dividends.

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.:**

Our balance sheet summary is on slide 13.

Our cash position is healthy, and leverage remains modest. We continue to maintain \$200 million in borrowings, \$50 million of which matures on August 16. Subject to certain customary closing conditions, we expect to refinance the maturing notes with new notes maturing in 2027 bearing interest at 4.53%. We expect the covenants to remain the same.

In closing, we remain focused on executing on our model to provide our talent with the best opportunity to deliver results for our clients and investors over the long-term. From a financial perspective, this requires that we maintain our highly variable cost structure and invest thoughtfully to support our business model. Our results for the quarter, year to date, and over longer periods, reflect this discipline.

That concludes my comments and we look forward to your questions. I will now turn the call back to the operator.



# APPENDIX

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

|  | Three Months Ended |                  |                 | Six Months Ended |                 |
|--|--------------------|------------------|-----------------|------------------|-----------------|
|  | June 30<br>2019    | March 31<br>2019 | June 30<br>2018 | June 30<br>2019  | June 30<br>2018 |
| <b>Net income attributable to Artisan Partners Asset Management Inc. (GAAP)</b>  | <b>\$ 39.2</b>     | <b>\$ 31.5</b>   | <b>\$ 42.0</b>  | <b>\$ 70.7</b>   | <b>\$ 83.3</b>  |
| Add back: Net income attributable to noncontrolling interests - APH              | 19.8               | 17.3             | 23.2            | 37.1             | 49.3            |
| Add back: Provision for income taxes   | 11.5               | 9.4              | 12.1            | 20.9             | 24.3            |
| Add back: Net investment (gain) loss of investment products attributable to APAM | (2.0)              | (2.9)            | (0.8)           | (4.9)            | (2.8)           |
| Adjusted income before income taxes  | 68.5               | 55.3             | 76.5            | 123.8            | 154.1           |
| Less: Adjusted provision for income taxes  | 16.1               | 13.0             | 17.9            | 29.1             | 36.2            |
| <b>Adjusted net income (Non-GAAP)</b>  | <b>52.4</b>        | <b>42.3</b>      | <b>58.6</b>     | <b>94.7</b>      | <b>117.9</b>    |
| <b>Average shares outstanding (in millions)</b>                                  |                    |                  |                 |                  |                 |
| Class A common shares  | 51.2               | 50.1             | 49.0            | 50.7             | 48.2            |
| Assumed vesting or exchange of:  |                    |                  |                 |                  |                 |
| Unvested restricted share-based awards   | 5.2                | 4.9              | 5.2             | 5.0              | 4.9             |
| Artisan Partners Holdings LP units outstanding (non-controlling interest)        | 21.7               | 22.6             | 23.0            | 22.2             | 23.8            |
| <b>Adjusted shares</b>   | <b>78.1</b>        | <b>77.6</b>      | <b>77.2</b>     | <b>77.9</b>      | <b>76.9</b>     |
| <b>Basic and Diluted earnings per share (GAAP)</b>                               | <b>\$ 0.66</b>     | <b>\$ 0.47</b>   | <b>\$ 0.72</b>  | <b>\$ 1.15</b>   | <b>\$ 1.48</b>  |
| <b>Adjusted net income per adjusted share (Non-GAAP)</b>                         | <b>\$ 0.67</b>     | <b>\$ 0.55</b>   | <b>\$ 0.76</b>  | <b>\$ 1.22</b>   | <b>\$ 1.53</b>  |

## LONG-TERM INVESTMENT RESULTS (GROSS OF FEES)

| As of June 30, 2019  | Average Annual Total Returns (Gross) |        |        |        |        |           | Average Annual Value-Added |
|--|--------------------------------------|--------|--------|--------|--------|-----------|----------------------------|
|  | 1 Yr                                 | 3 Yr   | 5 Yr   | 7 Yr   | 10 Yr  | Inception | Since Inception (bp)       |
| Growth Team  |                                      |        |        |        |        |           |                            |
| Artisan Global Opportunities (Inception: 1-Feb-07)         | 9.14%                                | 16.69% | 11.54% | 14.55% | 16.34% | 10.79%    | 579                        |
| MSCI All Country World Index                               | 5.74%                                | 11.62% | 6.16%  | 9.87%  | 10.14% | 5.00%     |                            |
| Artisan Global Discovery (Inception: 1-Sept-17)            | 15.78%                               | ---    | ---    | ---    | ---    | 18.09%    | 1,094                      |
| MSCI All Country World Index                               | 5.74%                                | ---    | ---    | ---    | ---    | 7.15%     |                            |
| Artisan U.S. Mid-Cap Growth (Inception: 1-Apr-97)          | 21.12%                               | 17.74% | 11.49% | 14.98% | 17.12% | 15.38%    | 511                        |
| Russell Midcap* Index                                      | 7.83%                                | 12.16% | 8.63%  | 13.36% | 15.15% | 10.28%    |                            |
| Russell Midcap* Growth Index                               | 13.94%                               | 16.49% | 11.10% | 14.76% | 16.01% | 9.53%     |                            |
| Artisan U.S. Small-Cap Growth (Inception: 1-Apr-95)        | 17.43%                               | 22.30% | 14.66% | 16.65% | 18.69% | 11.30%    | 217                        |
| Russell 2000* Index  | -3.31%                               | 12.30% | 7.06%  | 11.63% | 13.44% | 9.13%     |                            |
| Russell 2000* Growth Index                                 | -0.49%                               | 14.69% | 8.62%  | 12.86% | 14.40% | 7.86%     |                            |
| Global Equity Team   |                                      |        |        |        |        |           |                            |
| Artisan Global Equity (Inception: 1-Apr-10)                | 13.73%                               | 17.42% | 10.77% | 14.79% | ---    | 13.22%    | 507                        |
| MSCI All Country World Index                               | 5.74%                                | 11.62% | 6.16%  | 9.87%  | ---    | 8.16%     |                            |
| Artisan Non-U.S. Growth (Inception: 1-Jan-96)              | 10.03%                               | 11.30% | 4.23%  | 9.30%  | 10.14% | 10.21%    | 550                        |
| MSCI EAFE Index  | 1.08%                                | 9.11%  | 2.25%  | 7.30%  | 6.90%  | 4.71%     |                            |
| Artisan Non-U.S. Small-Mid Growth (Inception: 1-Jan-19)    | ---                                  | ---    | ---    | ---    | ---    | 24.06%    | 1,145                      |
| MSCI All Country World ex USA SMID Index                   | ---                                  | ---    | ---    | ---    | ---    | 12.61%    |                            |
| U.S. Value Team  |                                      |        |        |        |        |           |                            |
| Artisan Value Equity (Inception: 1-Jul-05)                 | 2.05%                                | 10.68% | 6.55%  | 10.84% | 12.46% | 8.17%     | -85                        |
| Russell 1000* Index  | 10.02%                               | 14.15% | 10.44% | 13.97% | 14.76% | 9.00%     |                            |
| Russell 1000* Value Index                                  | 8.46%                                | 10.19% | 7.46%  | 12.09% | 13.19% | 7.40%     |                            |
| Artisan U.S. Mid-Cap Value (Inception: 1-Apr-99)           | 1.60%                                | 9.71%  | 5.33%  | 10.70% | 12.75% | 12.64%    | 322                        |
| Russell Midcap* Index                                      | 7.83%                                | 12.16% | 8.63%  | 13.36% | 15.15% | 9.42%     |                            |
| Russell Midcap* Value Index                                | 3.68%                                | 8.95%  | 6.72%  | 12.33% | 14.55% | 9.60%     |                            |
| International Value Team                                   |                                      |        |        |        |        |           |                            |
| Artisan Non-U.S. Value (Inception: 1-Jul-02)               | 3.46%                                | 9.78%  | 4.19%  | 10.68% | 11.60% | 11.69%    | 567                        |
| MSCI EAFE Index  | 1.08%                                | 9.11%  | 2.25%  | 7.30%  | 6.90%  | 6.02%     |                            |
| Global Value Team  |                                      |        |        |        |        |           |                            |
| Artisan Global Value (Inception: 1-Jul-07)                 | 5.01%                                | 11.73% | 6.61%  | 12.01% | 13.60% | 8.40%     | 396                        |
| MSCI All Country World Index                               | 5.74%                                | 11.62% | 6.16%  | 9.87%  | 10.14% | 4.44%     |                            |
| Sustainable Emerging Markets Team                          |                                      |        |        |        |        |           |                            |
| Artisan Sustainable Emerging Markets (Inception: 1-Jul-06) | 3.82%                                | 13.27% | 5.79%  | 6.23%  | 6.48%  | 5.83%     | 70                         |
| MSCI Emerging Markets Index                                | 1.21%                                | 10.66% | 2.49%  | 4.15%  | 5.81%  | 5.14%     |                            |
| Credit Team  |                                      |        |        |        |        |           |                            |
| Artisan High Income (Inception: 1-Apr-14)                  | 6.41%                                | 8.68%  | 7.09%  | ---    | ---    | 7.26%     | 229                        |
| ICE BofAML US High Yield Master II Index                   | 7.58%                                | 7.54%  | 4.69%  | ---    | ---    | 4.97%     |                            |
| Developing World Team                                      |                                      |        |        |        |        |           |                            |
| Artisan Developing World (Inception: 1-Jul-15)             | 20.05%                               | 16.97% | ---    | ---    | ---    | 11.31%    | 684                        |
| MSCI Emerging Markets Index                                | 1.21%                                | 10.66% | ---    | ---    | ---    | 4.48%     |                            |
| Thematic Team  |                                      |        |        |        |        |           |                            |
| Artisan Thematic (Inception: 1-May-17)                     | 18.54%                               | ---    | ---    | ---    | ---    | 29.25%    | 1,684                      |
| S&P 500 Market Index                                       | 10.42%                               | ---    | ---    | ---    | ---    | 12.41%    |                            |

Source: Artisan Partners/MSCI/Russell/ICE BofA Merrill Lynch. Average Annual Total Returns presents composite (gross of fees) performance for each strategy. Value Added compares returns of the composite to its benchmark. Periods less than one year are not annualized. Performance for Artisan Thematic Long/Short and Credit Opportunities Strategies has been intentionally omitted. Artisan High Income Strategy may hold loans and other security types that may not be included in the ICE BofAML US High Yield Master II Index. At times, this causes material differences in relative performance. Global Equity, Global Discovery and 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. See Notes & Disclosures at the end of this presentation for more information about our investment performance.

## LONG-TERM INVESTMENT RESULTS (NET OF FEES)

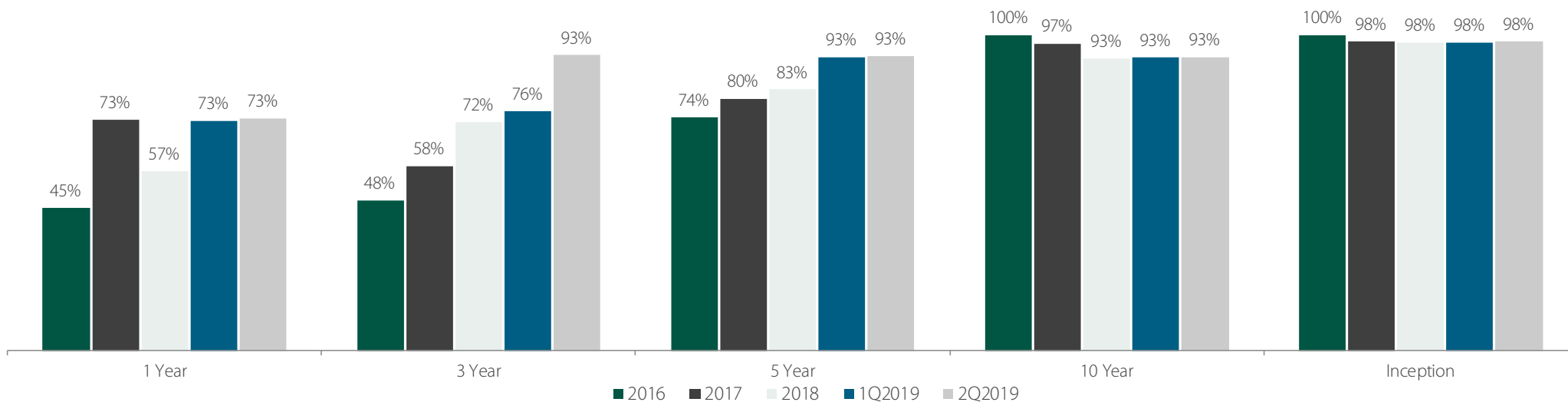
| As of June 30, 2019  | Average Annual Total Returns (Net) |        |        |        |        | Average Annual Value-Added |                      |
|--|------------------------------------|--------|--------|--------|--------|----------------------------|----------------------|
|  | 1 Yr                               | 3 Yr   | 5 Yr   | 7 Yr   | 10 Yr  | Inception                  | Since Inception (bp) |
| <b>Growth Team</b>   |                                    |        |        |        |        |                            |                      |
| Artisan Global Opportunities (Inception: 1-Feb-07)         | 8.23%                              | 15.71% | 10.59% | 13.57% | 15.33% | 9.87%                      | 487                  |
| MSCI All Country World Index                               | 5.74%                              | 11.62% | 6.16%  | 9.87%  | 10.14% | 5.00%                      |                      |
| Artisan Global Discovery (Inception: 1-Sept-17)            | 14.67%                             | ---    | ---    | ---    | ---    | 16.96%                     | 981                  |
| MSCI All Country World Index                               | 5.74%                              | ---    | ---    | ---    | ---    | 7.15%                      |                      |
| Artisan U.S. Mid-Cap Growth (Inception: 1-Apr-97)          | 20.02%                             | 16.67% | 10.47% | 13.93% | 16.05% | 14.31%                     | 403                  |
| Russell Midcap <sup>*</sup> Index                          | 7.83%                              | 12.16% | 8.63%  | 13.36% | 15.15% | 10.28%                     |                      |
| Russell Midcap <sup>*</sup> Growth Index                   | 13.94%                             | 16.49% | 11.10% | 14.76% | 16.01% | 9.53%                      |                      |
| Artisan U.S. Small-Cap Growth (Inception: 1-Apr-95)        | 16.27%                             | 21.10% | 13.53% | 15.51% | 17.53% | 10.22%                     | 109                  |
| Russell 2000 <sup>*</sup> Index                            | -3.31%                             | 12.30% | 7.06%  | 11.63% | 13.44% | 9.13%                      |                      |
| Russell 2000 <sup>*</sup> Growth Index                     | -0.49%                             | 14.69% | 8.62%  | 12.86% | 14.40% | 7.86%                      |                      |
| <b>Global Equity Team</b>                                  |                                    |        |        |        |        |                            |                      |
| Artisan Global Equity (Inception: 1-Apr-10)                | 12.62%                             | 16.27% | 9.68%  | 13.67% | ---    | 12.11%                     | 395                  |
| MSCI All Country World Index                               | 5.74%                              | 11.62% | 6.16%  | 9.87%  | ---    | 8.16%                      |                      |
| Artisan Non-U.S. Growth (Inception: 1-Jan-96)              | 9.03%                              | 10.30% | 3.29%  | 8.32%  | 9.14%  | 9.19%                      | 448                  |
| MSCI EAFE Index  | 1.08%                              | 9.11%  | 2.25%  | 7.30%  | 6.90%  | 4.71%                      |                      |
| Artisan Non-U.S. Small-Mid Growth (Inception: 1-Jan-19)    | ---                                | ---    | ---    | ---    | ---    | 23.43%                     | 1,083                |
| MSCI All Country World ex USA SMID Index                   | ---                                | ---    | ---    | ---    | ---    | 12.61%                     |                      |
| <b>U.S. Value Team</b>                                     |                                    |        |        |        |        |                            |                      |
| Artisan Value Equity (Inception: 1-Jul-05)                 | 1.35%                              | 9.92%  | 5.82%  | 10.08% | 11.66% | 7.33%                      | -167                 |
| Russell 1000 <sup>*</sup> Index                            | 10.02%                             | 14.15% | 10.44% | 13.97% | 14.76% | 9.00%                      |                      |
| Russell 1000 <sup>*</sup> Value Index                      | 8.46%                              | 10.19% | 7.46%  | 12.09% | 13.19% | 7.40%                      |                      |
| Artisan U.S. Mid-Cap Value (Inception: 1-Apr-99)           | 0.66%                              | 8.70%  | 4.36%  | 9.69%  | 11.71% | 11.59%                     | 216                  |
| Russell Midcap <sup>*</sup> Index                          | 7.83%                              | 12.16% | 8.63%  | 13.36% | 15.15% | 9.42%                      |                      |
| Russell Midcap <sup>*</sup> Value Index                    | 3.68%                              | 8.95%  | 6.72%  | 12.33% | 14.55% | 9.60%                      |                      |
| <b>International Value Team</b>                            |                                    |        |        |        |        |                            |                      |
| Artisan Non-U.S. Value (Inception: 1-Jul-02)               | 2.50%                              | 8.78%  | 3.23%  | 9.66%  | 10.57% | 10.65%                     | 463                  |
| MSCI EAFE Index  | 1.08%                              | 9.11%  | 2.25%  | 7.30%  | 6.90%  | 6.02%                      |                      |
| <b>Global Value Team</b>                                   |                                    |        |        |        |        |                            |                      |
| Artisan Global Value (Inception: 1-Jul-07)                 | 4.01%                              | 10.67% | 5.60%  | 10.95% | 12.51% | 7.36%                      | 292                  |
| MSCI All Country World Index                               | 5.74%                              | 11.62% | 6.16%  | 9.87%  | 10.14% | 4.44%                      |                      |
| <b>Sustainable Emerging Markets Team</b>                   |                                    |        |        |        |        |                            |                      |
| Artisan Sustainable Emerging Markets (Inception: 1-Jul-06) | 2.79%                              | 12.14% | 4.71%  | 5.14%  | 5.38%  | 4.73%                      | -41                  |
| MSCI Emerging Markets Index                                | 1.21%                              | 10.66% | 2.49%  | 4.15%  | 5.81%  | 5.14%                      |                      |
| <b>Credit Team</b>   |                                    |        |        |        |        |                            |                      |
| Artisan High Income (Inception: 1-Apr-14)                  | 5.67%                              | 7.92%  | 6.33%  | ---    | ---    | 6.50%                      | 153                  |
| ICE BofAML US High Yield Master II Index                   | 7.58%                              | 7.54%  | 4.69%  | ---    | ---    | 4.97%                      |                      |
| <b>Developing World Team</b>                               |                                    |        |        |        |        |                            |                      |
| Artisan Developing World (Inception: 1-Jul-15)             | 18.81%                             | 15.76% | ---    | ---    | ---    | 10.15%                     | 567                  |
| MSCI Emerging Markets Index                                | 1.21%                              | 10.66% | ---    | ---    | ---    | 4.48%                      |                      |
| <b>Thematic Team</b>                                       |                                    |        |        |        |        |                            |                      |
| Artisan Thematic (Inception: 1-May-17)                     | 17.37%                             | ---    | ---    | ---    | ---    | 27.99%                     | 1,558                |
| S&P 500 Market Index                                       | 10.42%                             | ---    | ---    | ---    | ---    | 12.41%                     |                      |

Source: Artisan Partners/MSCI/Russell/ICE BofA Merrill Lynch. Average Annual Total Returns presents composite (net of fees) performance for each strategy. Value Added compares returns of the composite to its benchmark. Periods less than one year are not annualized. Performance for Artisan Thematic Long/Short and Credit Opportunities Strategies has been intentionally omitted. Artisan High Income Strategy may hold loans and other security types that may not be included in the ICE BofAML US High Yield Master II Index. At times, this causes material differences in relative performance. Global Equity, Global Discovery and 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. See Notes & Disclosures at the end of this presentation for more information about our investment performance.

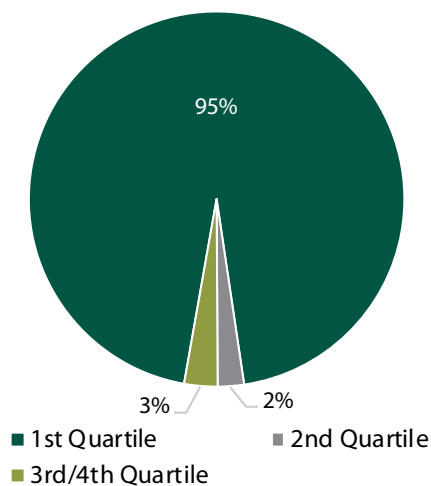


## LONG-TERM INVESTMENT RESULTS

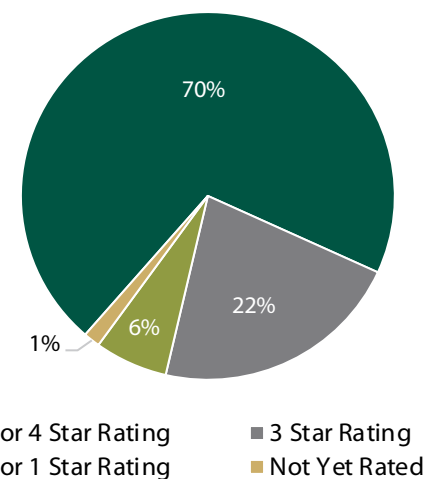
% of AUM in Outperforming Strategies



% of AUM by Overall Lipper Ranking



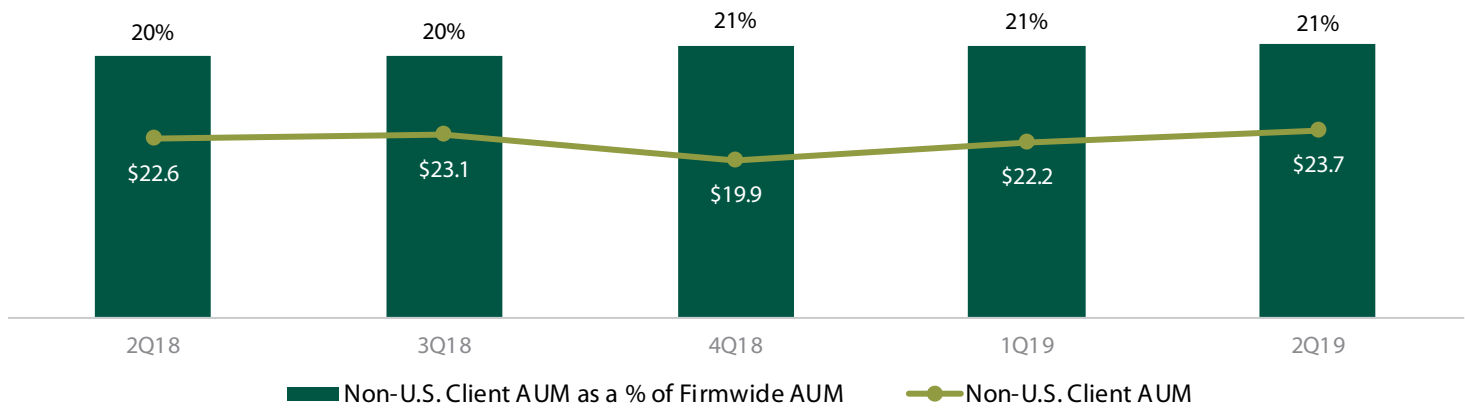
% of AUM by Overall Morningstar Rating™



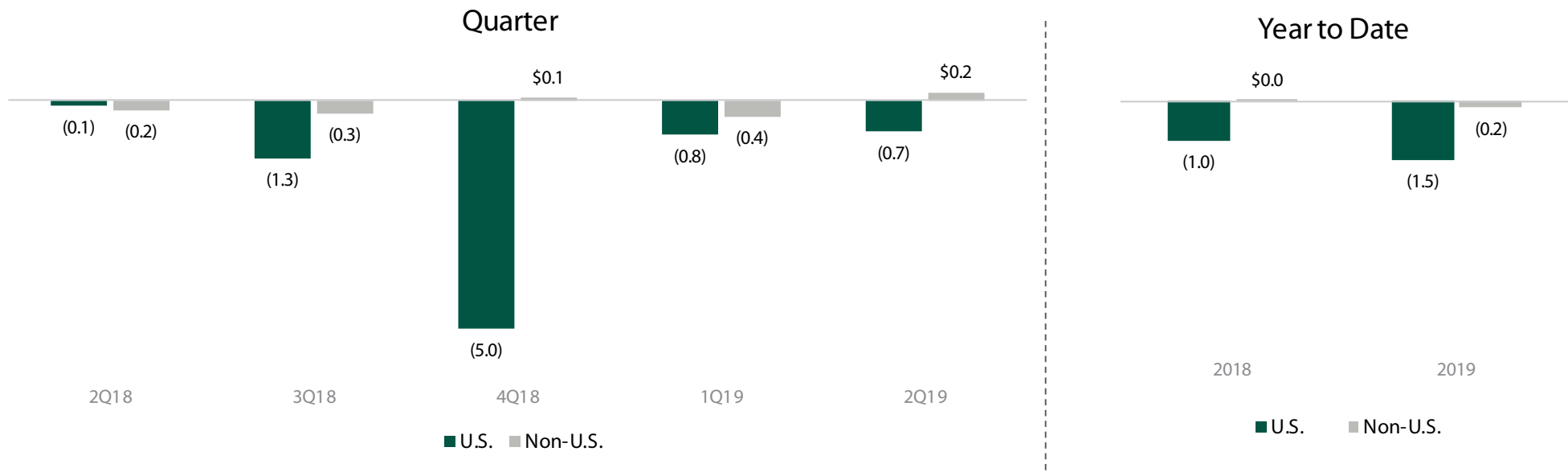
Sources: Artisan Partners/Lipper Inc/Morningstar. % of AUM in Outperforming Strategies at December 31 of each year, unless noted otherwise. % of AUM in Outperforming Strategies represents the % of AUM in those strategies with assets under management as of December 31, 2018, where gross of fees composite performance had outperformed the benchmark for the average annual periods indicated above and since inception. % of AUM in Outperforming Strategies for each period includes only assets under management in all strategies in operation throughout the period. Lipper rankings and Morningstar Ratings are as of June 30, 2019. Lipper rankings are based on total return, are historical, and do not represent future results. Lipper Ranking does not include Funds with less than a 1-yr track record. 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. % AUM, Lipper Ranking and Morningstar Rating excludes data from strategies and individual accounts for which we have ceased managing assets as of the period end. See Notes & Disclosures at the end of this presentation for more information about our investment performance.

GLOBAL DISTRIBUTION (in billions)

Non-U.S. Client AUM



U.S. vs. Non-U.S. Client Net Flows



## NOTES & DISCLOSURES

### Forward-Looking Statements

Certain statements ion, and other written or oral statements made by or on behalf of the Company, are “forward-looking statements” within the meaning of the federal securities laws. 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. 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, 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 Artisan Partners’ 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, 2018, filed with the SEC on February 20, 2019. 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 pooled funds, invested in the same strategy except those accounts with respect to which we believe client-imposed 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 11% of our assets under management at June 30, 2019, are maintained in separate composites, which are not presented in these materials). Certain composites may also only reflect data of a single account managed by Artisan.

Results for any investment strategy described herein, and for different investment products managed to 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. Artisan High Income Strategy may hold loans and other security types that may not be included in the ICE BofAML US High Yield Master II Index. At times, this causes material differences in relative performance. The Global Equity, Global Discovery and 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. The current performance for each Artisan strategy may be positive or negative, and past performance does not guarantee future results.

Composite returns are net of trade commissions and transaction costs, and have been presented net of management fees and performance-based fees, as applicable and unless otherwise stated. For the purpose of calculating net composite returns, fees relate to the highest model investment advisory fees applied to client accounts within the composite. Fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees.

In these materials, we present “Value-Added”, which is the amount in basis points by which the average annual gross or net composite return of each of our strategies for which we present the metric has outperformed or underperformed the broad-based market index commonly used to compare the performance of the relevant strategy. The broad-based market indexes used to compare performance for each of our strategies are as follows: Non-U.S. Growth Strategy / Non-U.S. Value Strategy-MSCI EAFE Index; Global Equity Strategy / Global Opportunities Strategy / Global Value Strategy / Global Discovery Strategy-MSCI ACWI Index; Global Small-Cap Growth Strategy (Jul 1, 2013-Dec 31, 2016)-MSCI ACWI Small Cap Index; Non-U.S. Small-Cap Growth Strategy(Jan 1, 2002-Nov 30, 2018)-MSCI EAFE Small Cap Index; Non-U.S. Small-Mid Growth-MSCI ACWI ex-USA SMID Index; U.S. Mid-Cap Growth Strategy / U.S. Mid-Cap Value Strategy-Russell Midcap® Index; U.S. Small-Cap Growth Strategy / U.S. Small-Cap Value Strategy (Jun 1, 1997-Apr 30, 2016)-Russell 2000® Index; Value Equity Strategy-Russell 1000® Index; Developing World Strategy / Sustainable Emerging Markets Strategy-MSCI Emerging Markets Index; High Income Strategy-BofA Merrill Lynch High Yield Master II Index; Thematic Strategy-S&P® 500 Index. Index returns do not reflect the payment of fees and expenses and are not available for direct investment.

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 ©2019, 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. The Morningstar Rating is initially given on a fund’s three-year track record and change monthly. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics.

## NOTES & DISCLOSURES

The Overall Morningstar 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 ratings which form the basis for the information reflected in this presentation, and the fund categories in which they are rated, relating to each Fund's Investor Share Class are: Artisan Developing World Fund – Diversified Emerging Markets; Artisan Sustainable Emerging Markets Fund—Diversified Emerging Markets; Artisan Global Equity Fund—World Large Stock; Artisan Global Opportunities Fund—World Large Stock; Artisan Global Value Fund—World Large Stock; Artisan High Income Fund—High Yield Bond; Artisan International Fund—Foreign Large Growth; Artisan International Small-Mid Fund—Foreign Small/Mid Growth; Artisan International Value Fund—Foreign Large Blend; Artisan Mid Cap Fund—Mid-Cap Growth; Artisan Mid Cap Value Fund—Mid-Cap Value; Artisan Small Cap Fund—Small Growth; Artisan Value Fund—Large Value. Morningstar ratings are initially given on a fund's three-year track record and change monthly. Ratings are based on risk-adjusted returns and are historical and do not represent future results.

The Overall Lipper Ranking for a fund is derived from the ranking of each fund's since inception return by Lipper, Inc. The ratings which form the basis for the information reflected in this presentation, and the fund categories in which they are rated, relating to each Fund's Investor Share Class are: Artisan Developing World Fund—Emerging Markets; Artisan Sustainable Emerging Markets Fund—Emerging Markets; Artisan Global Equity Fund—Global Multi-Cap Growth; Artisan Global Discovery Fund—Global Small/Mid-Cap; Artisan Global Opportunities Fund—Global Multi-Cap Growth; Artisan Global Value Fund—Global Multi-Cap Value; Artisan High Income Fund—High Yield; Artisan International Fund—International Large-Cap Growth; Artisan International Small-Mid Fund—International Small/Mid-Cap Growth; Artisan International Value Fund—International Multi-Cap Core; Artisan Mid Cap Fund—Multi-Cap Growth; Artisan Mid Cap Value Fund—Mid-Cap Core; Artisan Small Cap Fund—Small-Cap Growth; Artisan Value Fund—Multi-Cap Value; Artisan Thematic Fund—Global Multi-Cap Growth.

### 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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## NOTES & DISCLOSURES

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