# Artisan Partners Asset Management

BUSINESS UPDATE AND FIRST QUARTER 2017 EARNINGS PRESENTATION

APRIL 28, 2017

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# INTRODUCTION

**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. I'm joined today by Eric Colson, Chairman and CEO and C.J. Daley, CFO.

Before Eric begins, I would like to remind you that our earnings release and the related presentation materials are available on the investor relations section of our website.

Also, the comments made on today's call, and some of our responses to your questions, may deal with forward-looking statements which are subject to risks and uncertainties. Factors that may cause our actual results to differ from expectations are presented 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.

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

| 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.

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

Thank you Makela, and thank you to everyone for joining the call.

This is our 17th quarterly update call since our IPO in March of 2013. On the prior 16 calls, I've said "high value-added" 63 times, and I've said "degrees of freedom" 74 times. If I follow my script, you'll hear those words at least another 15 times on this call.

We emphasize high value-added investing because it is fundamental to Who We Are as a firm. Since our founding in 1994, Artisan Partners has been committed to partnering with talented investment professionals to launch and manage investment strategies that add significant value for clients and investors. As part of that commitment, we work to provide our investment teams with the degrees of freedom they need to add value, manage risk, and differentiate themselves from others.

Over time, we have evolved the investment guidelines of our existing strategies to create greater flexibility with respect to geography, market capitalization, concentration and cash holdings. Between 2007 and 2010, we launched our three global strategies, which have provided our Growth, Global Value and Global Equity teams with broad flexibility to invest across the world and market capitalization spectrum. And over the last three years since our IPO, we have added three new investment teams, each of which uses greater degrees of freedom to generate alpha and manage risk. On today's call, I will review the new teams and the progress they have made.

Notwithstanding all of the headlines about assets switching from "active" to "passive", we believe there is considerable client and investor demand for differentiated, high value-added investment strategies. Many of the "active" products that are being replaced were not designed to depart too much from an index—and they have not evolved to allow for greater differentiation. Investors continue to shift out of these constrained active strategies in favor of index products that provide asset classes and style exposure at a lower price.

At Artisan, by providing our investment teams with degrees of freedom, we allow them to differentiate themselves from, and add value relative to, less expensive index products. We believe that sophisticated investors will continue to allocate assets to these types of strategies, and that offering these strategies within our firm's culture and environment will remain compelling to the clients and investors that we serve.

## Artisan Thematic Team

**Christopher Smith**
Portfolio Manager
14 yrs. investment experience

| Analysts | Coverage | Investment Experience |
|---|---|---|
| Noel Culhane, CFA | TMT | 10 yrs. |
| Michael Abrams | Cyclicals | 9 yrs. |
| Nitin Gupta | Consumer | 5 yrs. |
| Expected to start mid-May 2017 | Financials | 4 yrs. |

| Trading/Risk Management | Investment Experience |
|---|---|
| Matthew Plotkin | 15 yrs. |

| Business Development |
|---|
| In Recruitment |

## High Value Added Investing Approach

Concentration

Investment Securities

Risk Management

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

Slide 2 summarizes our newest team, the Artisan Thematic team. Portfolio Manager Chris Smith joined Artisan Partners in October of last year from Kingdon Capital. Over the last 6 months, we have worked with Chris to build the Thematic team and prepare the launch of the team's first strategy. Both Nitin Gupta and Matt Plotkin previously worked with Chris and joined Artisan shortly after him—believing in his investment philosophy and process—and believing in Artisan's investment culture. For the remaining analysts, we met with more than 50 people for each position. We were focused on finding differentiated thinkers who would be a good fit for Chris's investment philosophy. That's exactly what we found in Noel Culhane and Mike Abrams. Matt Plotkin's role in risk management is also a differentiator. He is charged with maintaining the discipline of portfolio construction, ensuring the position sizes are risk-adjusted based on valuation and earnings differentiation. He is also responsible for understanding and managing correlations and factor risks within the portfolio to ensure that the risks the team takes are those they intend to take. This is a systematic approach to risk management imbedded directly within the investment team.

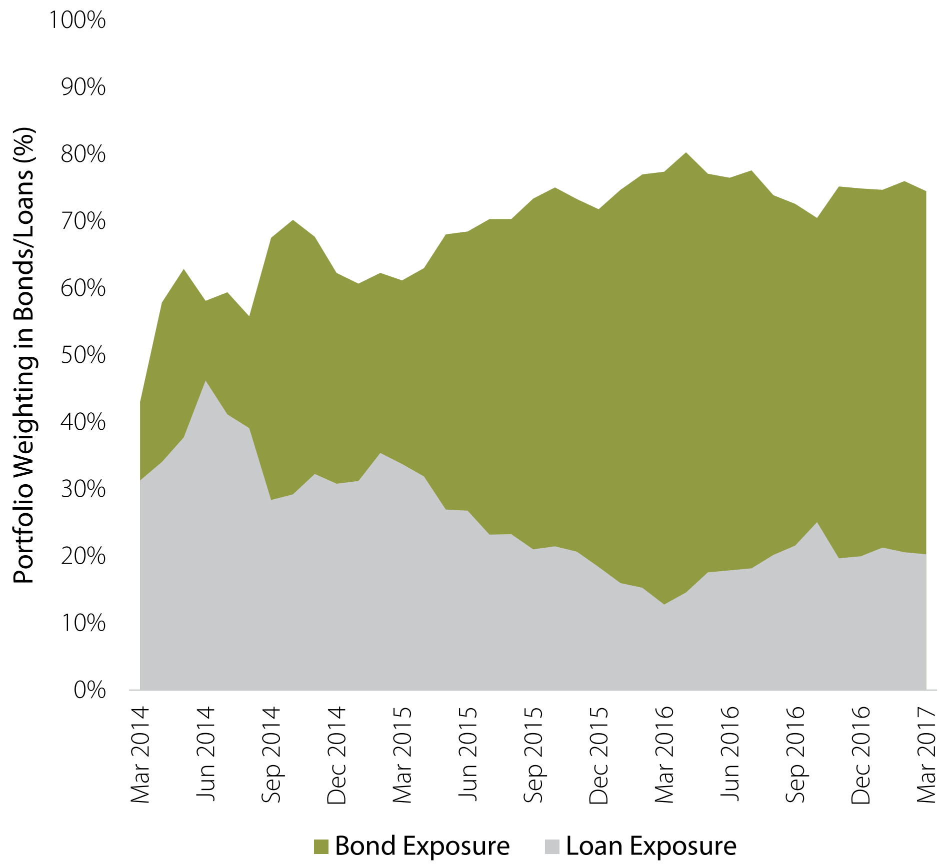
Jason Gottlieb, our new COO of Investments, has been instrumental in helping Chris and the Thematic team with people, process, resources and early marketing. As with all of our teams, we will hire a distribution professional who will be dedicated to the Thematic team, limiting the amount of time the team spends on marketing and allowing them to focus primarily on investing. We are currently interviewing candidates for this role.

Earlier this week, the Thematic team launched the Artisan Thematic strategy. The strategy provides the Thematic team with broad flexibility to concentrate capital behind names exposed to multi-year trends, invest across market capitalizations and geographies, and use multiple instruments to generate returns and manage risk. We expect the team will also launch a long/short equity fund in the not-too-distant future.

## Artisan High Income Portfolio Construction

| |
|---|
| Core<br>20%–60% |
| Spread Tightening<br>10%–50% |
| Opportunistic<br>10%–30% |

## Artisan High Income Bond/Loan Exposures




Source: Artisan/Bloomberg. As of March 31, 2017.

# HIGH VALUE ADDED INVESTING – Artisan Credit Team

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

Turning to Slide 3. We established the Artisan Credit team with the addition of Portfolio Manager, Bryan Krug, in 2013. In March of this year, the team's first investment strategy, High Income, passed its 3-year mark. Before I discuss the strategy's performance, I want to highlight how the Credit team uses degrees of freedom within the high yield universe to generate differentiated returns.

Like all of our investment teams, the Credit team has a grounded investment philosophy and process. The team's fundamental credit research focuses on business quality; fundamental strength and flexibility; downside analysis; and value identification. While process-driven, the team also injects significant judgment into its decision-making—both at the level of individual credits and at the portfolio construction level.

As you see on the left-side of the page, the team's High Income portfolio consists of three categories. Core investments are those the team views as lower risk and a source of liquidity. Spread Tightening investments consist of credits the team believes will improve or are mis-rated by the credit rating agencies. Often, Spread Tightening investments reflect the Credit team taking an out-of-consensus view. Lastly, Opportunistic investments include opportunities presented by market dislocations or potential catalyst-driven returns.

As you can see by the ranges on the page, the Credit team has broad flexibility to position the High Income portfolio across three categories depending on the team's conviction, valuations, and supply of opportunities. In addition, the team has the freedom to use multiple instruments to express their views and position the portfolio, including bonds, loans, revolvers, derivatives, and equities. On the right side of the page, you can see the team's investments in loans over time.

The Credit team's ability to apply judgment within their process, take a differentiated view through portfolio construction, and express an investment thesis with multiple instruments is exactly what we mean when we talk about degrees of freedom.

## Artisan Investment Team Initial Strategies

| | AUM 3-Year Anniversary | Morningstar Percentile Ranking 3-Year Anniversary |
|---|---|---|
| **Credit Team** | | |
| High Income | $2,145mn | 1 |
| **Growth Team[1]** | | |
| U.S. Small-Cap Growth | $637mn | 48 |
| U.S. Mid-Cap Growth | $405mn | 3 |
| **Global Equity Team** | | |
| Non-U.S. Growth | $631mn | 8 |
| **U.S. Value Team** | | |
| U.S. Small-Cap Value | $1,269mn | 18 |
| **Global Value Team** | | |
| Non-U.S. Value | $722mn | 1 |
| **Emerging Markets Team** | | |
| Emerging Markets | $961mn | 43 |

Source: Artisan Partners/Morningstar as of March 31, 2017. [1]The Growth team's initial strategy was the U.S. Mid-Cap Growth strategy. The U.S. Small-Cap Growth strategy was incorporated into the Growth team in 2009. 2Morningstar category rankings are based on fund total return and represent the oldest share class of the mutual fund managed to each strategy ranked against peers in its Morningstar category, for the period from its inception through the 3-year anniversary. Artisan composite and initial fund inception dates: High Income (April 1, 2014)/High Income Fund-Investor Class (March 19, 2014); U.S. Small-Cap Growth (April 1, 1995)/Small Cap Fund-Investor Class (March 28, 1995); Non-U.S. Growth (January 1, 1996)/International Fund-Investor Class (December 28, 1995); U.S. Mid-Cap Growth (April 1, 1997)/Mid Cap Fund-Investor Class (June 27, 1997); U.S. Small-Cap Value (June 1, 1997)/Small Cap Value Fund-Investor Class (September 29, 1997); Non-U.S. Value (July 1, 2002)/International Value Fund-Investor Class (September 23, 2002); Emerging Markets (July 1, 2006)/Emerging Markets Fund-Institutional Class (June 26, 2006).

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

On Slide 4, you can see the success that the Credit team has had so far.

In March, the High Income strategy passed its three-year mark. Since inception, the strategy has generated average annual returns of almost 7%, net of fees, compared to 4.62% for the strategy's benchmark index. On the third anniversary, the Artisan High Income Fund received a 5-star overall rating from Morningstar and was ranked in the 1st percentile of its Morningstar peer group.

The strategy finished the first quarter with $2.1 billion in AUM -- the most AUM of any of our teams' initial strategies at the three-year mark. To date, most of the High Income strategy's AUM has been sourced through our intermediary distribution channel. With a three-year track record, we believe there is a good opportunity to broaden the asset base with institutional clients. The Credit team is also working on the development of a second investment strategy which will further expand the team's degrees of freedom.

The Credit team's early success is primarily a product of the team's talent and effort. The success also demonstrates the strength and flexibility of our business model and the people at Artisan Partners. When Bryan joined the firm, we were able to efficiently and effectively build out fixed income operations and we have leveraged our brand and intermediary distribution channel to raise assets for the team at a record pace. We have demonstrated that we continue to evolve as a firm and that our platform works beyond long-only equity investing.

## Developing World Opportunities

Enhanced opportunity set by emphasizing companies and countries that benefit from rising domestic demand.

**Domicile Flexibility**

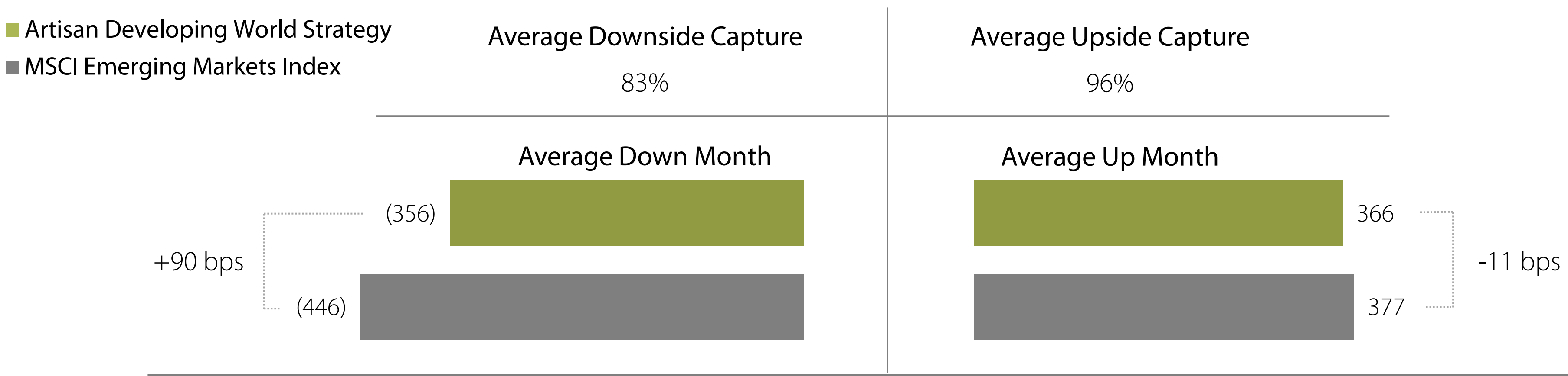
- Focus on economic exposure
- Enhance growth profile

**Country Weightings**

- Low penetration countries
- Select frontier market exposure

**Result:** Enhanced opportunity set

## Upside/Downside Capture (Net of Fees)




Source: Artisan Partners/FactSet/MSCI. As of March 31, 2017. Inception: July 1, 2015. Based on monthly composite and index returns, net of fees, since the composite's inception. Average Up/Down Month represents average monthly returns during months when the strategy's broad-based market index was positive and negative. Upside/Downside Capture represents the average ratio of the composite returns to index returns in periods when the index is positive or negative.

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

Slide 5 highlights our Developing World team, which Portfolio Manager Lewis Kaufman founded about two years ago in the first half of 2015.

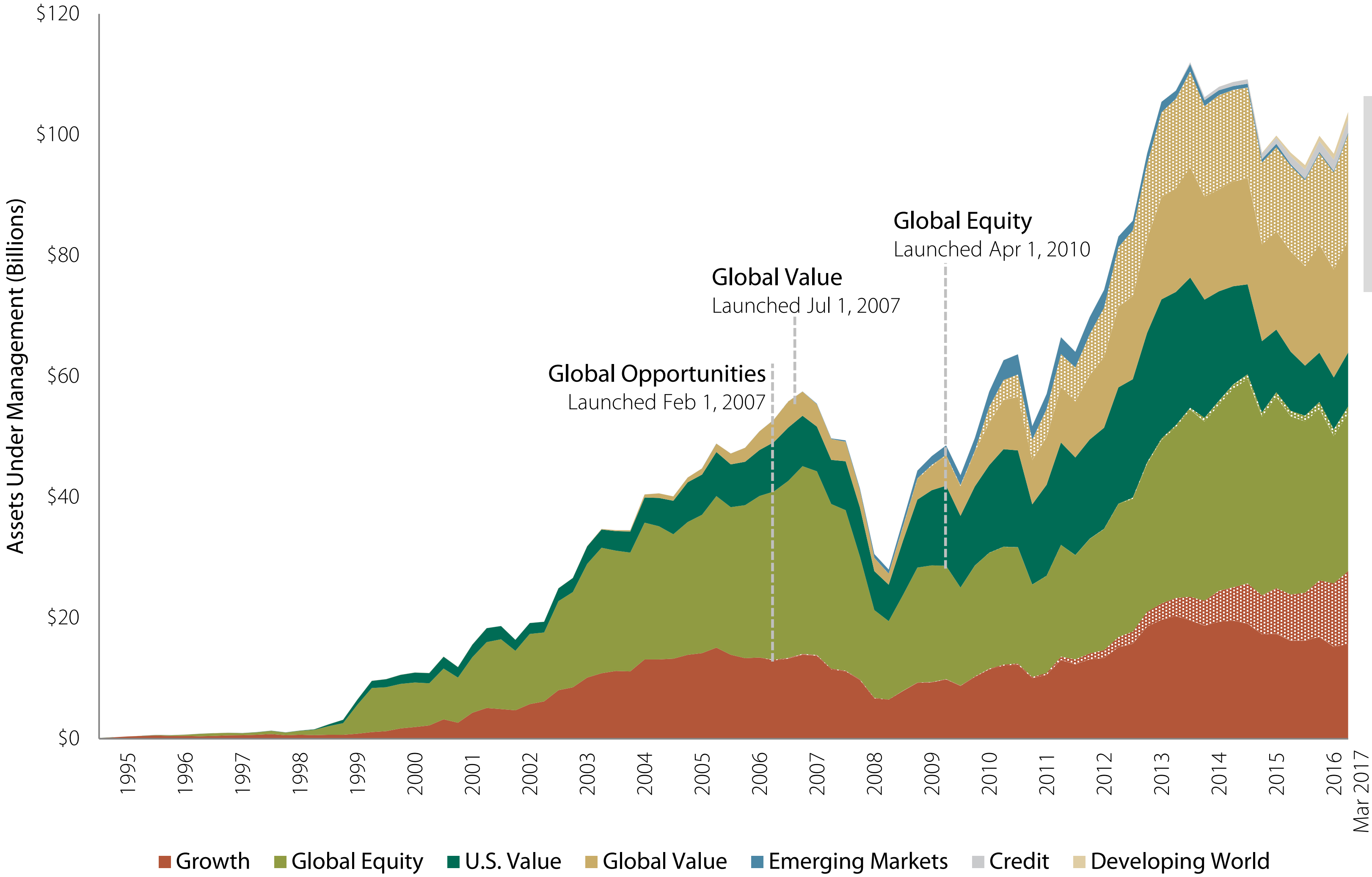
The Developing World team takes a differentiated approach to emerging markets investing. The team believes in the long-term growth opportunities in the developing world, but does not limit itself to companies domiciled in emerging markets countries. Instead, the team asks whether a company has the opportunity to benefit from rising demand in emerging markets. If a company does, then it's in the team's investable universe. Examples of these types of companies are Facebook and Visa in the U.S. and Unilever in the U.K. Including these types of companies within the team's investable universe increases degrees of freedom and thereby increases the team's ability to generate outcomes that are differentiated from peers and the index. Like the High Income strategy, the Developing World strategy is very difficult to replicate with market-cap or factor weighted indexes.

Over the last year, the Artisan Developing World Strategy has participated in the emerging markets rally and returned over 19%, net of fees, compared to about 17% for the Emerging Markets Index. Prior to the emerging markets rally, the Developing World strategy provided solid down-side protection, returning about negative 8%, net of fees, between the strategy's inception and March 31, 2016, compared to about negative 12% for the Emerging Markets index.

The Developing World team is also growing its business at a nice pace. At the end of the first quarter, the Developing World strategy had $1.3 billion in AUM.

# ASSETS UNDER MANAGEMENT GROWTH BY TEAM

## Assets Under Management by Team




Global Strategies (shaded)

- $30.8 Billion in AUM
- 30% of Firm AUM

As of March 31, 2017. Years are noted at 12/31.

# ASSETS UNDER MANAGEMENT GROWTH BY TEAM

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

The chart on Slide 6 provides some perspective and places our newest strategies within Artisan's historical context.

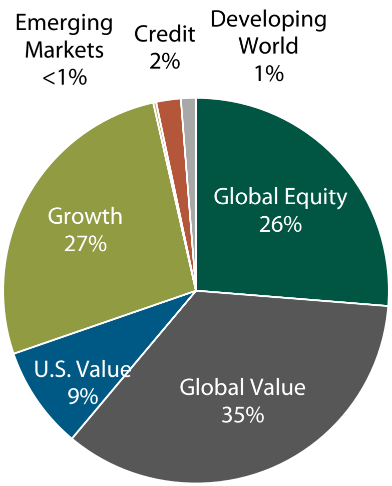
While I've just highlighted the early success of our Credit and Developing World teams, we know that growing a high value-added business takes time and is lumpy. The right talent for Artisan is a very scarce resource, so we have added teams at a measured rate. Once we find the right talent, we are thoughtful about launching investment strategies and managing capacity. We don't launch a bunch of strategies in order to find out what will work. To launch it, we believe in it.

You can see that it took the firm roughly 10 years to grow assets north of $50 billion. At that time we were diversified across mainly 3 teams. Over the next 10 years, despite the big correction in 2008, we've grown to over of $100 billion in assets, with significant AUM in 4 different investment teams.

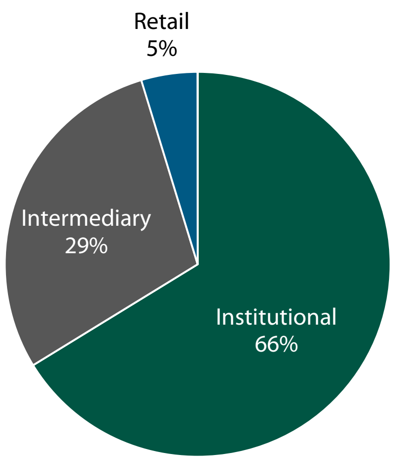
We have highlighted the start dates of our three global strategies and their growth is represented by the shaded areas on the graph. When we were developing and launching these strategies, we probably used the word "global" as often as we now use "degrees of freedom." Today, the three global strategies account for $30 billion of AUM across three different teams. The growth of these strategies took time. We expect to see our latest generation of strategies grow in a similar way—it will take time and patience.

# DIVERSIFICATION

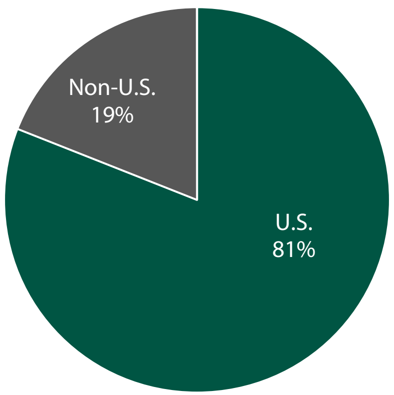
## AUM by Investment Team



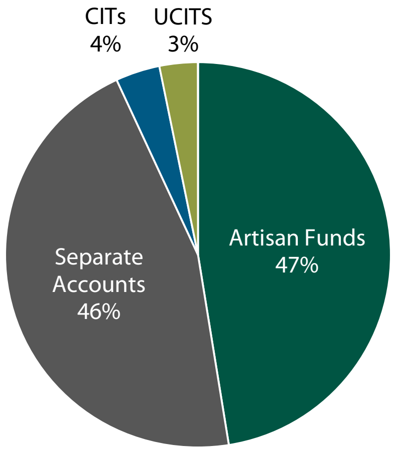

## AUM by Distribution Channel[1]




## AUM by Client Domicile




## AUM by Vehicle




As of March 31, 2017. [1]The allocation of AUM by distribution channel involves the use of estimates and the exercise of judgment.

# DIVERSIFICATION

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

Slide 7 is my final slide. It shows the diversity of our business across investment teams, distribution channels, client domicile, and investment vehicle.

The diversity of our business provides stability. As I've been discussing, our investment teams take differentiated approaches, which means sometimes they will experience periods of pro-longed underperformance. The diversity of our business allows for that. Our diversity across distribution channels also limits our exposure to trends in client and investor preference. For example, the headwinds we face in the Defined Contribution portion of our business today are significant and important, but the Defined Contribution channel is just one of the ways we access clients and investors.

Another phrase we often use is "alignment of interest." With the development of new teams and strategies, we are also developing and modifying our distribution strategy to align with the investment strategies.

Coming back to the degrees of freedom. We expect that private funds will be the optimal vehicle for some of our future strategies. So, over time, I expect you'll see private funds show up and grow on the vehicle chart—just like the percentage of non-US clients have grown with the development of our global strategies. That will be just another indicator of the steps we're taking to evolve our business to continue to provide clients and investors with high value-added investment strategies.

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

# FINANCIAL RESULTS – Financial Highlights

| | For the Three Months Ended | | |
|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| | (unaudited, in millions except per share amounts or as otherwise noted) | | |
| **Assets Under Management (amounts in billions)** | | | |
| Ending | $ 103.8 | $ 96.8 | $ 97.0 |
| Average | 101.1 | 97.4 | 92.9 |
| **Consolidated Financial Results (GAAP)** | | | |
| Revenues | $ 184.1 | $ 181.5 | $ 174.5 |
| Operating income | 58.0 | 58.5 | 54.8 |
| Operating margin | 31.5% | 32.2% | 31.4% |
| Net income attributable to Artisan Partners Asset Management Inc. | $ 19.8 | $ 19.3 | $ 16.3 |
| Basic and diluted earnings per share | 0.37 | 0.42 | 0.35 |
| **Adjusted[1] Financial Results** | | | |
| Adjusted Operating Income | $ 64.3 | $ 64.9 | $ 62.6 |
| Adjusted Operating Margin | 35.0% | 35.8% | 35.8% |
| Adjusted Earnings per Adjusted Share | $ 0.52 | $ 0.53 | $ 0.51 |

[1] Adjusted measures are non-GAAP measures and are explained and reconciled to the comparable GAAP measures in Exhibit 2 of the March 31, 2017 earnings release.

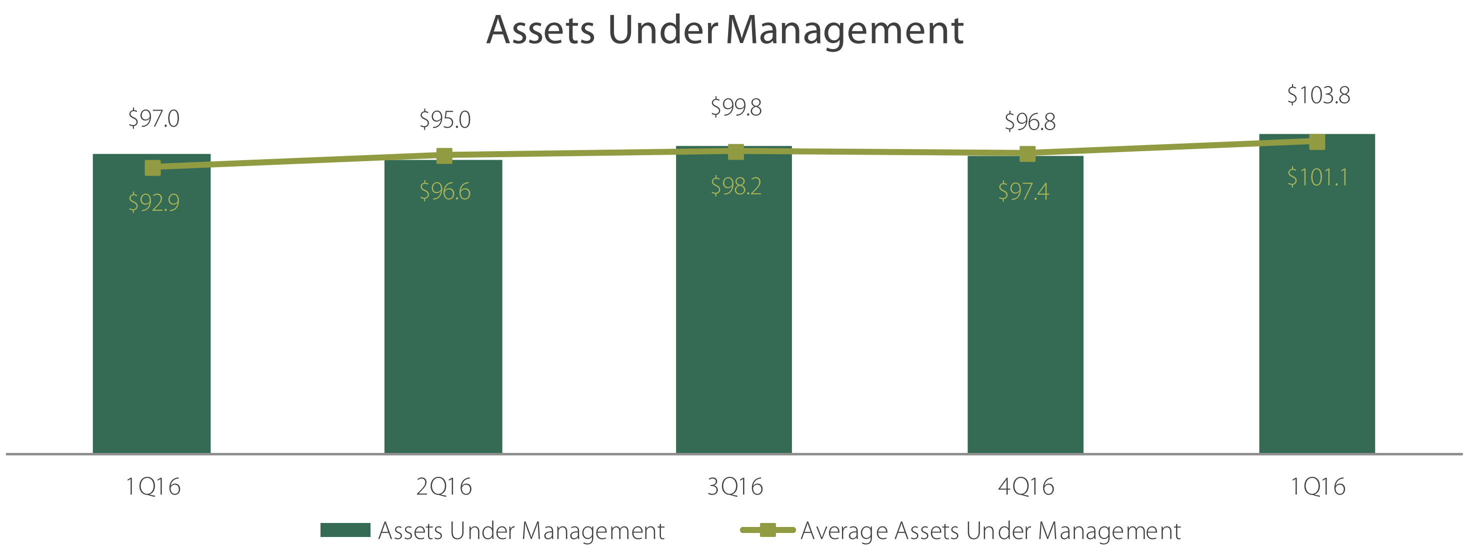
**Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

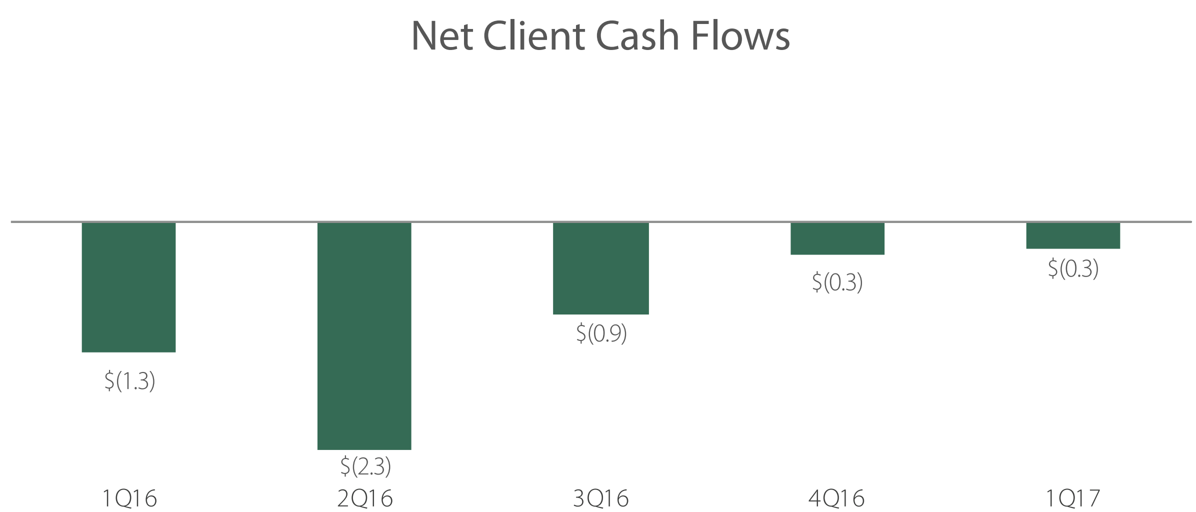
Thanks, Eric.

Our earnings release and the financial presentation disclose both GAAP and adjusted financial results, but I will focus my comments on the adjusted results, which we use to evaluate our business operations. Our adjusted results exclude the impact of pre-IPO equity-based compensation and include the impact of post-IPO equity-based compensation which is a non-cash expense.

Our adjusted results reflect an increase in average assets under management during the current quarter which led to increased revenues compared to last quarter. Higher revenues were offset by increased seasonal expenses that are incurred in the first quarter of each calendar year and an increase in post-IPO equity-based compensation expense related to our January grant. Adjusted earnings per share was $0.52, down $0.01, compared to $0.53 last quarter.

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



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

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

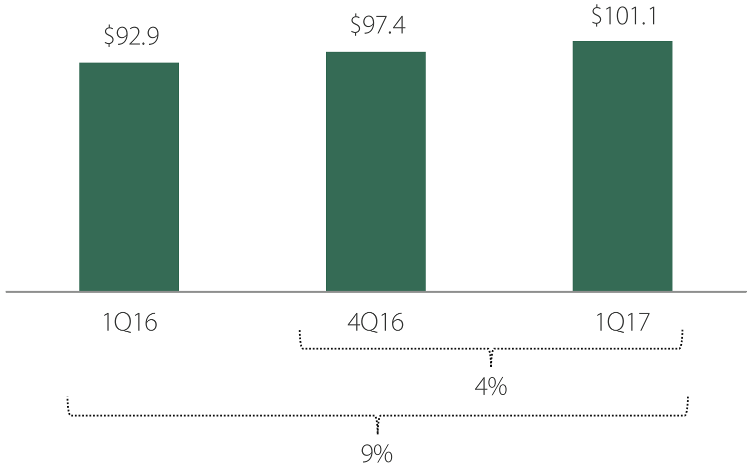
Taking a closer look at the drivers of our results starting with AUM on Slide 9, we ended the quarter with $103.8 billion of assets under management which was up approximately $7 billion, or 7%, compared to both last quarter and last year. The increase in the current quarter reflects market appreciation of $7.2 billion partially offset by net client cash outflows of $272 million. The increase in AUM compared to the same quarter last year reflects $10.5 billion of market appreciation, partially offset by $3.8 billion of net client cash outflows.

Our two newest teams, the Credit and Developing World teams, had net client cash inflows in the quarter of $216 million and $186 million, respectively. The U.S. Value, Global Value, and Emerging Markets teams each had modest net client cash inflows in the quarter. The Global Equity team had $490 million in net client cash outflows primarily in its Non-U.S. Growth strategy.

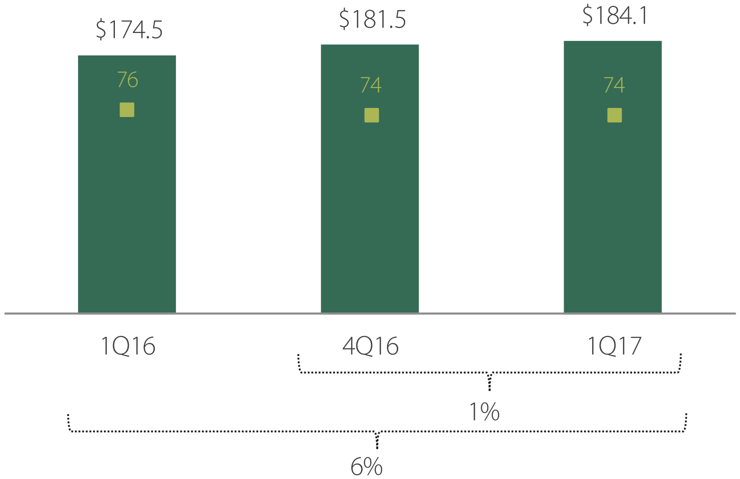
And finally, the Growth Team had net client cash outflows of $320 million primarily due to $621 million in net client cash outflows in the Mid-Cap Growth strategy which were offset by $399 million in net client cash inflows in the Global Opportunities strategy during the quarter. The Global Opportunities strategy continues to see strong demand from clients outside the US and the Mid Cap Growth strategy continues to face DC market headwinds.

# FINANCIAL RESULTS — Financial Highlights

## Average AUM
(in billions)




## Revenues (in millions)
Effective Fee Rate (in bps)




## Total Operating Expenses
(net of Pre-Offering Related Compensation)
(in millions)


## Compensation & Benefits Expense
(net of Pre-Offering Related Compensation)
(in millions)

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

Moving on to our financial results on page 10. Compared to the previous quarter, revenues were up 1% reflecting a 4% increase in average AUM, partially offset by two fewer billing days in the quarter. Compared to the prior year quarter, average AUM was up 9% and revenues were up 6%. We experienced a 2 basis point decline in our effective fee rate, primarily the result of greater redemptions in pooled vehicles compared to longer duration institutional separate account clients. We believe that the longer duration of institutional separate account clients off-sets the lower fee rates, yielding a better return over the long term. In addition, we had 1 less billing day this quarter compared to the same quarter last year.

Operating expenses, excluding pre-offering related compensation expense, increased 3% in the quarter primarily due to increased compensation costs, which I will explain on the next slide, and seasonal director's fees which are included in G&A expense. Operating expenses, excluding pre-offering related compensation expense, increased 7% year-over-year mostly due to increased compensation costs, technology and G&A expenses. These increases were partially offset by a decrease in third-party distribution expense as a result of a shift in our AUM away from revenue share paying mutual fund share classes.

# FINANCIAL RESULTS — Compensation & Benefits (in millions)

| | For the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 2017 | % of Rev. | December 2016 | % of Rev. | March 2016 | % of Rev. |
| Salary | $ 13.3 | 7.2% | $ 12.6 | 6.9% | $ 12.6 | 7.2% |
| Incentive Compensation | 60.1 | 32.6% | 61.6 | 33.9% | 57.3 | 32.8% |
| Benefits & Payroll Taxes | 8.1 | 4.4% | 6.1 | 3.4% | 7.2 | 4.1% |
| Equity Based Compensation Expense | 11.8 | 6.4% | 10.4 | 5.7% | 10.4 | 6.0% |
| **Subtotal Compensation and Benefits** | **93.3** | **50.7%** | **90.7** | **50.0%** | **87.5** | **50.1%** |
| Pre-IPO Related Compensation | 6.3 | 3.4% | 6.4 | 3.5% | 7.8 | 4.5% |
| **Total Compensation and Benefits** | **$ 99.6** | **54.1%** | **$ 97.1** | **53.5%** | **$ 95.3** | **54.6%** |

- 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 decreased in the March 2017 quarter as compared to the December 2016 quarter primarily due to the on-boarding of our Chief Operating Officer of Investment Operations in the December 2016 quarter. On a year over year basis, Incentive Compensation increased primarily due to higher revenues.

- In the March 2017 and 2016 quarters, Benefits & Payroll Taxes includes seasonal payroll taxes, the first quarter funding of 50% of the Company's annual contribution to employee health savings accounts, and 401(k) matching that is greater in the first quarter of each year.

- Equity Based Compensation Expense increased in the March 2017 quarter as a result of the pro-rata amortization of the equity grant made in January 2017.

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

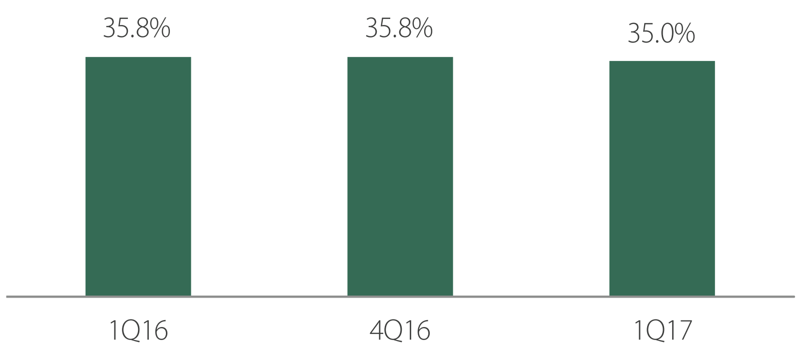
**Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

On slide 11 we've broken out our compensation and benefits expenses, which comprise close to 80% of our total operating expenses. Compared to the prior quarter, compensation and benefits expense, excluding pre-offering related compensation expense, increased $2.6 million. As a reminder, in the first quarter of each year, we incur seasonal benefits and payroll tax expenses caused by the reset of the new calendar year. Those costs contributed an additional $2.7 million of expense in the current quarter compared to the prior quarter.

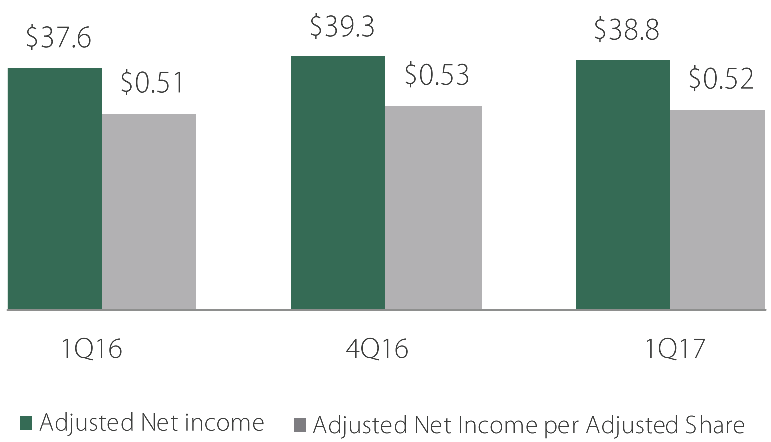
Incentive compensation in the current quarter decreased $1.5 million due to the roll-off of employee onboarding expenses incurred in the December 2016 quarter. This decrease was partially offset by an increase in incentive compensation due to higher revenues. In addition, equity-based compensation expense increased approximately $1.4 million as the result of our January 2017 annual equity grant. The $1.4 million increase represents expense for a partial quarter. We expect the full quarterly expense related to this award to be $1.7 million in the remaining quarters of this calendar year.

Year over year, compensation and benefits expenses, excluding pre-offering related compensation expense, increased $5.8 million or 7%. Salary, benefits and payroll tax expenses increased $1.6 million due to the addition of new employees and annual merit-based increases. Incentive compensation increased $2.8 million, in-line with revenues. And, equity-based compensation was higher as we layered in the expense for the equity granted in January of 2017.

## Adjusted Operating Margin



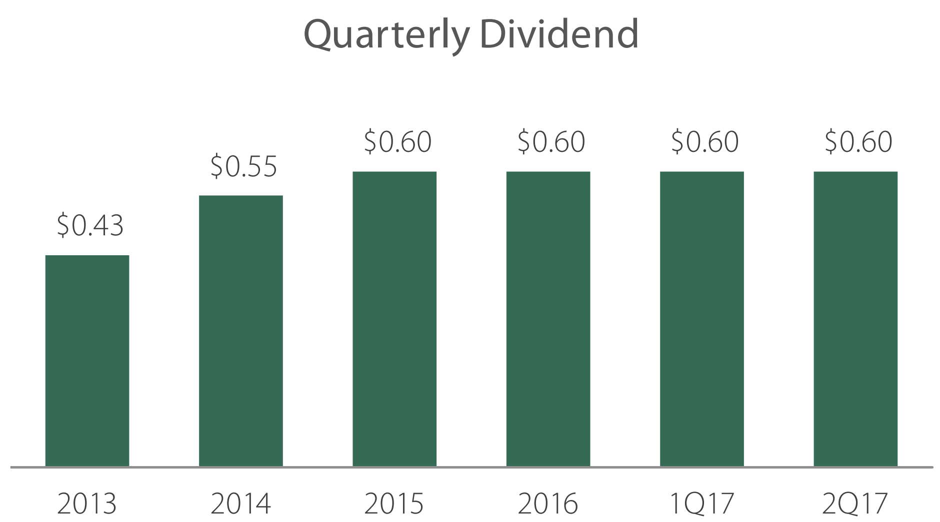

## Adjusted Net Income (in millions) & Adjusted Net Income per Adjusted Share



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

Moving on to Slide 12. In the current quarter, adjusted operating margin was 35%, down from 35.8% last quarter primarily due to higher seasonal expenses and an increase in equity-based compensation partially offset by higher revenues. Compared to the same quarter last year, adjusted operating margin in the current quarter was down primarily due to increased equity-based compensation expense, increased compensation related to our newest team, and increased technology and G&A expenses, partially offset by higher revenue. Adjusted net income in the quarter was $38.8 million or $0.52 per adjusted share.

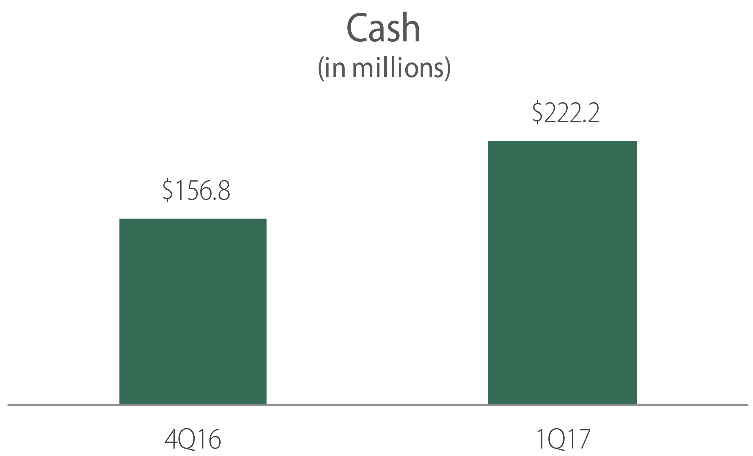
# FINANCIAL HIGHLIGHTS – Dividend

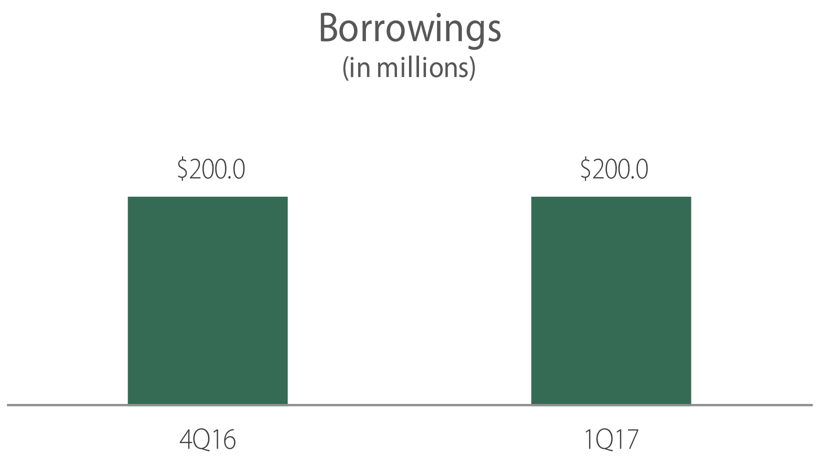


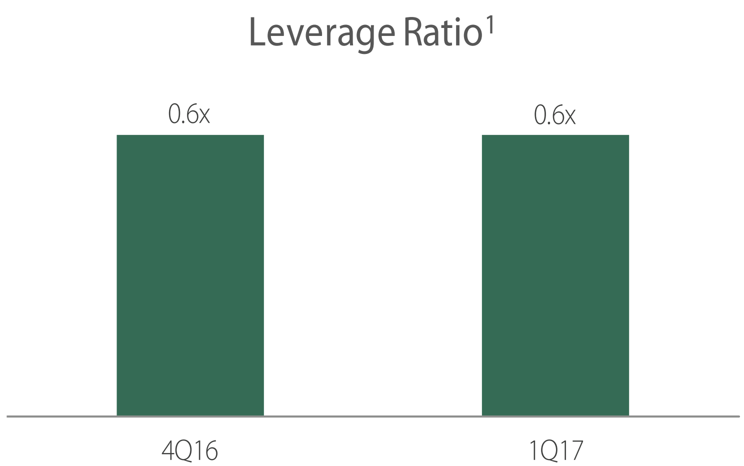

Note: Time periods noted above represent the period in which the dividends were or will be paid. This slide does not include special annual dividends paid in 2014, 2015, 2016 or 1Q17.

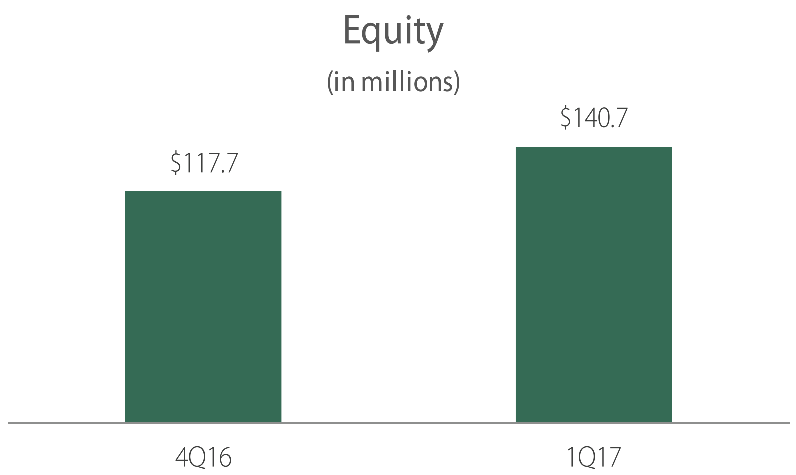
**Charles (C.J.) Daley—Chief Financial Officer, Executive Vice President and Treasurer, Artisan Partners Asset Management Inc.:**

Slide 13 shows our quarterly dividend history. Earlier this week, we announced that our Board of Directors declared a quarterly dividend of $0.60 per share payable on May 31st, to shareholders of record on May 17th. After taking into account non-cash expenses, we generated cash in excess of our $0.60 regular quarterly dividend during the quarter. Our calculation of the quarterly cash generation estimate principally includes the $0.52 per share of adjusted earnings, plus the non-cash post-IPO equity-based comp expense.



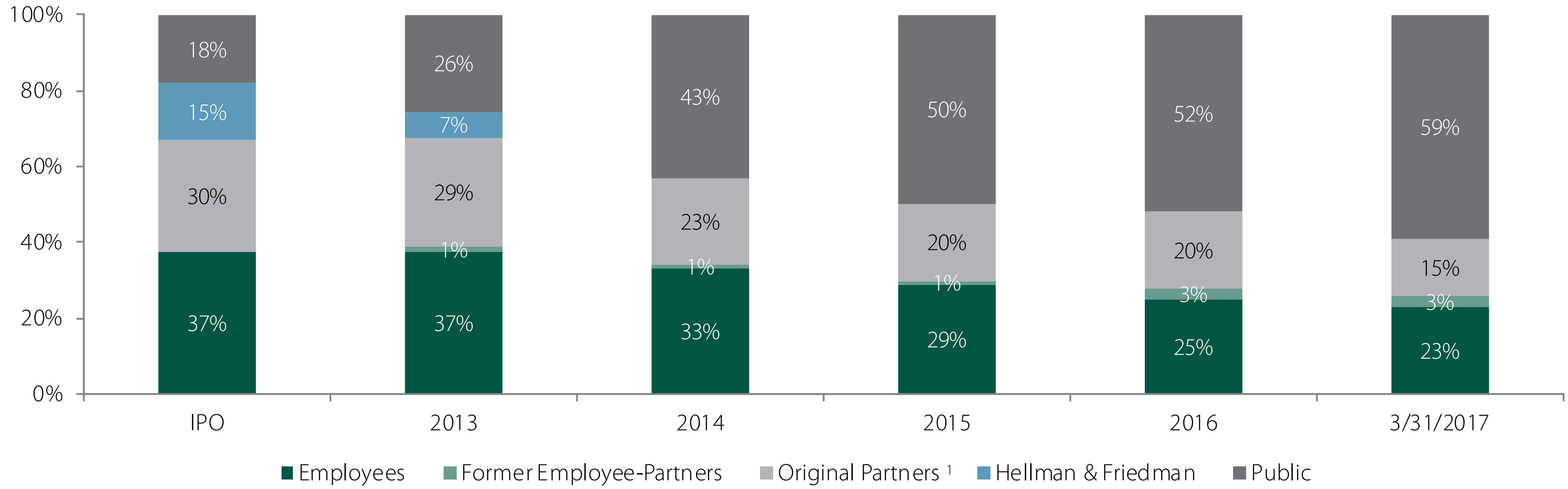




[1] Calculated in accordance with debt agreements.

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

Slide 14 is our balance sheet highlights. Our balance sheet remains strong with a healthy cash balance and modest leverage at 0.6x. We have $200 million of debt on our balance sheet. In August of this year $60 million of this debt matures. Given the continued favorable interest rate environment and our ability to access the credit markets, we intend to refinance the $60 million when it matures.

# EQUITY OWNERSHIP




- The IPO created a mechanism for multi-generational ownership and established a structured path to liquidity.
- Since our IPO, some of our partners, including employee-partners have taken the opportunity to reduce their pre-IPO equity after many years without the ability to do so.
- Employee-partner liquidity is limited each year to a percentage of employee-partners' beginning-of-year ownership to reduce disruption.
- As a result, public ownership has increased from 18% at our IPO to 59% today, providing increased liquidity to shareholders.

Note: 2013, 2014, 2015 and 2016 percentages are as of 12/31 of each year. [1] Original Partners includes Artisan Investment Corporation (AIC), the entity through which the founders of the company hold their ownership interest. One or more of AIC's owners were employees through March 2014 but AIC's entire investment is included in the original investor bucket.

# EQUITY OWNERSHIP

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

Before I conclude, I would like to spend some time reviewing how our equity ownership has evolved since our IPO.

First, I'll start by saying that we believe offering active investment management requires a commitment to attracting and retaining experienced investment talent. As a result, we design and manage our business model to create an investment culture in which our talent can thrive and the interests of our employees align with those of our clients and shareholders.

To that end, our investment professionals have always been equity owners in our firm. While quarterly revenue share has always been our primary form of compensating investment talent, equity grants provide an additional tool to reward and incentivize performance, growth, and franchise development, and equity ownership further aligns the long-term economic interests of our talent with those of our clients and shareholders.

The firm's IPO was one of several strategies we have executed over the years to allow us to manage our business according to our foundational principles. The IPO established a structured path to liquidity for pre-IPO equity and created a mechanism for multi-generational ownership that could be shared more broadly among value producing employees across the firm. At its core, our IPO was about an ongoing alignment of interests. Since our IPO, some of our employee-partners and other partners have taken the opportunity to reduce their ownership after many years without the ability to do so. We believe this is a healthy and expected outcome of becoming a public company.

The amount of pre-IPO equity that employee-partners can sell each year is generally limited to 15% of their ownership interest. In addition, the opportunity to exchange pre-IPO equity for Class A common shares that can then be sold generally occurs only once per quarter. These restrictions allow us to manage the sale of our partners' pre-IPO equity in an efficient way with minimal disruption to the market. The coordinated offering of 5.6 million shares during the first quarter is an example of how we provide a measure of liquidity to many of our partners in an organized manner.

Today, employees, former employees, and original partners remain significant owners of the company. At the same time, public ownership has increased from 18% at our IPO to 59% today, providing increased liquidity to shareholders and a stable environment for our clients, shareholders and investment talent.

That concludes my prepared remarks. We look forward to your questions and I will now turn the call back to the operator.

# APPENDIX

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

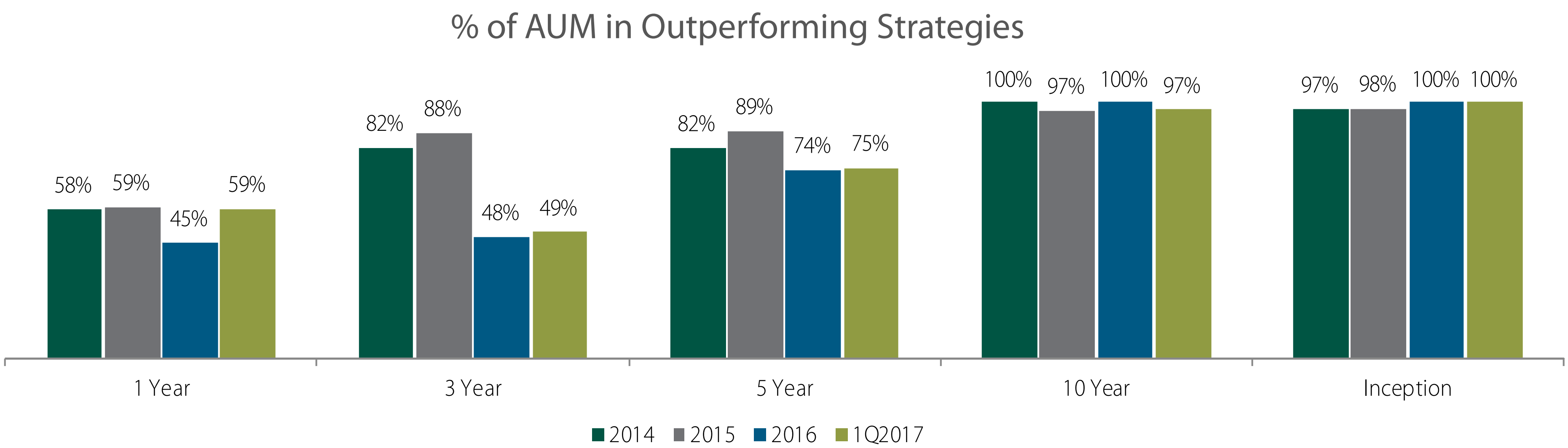
| | Three Months Ended | | |
|---|---|---|---|
| | March 31 2017 | December 31 2016 | March 31 2016 |
| **Net income attributable to Artisan Partners Asset Management Inc. (GAAP)** | **19.8** | **19.3** | **16.3** |
| Add back: Net income attributable to noncontrolling interests - APH | 22.8 | 24.5 | 24.1 |
| Add back: Provision for income taxes | 12.7 | 12.2 | 11.5 |
| Add back: Pre-offering related compensation - share-based awards | 6.3 | 6.4 | 7.8 |
| Add back: Net (gain) loss on the tax receivable agreements | - | - | - |
| Less: Net gain (loss) on the valuation of contingent value rights | - | - | - |
| Adjusted income before income taxes | 61.6 | 62.4 | 59.7 |
| Less: Adjusted provision for income taxes | 22.8 | 23.1 | 22.1 |
| **Adjusted net income (Non-GAAP)** | **38.8** | **39.3** | **37.6** |
| **Average shares outstanding (in millions)** | | | |
| Class A common shares | 41.0 | 38.9 | 37.0 |
| Assumed vesting or exchange of: | | | |
| Unvested restricted share-based awards | 3.9 | 3.4 | 3.4 |
| Artisan Partners Holdings LP units outstanding (non-controlling interest) | 30.3 | 32.3 | 33.7 |
| **Adjusted shares** | **75.2** | **74.6** | **74.1** |
| **Adjusted net income per adjusted share (Non-GAAP)** | **$ 0.52** | **$ 0.53** | **$ 0.51** |
| **Operating income (GAAP)** | **58.0** | **58.5** | **54.8** |
| Add back: Pre-offering related compensation - share-based awards | 6.3 | 6.4 | 7.8 |
| **Adjusted operating income (Non-GAAP)** | **64.3** | **64.9** | **62.6** |
| **Adjusted operating margin (Non-GAAP)** | **35.0%** | **35.8%** | **35.8%** |

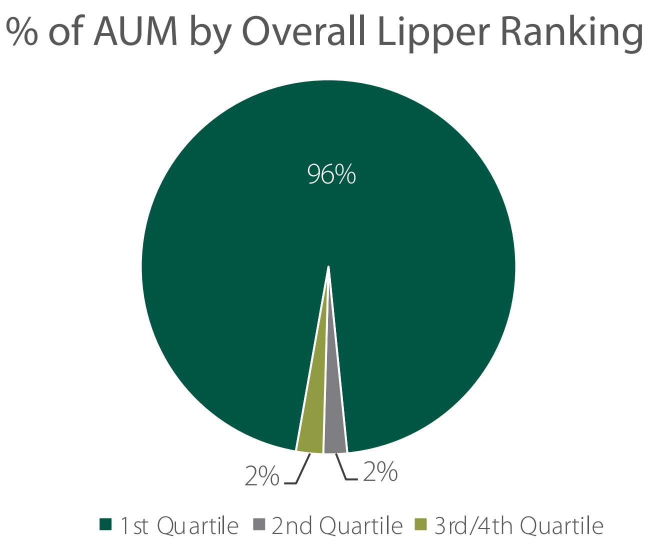
# LONG-TERM INVESTMENT RESULTS

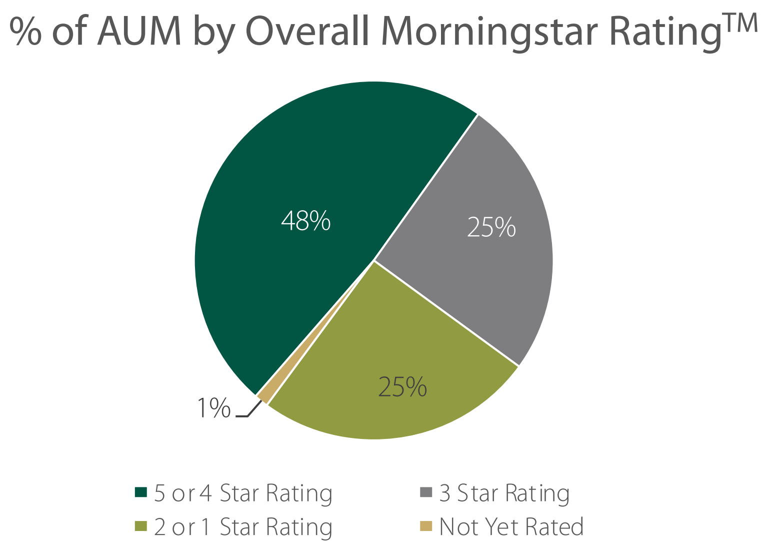
| As of March 31, 2017 | Average Annual Total Returns (Gross) 1 Yr | 3 Yr | 5 Yr | 7 Yr | 10 Yr | Inception | Average Annual Value-Added Since Inception (bp) |
|---|---|---|---|---|---|---|---|
| **Global Equity Team**[1] | | | | | | | |
| Artisan Non-U.S. Growth (Inception: 1-Jan-96) | 3.48% | -0.34% | 6.27% | 7.08% | 3.33% | 9.93% | 538 |
| MSCI EAFE Index | 11.67% | 0.50% | 5.83% | 4.72% | 1.05% | 4.55% | |
| Artisan Non-U.S. Small-Cap Growth (Inception: 1-Jan-02) | -0.24% | -2.69% | 7.53% | 8.05% | 4.99% | 12.80% | 289 |
| MSCI EAFE Small Cap Index | 10.99% | 3.60% | 9.19% | 8.28% | 3.03% | 9.91% | |
| Artisan Global Equity (Inception: 1-Apr-10) | 12.86% | 4.60% | 11.23% | 11.18% | --- | 11.18% | 337 |
| MSCI All Country World Index | 15.04% | 5.07% | 8.37% | 7.80% | --- | 7.80% | |
| **U.S. Value Team** | | | | | | | |
| Artisan U.S. Mid-Cap Value (Inception: 1-Apr-99) | 19.91% | 5.43% | 11.05% | 12.15% | 8.85% | 13.50% | 417 |
| Russell Midcap® Index | 17.03% | 8.47% | 13.08% | 13.14% | 7.93% | 9.33% | |
| Artisan Value Equity (Inception: 1-Jul-05) | 24.40% | 8.38% | 11.29% | 11.74% | 7.01% | 8.49% | 11 |
| Russell 1000® Index | 17.43% | 9.98% | 13.25% | 12.94% | 7.57% | 8.38% | |
| **Growth Team** | | | | | | | |
| Artisan U.S. Mid-Cap Growth (Inception: 1-Apr-97) | 14.61% | 5.30% | 10.75% | 13.97% | 10.51% | 14.98% | 469 |
| Russell Midcap® Index | 17.03% | 8.47% | 13.08% | 13.14% | 7.93% | 10.29% | |
| Artisan U.S. Small-Cap Growth (Inception: 1-Apr-95) | 24.96% | 6.14% | 11.99% | 14.91% | 9.01% | 10.16% | 81 |
| Russell 2000® Index | 26.22% | 7.21% | 12.35% | 12.26% | 7.11% | 9.35% | |
| Artisan Global Opportunities (Inception: 1-Feb-07) | 17.30% | 9.66% | 12.49% | 14.35% | 9.87% | 9.88% | 580 |
| MSCI All Country World Index | 15.04% | 5.07% | 8.37% | 7.80% | 4.00% | 4.08% | |
| **Global Value Team** | | | | | | | |
| Artisan Non-U.S. Value (Inception: 1-Jul-02) | 12.96% | 4.34% | 10.89% | 10.61% | 7.10% | 12.51% | 652 |
| MSCI EAFE Index | 11.67% | 0.50% | 5.83% | 4.72% | 1.05% | 5.99% | |
| Artisan Global Value (Inception: 1-Jul-07) | 16.30% | 6.57% | 12.60% | 12.53% | --- | 8.47% | 511 |
| MSCI All Country World Index | 15.04% | 5.07% | 8.37% | 7.80% | --- | 3.36% | |
| **Emerging Markets Team** | | | | | | | |
| Artisan Emerging Markets (Inception: 1-Jul-06) | 22.88% | 4.66% | 2.34% | 1.47% | 2.60% | 5.10% | 34 |
| MSCI Emerging Markets Index | 17.21% | 1.17% | 0.80% | 1.69% | 2.72% | 4.76% | |
| **Credit Team** | | | | | | | |
| Artisan High Income (Inception: 1-Apr-14) | 17.90% | 7.73% | --- | --- | --- | 7.73% | 311 |
| BofA Merrill Lynch High Yield Master II Index | 16.88% | 4.62% | --- | --- | --- | 4.62% | |
| **Developing World Team** | | | | | | | |
| Artisan Developing World (Inception: 1-Jul-15) | 20.44% | --- | --- | --- | --- | 6.61% | 524 |
| MSCI Emerging Markets Index | 17.21% | --- | --- | --- | --- | 1.37% | |

[1] Effective January 20, 017 Artisan Partners ceased to manage assets in the Global Small-Cap Growth strategy.
Source: Artisan Partners/MSCI/Russell/BofA Merrill Lynch. 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. Periods of one year or less are not annualized. The Artisan High Income Strategy may hold loans and other security types that may not be included in the BofA Merrill Lynch High Yield Master II Index. At times, this causes material differences in relative performance. See Notes & Disclosures at the end of this presentation for more information about our investment performance.

# LONG-TERM INVESTMENT RESULTS

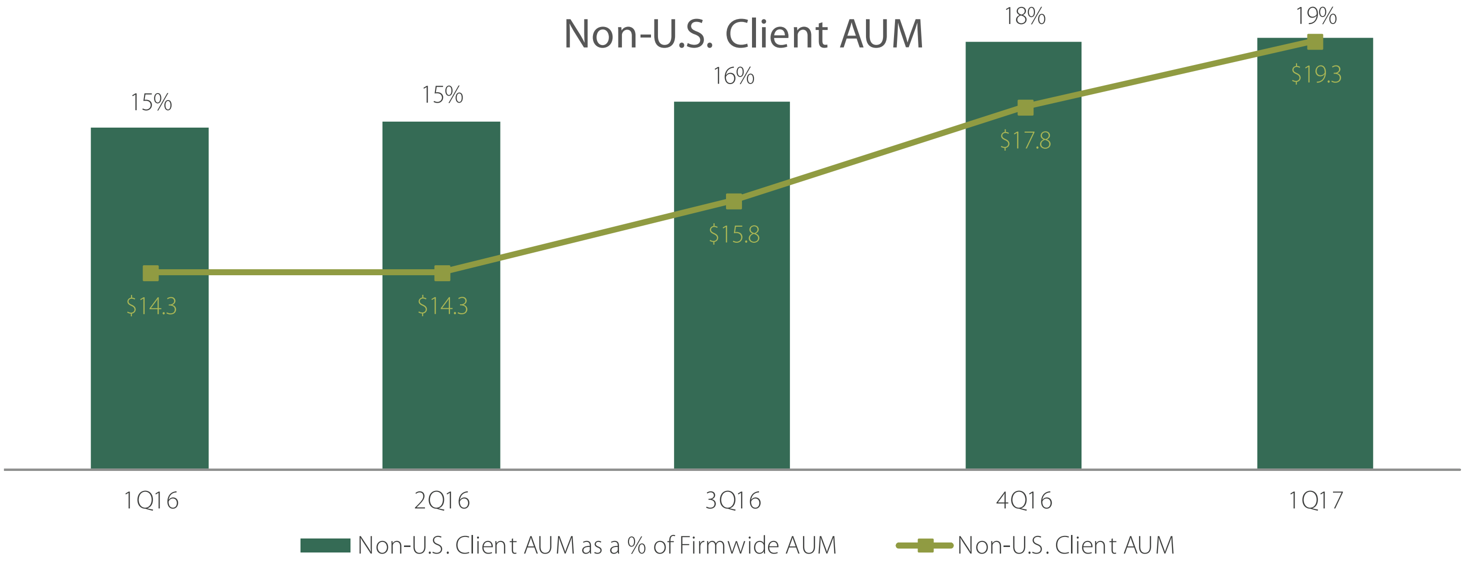


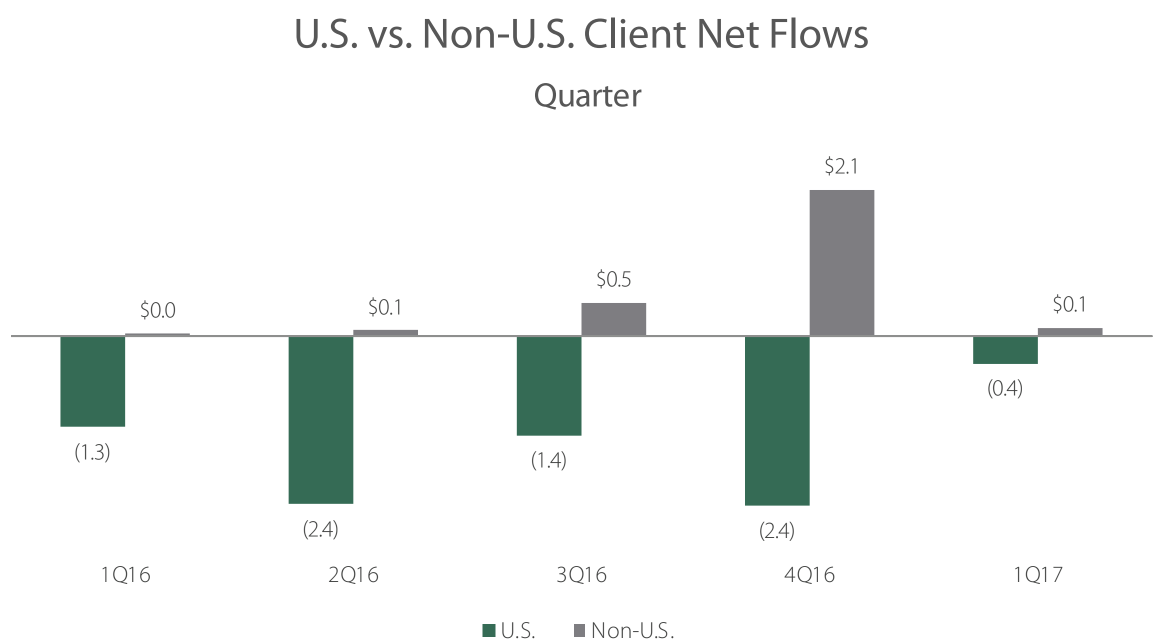




Sources: Artisan Partners/Lipper Inc/Morningstar. % of AUM in Outperforming Strategies at December 31 of each year, unless noted otherwise. % of AUM in Outperforming Strategies represents the % of AUM in those strategies with assets under management as of March 31, 2017, where gross of fees composite 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 March 31, 2017. 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)



# NOTES & DISCLOSURES

## Forward-Looking Statements

Certain statements in this presentation, 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 the Company's filings with the Securities and Exchange Commission, including those factors listed under the caption entitled "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 21, 2017. 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 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 12% of our assets under management at March 31, 2017, are maintained in separate composites, which are not presented in these materials). Composite returns are net of trade commissions and transaction costs, but are gross of management fees, unless otherwise stated. Management fees, if reflected, would reduce the results presented for an investor in an account managed within a Composite. Composite data for the following strategies is represented by a single account: Artisan High Income.

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. Unless otherwise noted, composite returns are presented gross of investment advisory fees applied to client accounts.

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 broad-based market index most commonly used by our clients to compare the performance of the relevant strategy.

The 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-MSCI ACWI Index; Non-U.S. Small-Cap Growth Strategy-MSCI EAFE Small Cap 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-Russell 2000® Index; Value Equity Strategy-Russell 1000® Index; Developing World Strategy / Emerging Markets Strategy-MSCI Emerging Markets Index; High Income Strategy-BofA Merrill Lynch High Yield Master II Index. Index returns do not reflect the payment of fees and expenses.

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 ©2017, 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. As of March 31, 2017, Artisan High Income Fund Investor Share was rated and performance ranked within 596 managed products in Morningstar's High Yield Bond category for the 3-year period; other classes may vary.

# NOTES & DISCLOSURES

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 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 Emerging Markets Fund—Diversified Emerging Markets; Artisan Global Equity Fund—World Stock; Artisan Global Opportunities Fund—World Stock; Artisan Global Value Fund—World Stock; Artisan High Income Fund—High Yield Bond; Artisan International Fund—Foreign Large Blend; Artisan International Small Cap 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 total 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 Emerging Markets Fund—Emerging Markets; Artisan Global Equity Fund—Global Multi-Cap Growth; 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 Cap 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 Value; Artisan Small Cap Fund—Small-Cap Growth; Artisan Value Fund—Multi-Cap Value.

## 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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