

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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35826

Artisan Partners Asset Management Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
875 E. Wisconsin Avenue, Suite 800
Milwaukee, WI
(Address of principal executive offices)

45-0969585
(I.R.S. Employer
Identification No.)
53202
(Zip Code)

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

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

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

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

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

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

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

The number of outstanding shares of the registrant’s Class A common stock, par value \$0.01 per share, Class B common stock, par value \$0.01 per share, and Class C common stock, par value \$0.01 per share, as of October 22, 2021 were 65,215,891, 3,632,687 and 10,191,061, respectively.

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Except where the context requires otherwise, in this report, references to the “Company”, “Artisan”, “we”, “us” or “our” refer to Artisan Partners Asset Management Inc. (“APAM”) and its direct and indirect subsidiaries, including Artisan Partners Holdings LP (“Artisan Partners Holdings” or “Holdings”). On March 12, 2013, APAM closed its initial public offering and related corporate reorganization. Prior to that date, APAM was a subsidiary of Artisan Partners Holdings.

Forward-Looking Statements

This report contains, and from time to time our management may make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements regarding future events and our future performance, as well as management’s current expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements within the meaning of these laws. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue”, the negative of these terms and other comparable terminology. Forward-looking statements are only predictions based on current expectations and projections about future events. Forward-looking statements are subject to a number of risks and uncertainties, and there are important factors that could cause actual results, level of activity, performance, actions or achievements to differ materially from the results, level of activity, performance, actions or achievements expressed or implied by the forward-looking statements. These factors include: the loss of key investment professionals or senior management, adverse market or economic conditions, poor performance of our investment strategies, change in the legislative and regulatory environment in which we operate, operational or technical errors or other damage to our reputation, the long-term impact of the COVID-19 pandemic 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, 2020, filed with the SEC on February 23, 2021, as such factors may be updated from time to time. Our periodic and current reports are accessible on the SEC’s website at www.sec.gov. We undertake no obligation to publicly update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report, except as required by law.

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

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

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

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

	September 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	\$ 273,253	\$ 154,987
Accounts receivable	122,148	99,888
Investment securities	47,792	3,656
Property and equipment, net	36,094	35,874
Deferred tax assets	482,208	482,061
Restricted cash	629	629
Prepaid expenses and other assets	21,143	17,762
Operating lease assets	73,091	79,304
<i>Assets of consolidated investment products</i>		
Cash and cash equivalents	16,582	43,834
Accounts receivable and other	10,151	3,587
Investment assets, at fair value	175,918	230,380
Total assets	\$ 1,259,009	\$ 1,151,962
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Accounts payable, accrued expenses, and other	\$ 27,270	\$ 24,727
Accrued incentive compensation	123,435	12,924
Borrowings	199,421	199,284
Operating lease liabilities	85,375	92,671
Amounts payable under tax receivable agreements	404,424	412,468
<i>Liabilities of consolidated investment products</i>		
Accounts payable, accrued expenses, and other	37,577	109,362
Investment liabilities, at fair value	13,163	15,731
Total liabilities	890,665	867,167
Commitments and contingencies		
Redeemable noncontrolling interests	97,391	93,753
Common stock		
Class A common stock (\$0.01 par value per share, 500,000,000 shares authorized, 65,215,891 and 63,131,007 shares outstanding at September 30, 2021 and December 31, 2020, respectively)	652	631
Class B common stock (\$0.01 par value per share, 200,000,000 shares authorized, 3,632,687 and 4,457,958 shares outstanding at September 30, 2021 and December 31, 2020, respectively)	36	45
Class C common stock (\$0.01 par value per share, 400,000,000 shares authorized, 10,191,061 and 10,983,145 shares outstanding at September 30, 2021 and December 31, 2020, respectively)	102	110
Additional paid-in capital	128,621	107,738
Retained earnings	121,497	72,944
Accumulated other comprehensive income (loss)	(1,313)	(991)
Total Artisan Partners Asset Management Inc. stockholders' equity	249,595	180,477
Noncontrolling interests - Artisan Partners Holdings	21,358	10,565
Total stockholders' equity	\$ 270,953	\$ 191,042
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	\$ 1,259,009	\$ 1,151,962

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues				
Management fees	\$ 316,176	\$ 232,474	\$ 901,011	\$ 627,305
Performance fees	398	279	11,189	11,226
Total revenues	\$ 316,574	\$ 232,753	\$ 912,200	\$ 638,531
Operating Expenses				
Compensation and benefits	142,235	108,657	419,713	315,578
Distribution, servicing and marketing	8,131	6,252	23,707	17,155
Occupancy	5,560	6,338	16,260	16,740
Communication and technology	10,873	9,672	31,150	28,559
General and administrative	6,717	4,589	18,700	15,667
Total operating expenses	173,516	135,508	509,530	393,699
Total operating income	143,058	97,245	402,670	244,832
Non-operating income (expense)				
Interest expense	(2,711)	(2,718)	(8,116)	(8,118)
Net gain (loss) on the tax receivable agreements	358	238	358	238
Net investment gain (loss) of consolidated investment products	2,824	7,798	18,068	7,751
Other net investment gain (loss)	(2,109)	578	2,022	(505)
Total non-operating income (expense)	(1,638)	5,896	12,332	(634)
Income before income taxes	141,420	103,141	415,002	244,198
Provision for income taxes	28,054	18,448	78,137	44,155
Net income before noncontrolling interests	113,366	84,693	336,865	200,043
Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings	24,796	21,547	74,064	55,791
Less: Net income (loss) attributable to noncontrolling interests - consolidated investment products	2,157	4,619	10,903	4,749
Net income attributable to Artisan Partners Asset Management Inc.	\$ 86,413	\$ 58,527	\$ 251,898	\$ 139,503
Basic earnings per share	\$ 1.30	\$ 0.93	\$ 3.84	\$ 2.22
Diluted earnings per share	\$ 1.30	\$ 0.93	\$ 3.84	\$ 2.22
Basic weighted average number of common shares outstanding	59,965,549	56,402,503	59,519,634	55,188,563
Diluted weighted average number of common shares outstanding	59,982,774	56,408,272	59,535,894	55,190,486
Dividends declared per Class A common share	\$ 1.00	\$ 0.67	\$ 3.16	\$ 2.56

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income before noncontrolling interests	\$ 113,366	\$ 84,693	\$ 336,865	\$ 200,043
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	(595)	794	(358)	(492)
Total other comprehensive income (loss)	(595)	794	(358)	(492)
Comprehensive income	112,771	85,487	336,507	199,551
Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings	24,697	21,723	74,028	55,795
Comprehensive income (loss) attributable to noncontrolling interests - consolidated investment products	2,157	4,619	10,903	4,749
Comprehensive income attributable to Artisan Partners Asset Management Inc.	<u>\$ 85,917</u>	<u>\$ 59,145</u>	<u>\$ 251,576</u>	<u>\$ 139,007</u>

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

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

	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Three months ended September 30, 2021									
Balance at July 1, 2021	\$ 648	\$ 36	\$ 106	\$ 119,855	\$ 100,429	\$ (817)	\$ 20,207	\$ 240,464	\$ 90,458
Net income	—	—	—	—	86,413	—	24,795	111,208	2,157
Other comprehensive income - foreign currency translation	—	—	—	—	—	(489)	(106)	(595)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(412)	—	(7)	419	—	—
Amortization of equity-based compensation	—	—	—	8,029	—	—	1,716	9,745	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	1,154	—	—	—	1,154	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(5)	—	—	—	(5)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Exchange of subsidiary equity	4	—	(4)	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	4,776
Distributions	—	—	—	—	—	—	(25,629)	(25,629)	—
Dividends	—	—	—	—	(65,345)	—	(44)	(65,389)	—
Balance at September 30, 2021	\$ 652	\$ 36	\$ 102	\$ 128,621	\$ 121,497	\$ (1,313)	\$ 21,358	\$ 270,953	\$ 97,391

	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Three months ended September 30, 2020									
Balance at July 1, 2020	\$ 614	\$ 56	\$ 116	\$ 88,098	\$ 34,562	\$ (2,539)	\$ 4,899	\$ 125,806	\$ 46,027
Net income	—	—	—	—	58,527	—	21,547	80,074	4,619
Other comprehensive income - foreign currency translation	—	—	—	—	—	620	174	794	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(740)	—	(2)	742	—	—
Amortization of equity-based compensation	—	—	—	7,249	—	—	1,998	9,247	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	139	—	—	—	139	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(1)	—	—	—	(1)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Exchange of subsidiary equity	—	(1)	—	—	—	—	—	(1)	—
Capital contributions, net	—	—	—	—	—	—	—	—	9,540
Distributions	—	—	—	—	—	—	(20,923)	(20,923)	—
Dividends	—	—	—	—	(41,374)	—	(25)	(41,399)	—
Balance at September 30, 2020	\$ 614	\$ 55	\$ 116	\$ 94,745	\$ 51,715	\$ (1,921)	\$ 8,412	\$ 153,736	\$ 60,186

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

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

	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Nine months ended September 30, 2021									
Balance at January 1, 2021	\$ 631	\$ 45	\$ 110	\$ 107,738	\$ 72,944	\$ (991)	\$ 10,565	\$ 191,042	\$ 93,753
Net income	—	—	—	—	251,898	—	74,064	325,962	10,903
Other comprehensive income - foreign currency translation	—	—	—	—	—	(301)	(57)	(358)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(1,256)	—	(21)	1,277	—	—
Amortization of equity-based compensation	—	—	—	24,798	—	—	5,301	30,099	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	4,994	—	—	—	4,994	—
Issuance of Class A common stock, net of issuance costs	10	—	—	46,651	—	—	—	46,661	—
Forfeitures and employee/partner terminations	(1)	—	—	1	—	—	—	—	—
Issuance of restricted stock awards	7	—	—	(7)	—	—	—	—	—
Employee net share settlement	(2)	—	—	(7,380)	—	—	(1,777)	(9,159)	—
Exchange of subsidiary equity	7	(2)	(5)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(7)	(3)	(46,918)	—	—	—	(46,928)	—
Capital contributions, net	—	—	—	—	—	—	—	—	59,818
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(67,083)
Distributions	—	—	—	—	—	—	(67,889)	(67,889)	—
Dividends	—	—	—	—	(203,345)	—	(126)	(203,471)	—
Balance at September 30, 2021	\$ 652	\$ 36	\$ 102	\$ 128,621	\$ 121,497	\$ (1,313)	\$ 21,358	\$ 270,953	\$ 97,391

	Class A Common stock	Class B Common stock	Class C Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests - Artisan Partners Holdings	Total stockholders' equity	Redeemable non- controlling interests
Nine months ended September 30, 2020									
Balance at January 1, 2020	\$ 564	\$ 78	\$ 136	\$ 89,149	\$ 44,455	\$ (1,425)	\$ 5,544	\$ 138,501	\$ 43,110
Net income	—	—	—	—	139,503	—	55,791	195,294	4,749
Other comprehensive income - foreign currency translation	—	—	—	—	—	(346)	(146)	(492)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(2,308)	—	(150)	2,458	—	—
Amortization of equity-based compensation	—	—	—	21,628	—	—	6,302	27,930	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	8,658	—	—	—	8,658	—
Issuance of Class A common stock, net of issuance costs	17	—	—	62,721	—	—	—	62,738	—
Issuance of restricted stock awards	9	—	—	(9)	—	—	—	—	—
Employee net share settlement	(1)	—	—	(3,314)	—	—	(1,215)	(4,530)	—
Exchange of subsidiary equity	25	(5)	(20)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(18)	—	(63,009)	—	—	—	(63,027)	—
Capital contributions, net	—	—	—	—	—	—	—	—	14,768
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(2,441)
Distributions	—	—	—	—	—	—	(60,245)	(60,245)	—
Dividends	—	—	—	(18,771)	(132,243)	—	(77)	(151,091)	—
Balance at September 30, 2020	\$ 614	\$ 55	\$ 116	\$ 94,745	\$ 51,715	\$ (1,921)	\$ 8,412	\$ 153,736	\$ 60,186

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

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

	For the Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net income before noncontrolling interests	\$ 336,865	\$ 200,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,081	4,967
Deferred income taxes	28,411	23,698
Asset impairment	—	871
Noncash lease expense	(1,272)	(1,275)
Net investment (gain) loss on nonconsolidated investment securities	(2,230)	642
Net (gain) loss on the tax receivable agreements	(358)	(238)
(Gain) loss on disposal of property and equipment	1	(4)
Amortization of debt issuance costs	304	304
Share-based compensation	30,099	27,931
Net investment (gain) loss of consolidated investment products	(18,068)	(7,751)
Purchase of investments by consolidated investment products	(190,614)	(130,486)
Proceeds from sale of investments by consolidated investment products	127,863	108,887
Change in assets and liabilities resulting in an increase (decrease) in cash:		
Accounts receivable	(22,260)	(16,555)
Prepaid expenses and other assets	(4,214)	(4,496)
Accounts payable and accrued expenses	113,355	78,770
Net change in operating assets and liabilities of consolidated investment products	1,205	13,413
Net cash provided by operating activities	404,168	298,721
Cash flows from investing activities		
Acquisition of property and equipment	(1,791)	(1,372)
Leasehold improvements	(3,338)	(370)
Proceeds from sale of investment securities	12,813	20,118
Purchase of investment securities	(33,820)	(2,149)
Net cash provided by (used in) investing activities	(26,136)	16,227
Cash flows from financing activities		
Partnership distributions	(67,889)	(60,245)
Dividends paid	(203,471)	(151,091)
Payment under the tax receivable agreements	(31,250)	(26,943)
Net proceeds from issuance of common stock	46,928	63,027
Payment of costs directly associated with the issuance of Class A common stock	(244)	(220)
Purchase of equity and subsidiary equity	(46,928)	(63,027)
Taxes paid related to employee net share settlement	(9,159)	(4,530)
Capital contributions to consolidated investment products, net	59,818	14,768
Net cash used in financing activities	(252,195)	(228,261)
Net increase (decrease) in cash, cash equivalents, and restricted cash	125,837	86,687
Net cash impact of deconsolidation of CIPs	(34,823)	—
Cash, cash equivalents and restricted cash		
Beginning of period	199,450	144,255
End of period	\$ 290,464	\$ 230,942
Cash, cash equivalents and restricted cash as of the end of the period		
Cash and cash equivalents	\$ 273,253	\$ 200,433
Restricted cash	629	629
Cash and cash equivalents of consolidated investment products	16,582	29,880
Cash, cash equivalents and restricted cash	\$ 290,464	\$ 230,942
Supplementary information		
Noncash activity:		
Establishment of deferred tax assets	\$ 28,548	\$ 46,437
Establishment of amounts payable under tax receivable agreements	23,206	37,602
Increase in investment securities due to deconsolidation of CIPs	20,900	1,469
Operating lease assets obtained in exchange for operating lease liabilities	2,434	3,406

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

ARTISAN PARTNERS ASSET MANAGEMENT INC.
Notes to Unaudited Consolidated Financial Statements
(U.S. currencies in thousands, except share and per share amounts and as otherwise indicated)

Note 1. Nature of Business and Organization

Nature of Business

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

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

Organization

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

As the sole general partner, APAM controls the business and affairs of Holdings. As a result, APAM consolidates Holdings’ financial statements and records a noncontrolling interest for the equity interests in Holdings held by the limited partners of Holdings. At September 30, 2021, APAM held approximately 83% of the equity ownership interest in Holdings.

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

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of such consolidated financial statements have been included. Such interim results are not necessarily indicative of full year results.

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

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

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

Principles of consolidation

Artisan’s policy is to consolidate all subsidiaries or other entities in which it has a controlling financial interest. The consolidation guidance requires an analysis to determine if an entity should be evaluated for consolidation using the voting interest entity (“VOE”) model or the variable interest entity (“VIE”) model. Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting interests. Under the VIE model, controlling financial interest is defined as (i) the power to direct activities that most significantly impact the economic performance of the entity and (ii) the right to receive potentially significant benefits or the obligation to absorb potentially significant losses.

Artisan generally consolidates VIEs in which it meets the power criteria and holds an equity ownership interest of greater than 10%. The consolidated financial statements include the accounts of APAM and all subsidiaries or other entities in which APAM has a direct or indirect controlling financial interest. All material intercompany balances have been eliminated in consolidation.

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

From time to time, the Company makes investments in Artisan Funds, Artisan Global Funds, and Artisan Private Funds. If the investment results in a controlling financial interest, APAM consolidates the fund, and the underlying activity of the entire fund is included in Artisan's Unaudited Consolidated Financial Statements. As of September 30, 2021, Artisan had a controlling financial interest in three sub-funds of Artisan Global Funds and two Artisan Private Funds and, as a result, these funds are included in Artisan's Unaudited Consolidated Financial Statements. Because these consolidated investment products meet the definition of investment companies under U.S. GAAP, Artisan has retained the specialized industry accounting principles for investment companies in the consolidated financial statements. See Note 6, "Variable Interest Entities and Consolidated Investment Products" for additional details.

Recent accounting pronouncements

None.

Note 3. Investment Securities

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

	As of September 30, 2021	As of December 31, 2020
Investments in equity securities	\$ 36,651	\$ 2,807
Investments in equity securities accounted for under the equity method	11,141	849
Total investment securities	\$ 47,792	\$ 3,656

Artisan's investments in equity securities consist of investments in shares of Artisan Funds, Artisan Global Funds and Artisan Private Funds. As of September 30, 2021, \$35.9 million of Artisan's investment securities were related to funded long-term incentive compensation plans. Unrealized gains (losses) related to investment securities held at the end of the periods identified below were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Unrealized gain (loss) on investment securities held at the end of the period	\$ (2,098)	\$ 276	\$ 1,516	\$ 522

Note 4. Fair Value Measurements

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

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

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

The following provides the hierarchy of inputs used to derive fair value of Artisan’s assets and liabilities that are financial instruments as of September 30, 2021 and December 31, 2020:

Assets and Liabilities at Fair Value					
	Total	NAV Practical Expedient (No Fair Value Level)	Level 1	Level 2	Level 3
September 30, 2021					
Assets					
Money market funds	\$ 97,859	\$ —	\$ 97,859	\$ —	\$ —
Equity securities	47,792	10,372	37,420	—	—
December 31, 2020					
Assets					
Money market funds	\$ 25,855	\$ —	\$ 25,855	\$ —	\$ —
Equity securities	3,656	57	3,599	—	—

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

Note 5. Borrowings

Artisan’s borrowings consist of the following as of September 30, 2021 and December 31, 2020:

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

The fair value of borrowings was approximately \$204.0 million as of September 30, 2021. Fair value was determined based on future cash flows, discounted to present value using current market interest rates. The inputs are categorized as Level 2 in the fair value hierarchy, as defined in Note 4, “Fair Value Measurements”.

Interest expense incurred on the unsecured notes and revolving credit agreement was \$2.6 million for the three months ended September 30, 2021 and 2020, and \$7.7 million for the nine months ended September 30, 2021 and 2020.

As of September 30, 2021, the aggregate maturities of debt obligations, based on their contractual terms, are as follows:

2021	\$ —
2022	90,000
2023	—
2024	—
2025	60,000
Thereafter	50,000
Total	\$ 200,000

Note 6. Variable Interest Entities and Consolidated Investment Products

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

As of September 30, 2021, Artisan is considered to have a controlling financial interest in three sub-funds of Artisan Global Funds and two Artisan Private Funds, with an aggregate direct equity investment in the consolidated investment products of \$54.5 million.

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

Management and performance fees earned from CIPs are eliminated from revenue upon consolidation. See Note 15, "Related Party Transactions" for additional information on management and performance fees earned from CIPs.

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

During the nine months ended September 30, 2021, the Company determined that it no longer had a controlling financial interest in one Artisan Private Fund upon the redemption of the Company's seed investment. Upon loss of control, the VIE was deconsolidated and the following assets, liabilities, and equity of the fund were derecognized from the Company's Unaudited Condensed Consolidated Statements of Financial Condition:

	As of January 1, 2021
<i>Assets of consolidated investment products</i>	
Cash and cash equivalents	\$ 34,823
Accounts receivable and other	1,769
Investment assets, at fair value	72,868
Less: Amounts reclassified to investment securities	(11,200)
Total assets	\$ 98,260
<i>Liabilities of consolidated investment products</i>	
Accounts payable, accrued expenses, and other	\$ 76,960
Investment liabilities, at fair value	566
Total liabilities	77,526
Redeemable noncontrolling interests	20,734
Total liabilities and equity	\$ 98,260

There was no net impact to the Unaudited Consolidated Statements of Operations for the nine months ended September 30, 2021. Artisan generally does not recognize a gain or loss upon deconsolidation of investment products because the assets and liabilities of CIPs are carried at fair value.

As of September 30, 2021, Artisan held direct equity investments of \$11.1 million in VIEs for which the Company does not hold a controlling financial interest. These direct equity investments consisted of seed investments in sub-funds of Artisan Global Funds and Artisan Private Funds, both of which are accounted for under the equity method of accounting because Artisan has significant influence over the funds.

Fair Value Measurements - Consolidated Investment Products

Investments held by CIPs are reflected at fair value. Short and long positions on equity securities are valued based upon closing prices of the security on the exchange or market designated by the accounting agent or pricing vendor as the principal exchange. The closing price may represent last sale price, official closing price, a closing auction or other information depending on market convention. Short and long positions on fixed income instruments are valued at market value. Market values are generally evaluations based on the judgment of pricing vendors, which may consider, among other factors, the prices at which securities actually trade, broker-dealer quotations, pricing formulas, estimates of market values obtained from yield data relating to investments or securities with similar characteristics and/or discounted cash flow models that might be applicable. Derivative assets and liabilities are generally comprised of put and call options on securities and indices. Put and call options are valued at the mid price (average of bid price and ask price) as provided by the pricing vendor at the close of trading on the contract's principal exchange. The following tables present the fair value hierarchy levels of assets and liabilities held by CIPs measured at fair value as of September 30, 2021 and December 31, 2020:

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
September 30, 2021				
Assets				
Money market funds	\$ 16,467	\$ 16,467	\$ —	\$ —
Equity securities - long position	29,806	29,174	632	—
Fixed income instruments - long position	146,044	—	146,044	—
Derivative assets	68	68	—	—
Liabilities				
Equity securities - short position	\$ 1,186	\$ 1,186	\$ —	\$ —
Fixed income instruments - short position	11,790	—	11,790	—
Derivative liabilities	187	—	187	—

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
December 31, 2020				
Assets				
Money market funds	\$ 7,822	\$ 7,822	\$ —	\$ —
Equity securities - long position	83,960	83,027	933	—
Fixed income instruments - long position	133,518	—	133,518	—
Derivative assets	12,902	12,902	—	—
Liabilities				
Fixed income instruments - short position	\$ 14,978	\$ —	\$ 14,978	\$ —
Derivative liabilities	753	566	187	—

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

	As of September 30, 2021	As of December 31, 2020
Net CIP assets included in the table above	\$ 179,222	\$ 222,471
Net CIP assets/(liabilities) not included in the table above	(27,311)	(69,763)
Total Net CIP assets	151,911	152,708
Less: redeemable noncontrolling interests	97,391	93,753
Artisan's direct equity investment in CIPs	\$ 54,520	\$ 58,955

Note 7. Noncontrolling Interests - Holdings

Net income attributable to noncontrolling interests - Artisan Partners Holdings in the Unaudited Consolidated Statements of Operations represents the portion of earnings or loss attributable to the equity ownership interests in Holdings held by the limited partners of Holdings. As of September 30, 2021, APAM held approximately 83% of the equity ownership interests in Holdings.

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

In order to maintain the one-to-one correspondence of the number of Holdings partnership units and APAM common shares, Holdings will issue one general partner ("GP") unit to APAM for each share of Class A common stock issued by APAM. For the nine months ended September 30, 2021, APAM's equity ownership interest in Holdings increased as a result of the following transactions:

	Holdings GP Units	Limited Partnership Units	Total	APAM Ownership %
Balance at December 31, 2020	63,131,007	15,441,103	78,572,110	80 %
2021 Follow-On Offering	963,614	(963,614)	—	1 %
Holdings Common Unit Exchanges	653,741	(653,741)	—	1 %
Issuance of APAM Restricted Shares	740,249	—	740,249	1 %
Delivery of Shares Underlying RSUs ⁽¹⁾	1,074	—	1,074	— %
Restricted Share Award Net Share Settlement ⁽¹⁾	(176,194)	—	(176,194)	— %
Forfeitures from Employee Terminations ⁽¹⁾	(97,600)	—	(97,600)	— %
Balance at September 30, 2021	65,215,891	13,823,748	79,039,639	83 %

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

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

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

Statement of Financial Condition	For the Nine Months Ended September 30,	
	2021	2020
Additional paid-in capital	\$ (1,256)	\$ (740)
Noncontrolling interests - Artisan Partners Holdings	1,277	742
Accumulated other comprehensive income (loss)	(21)	(2)
Net impact to financial condition	\$ —	\$ —

In addition to the reallocation of historical equity, the change in ownership resulted in an increase to deferred tax assets and additional paid-in capital of \$0.8 million and \$2.0 million for the nine months ended September 30, 2021 and 2020, respectively.

Note 8. Stockholders' Equity

APAM - Stockholders' Equity

APAM had the following authorized and outstanding equity as of September 30, 2021 and December 31, 2020, respectively:

	Authorized	Outstanding		Voting Rights ⁽¹⁾	Economic Rights
		As of September 30, 2021	As of December 31, 2020		
Common shares					
Class A, par value \$0.01 per share	500,000,000	65,215,891	63,131,007	1 vote per share	Proportionate
Class B, par value \$0.01 per share	200,000,000	3,632,687	4,457,958	1 vote per share	None
Class C, par value \$0.01 per share	400,000,000	10,191,061	10,983,145	1 vote per share	None

⁽¹⁾ The Company's employees to whom Artisan has granted equity have entered into a stockholders agreement with respect to all shares of APAM common stock they have acquired from the Company and any shares they may acquire from the Company in the future, pursuant to which they granted an irrevocable voting proxy to a Stockholders Committee. As of September 30, 2021, Artisan's employees held 5,142,292 restricted shares of Class A common stock and all 3,632,687 outstanding shares of Class B common stock, all of which were subject to the agreement.

APAM is dependent on cash generated by Holdings to fund any dividends. Generally, Holdings will make distributions to all of its partners, including APAM, based on the proportionate ownership each holds in Holdings. APAM will fund dividends to its stockholders from its proportionate share of those distributions after provision for its taxes and other obligations. APAM declared and paid the following dividends per share during the three and nine months ended September 30, 2021 and 2020:

Type of Dividend	Class of Stock	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2021	2020	2021	2020
Quarterly	Class A Common	\$ 1.00	\$ 0.67	\$ 2.85	\$ 1.96
Special Annual	Class A Common	\$ —	\$ —	\$ 0.31	\$ 0.60

The following table summarizes APAM's stock transactions for the nine months ended September 30, 2021:

	Total Stock Outstanding	Class A Common Stock ⁽¹⁾	Class B Common Stock	Class C Common Stock
Balance at December 31, 2020	78,572,110	63,131,007	4,457,958	10,983,145
2021 Follow-On Offering	—	963,614	(638,614)	(325,000)
Holdings Common Unit Exchanges	—	653,741	(186,657)	(467,084)
Restricted Share Award Grants	740,249	740,249	—	—
Restricted Share Award Net Share Settlement	(176,194)	(176,194)	—	—
Delivery of Shares Underlying RSUs	1,074	1,074	—	—
Employee/Partner Terminations	(97,600)	(97,600)	—	—
Balance at September 30, 2021	79,039,639	65,215,891	3,632,687	10,191,061

⁽¹⁾ There were 327,713 and 304,570 restricted stock units outstanding at September 30, 2021 and December 31, 2020, respectively. In addition, there were 135,230 performance share units outstanding at September 30, 2021. Based on the current status of the market and performance conditions, the 135,230 unvested performance share units would ultimately result in the issuance of 165,233 shares of Class A common stock if all other vesting conditions were met. Restricted stock units and performance share units are not reflected in the table because they are not considered outstanding or issued stock.

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

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

Artisan Partners Holdings - Partners' Equity

Holdings makes distributions of its net income to the holders of its partnership units for income taxes as required under the terms of the partnership agreement and also makes additional distributions under the terms of the partnership agreement. The distributions are recorded in the financial statements on the declaration date, or on the payment date in lieu of a declaration date. Holdings' partnership distributions for the three and nine months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Holdings Partnership Distributions to Limited Partners	\$ 25,629	\$ 20,923	\$ 67,889	\$ 60,245
Holdings Partnership Distributions to APAM	110,555	70,024	285,007	181,379
Total Holdings Partnership Distributions	\$ 136,184	\$ 90,947	\$ 352,896	\$ 241,624

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

Note 9. Revenue From Contracts with Customers

Disaggregated Revenue

The following table presents a disaggregation of investment advisory revenue by type and vehicle for the three and nine months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>Management fees</i>				
Artisan Funds	\$ 186,254	\$ 131,942	\$ 528,924	\$ 356,318
Artisan Global Funds	12,822	8,455	35,568	23,884
Separate accounts and other ⁽¹⁾	117,100	92,077	336,519	247,103
<i>Performance fees</i>				
Artisan Global Funds	—	14	—	14
Separate accounts and other ⁽¹⁾	398	265	11,189	11,212
Total revenues ⁽²⁾	\$ 316,574	\$ 232,753	\$ 912,200	\$ 638,531

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

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

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

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

	As of September 30, 2021	As of December 31, 2020
Customer		
Artisan Funds	\$ 6,041	\$ 5,227
Artisan Global Funds	5,416	4,473
Separate accounts and other	100,524	87,971
Total receivables from contracts with customers	\$ 111,981	\$ 97,671
Non-customer receivables	10,167	2,217
Accounts receivable	\$ 122,148	\$ 99,888

Artisan Funds and Artisan Global Funds are billed on the last day of each month. Artisan Funds and Artisan Global Funds make payments on the same day the invoice is received for the majority of the invoiced amount. The remainder of the invoice is generally paid in the month following receipt of the invoice. Separate accounts and other clients are generally billed on a monthly or quarterly basis, with payments due within 30 days of billing. Artisan had no other contract assets or liabilities from contracts with customers as of September 30, 2021 or December 31, 2020.

Note 10. Compensation and Benefits

Total compensation and benefits consists of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Salaries, incentive compensation and benefits ⁽¹⁾	\$ 130,831	\$ 99,517	\$ 385,106	\$ 288,186
Long-term cash incentive compensation expense	1,806	—	4,941	—
Restricted share-based award compensation expense	9,598	9,140	29,666	27,392
Long-term incentive compensation awards	11,404	9,140	34,607	27,392
Total compensation and benefits	\$ 142,235	\$ 108,657	\$ 419,713	\$ 315,578

⁽¹⁾ Excluding long-term incentive compensation awards

Incentive compensation

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

Long-term incentive compensation awards consist of both APAM restricted share-based awards and long-term cash awards, which are referred to as franchise capital awards. These awards are described in more detail below.

Restricted share-based awards

Artisan has registered 14,000,000 shares of Class A common stock for issuance under the 2013 Omnibus Incentive Compensation Plan (the "Plan"). Pursuant to the Plan, APAM has granted a combination of restricted stock awards, restricted stock units, and performance share units (collectively referred to as "restricted share-based awards" or "awards") of Class A common stock to employees.

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

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

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

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

Compensation expense is recognized based on the estimated grant date fair value on a straight-line basis over the requisite service period of the award. The initial requisite service period is generally five years for restricted stock awards and restricted stock units, and three years for performance share units. The fair value of each award is equal to the market price of the Company's common stock on the grant date, except for performance share units with a "market condition" performance metric under ASC 718, which have a grant-date fair value based on a Monte Carlo valuation model.

Unvested restricted share-based awards are subject to forfeiture. The Company's accounting policy is to record the impact of forfeitures when they occur. Grantees are generally entitled to dividends or dividend equivalents on unvested and vested awards. 3,878,720 shares of Class A common stock were reserved and available for issuance under the Plan as of September 30, 2021.

During the nine months ended September 30, 2021, Artisan granted 740,249 restricted stock awards, 1,306 restricted stock units, and 75,230 performance share units of Class A common stock to employees of the Company. Total compensation expense associated with the 2021 grant is expected to be approximately \$44.2 million.

The following tables summarize the restricted share-based award activity for the nine months ended September 30, 2021:

	Weighted-Average Grant Date Fair Value	Restricted Stock Awards and Restricted Stock Units
Unvested at January 1, 2021	\$ 35.09	5,293,642
Granted	52.93	741,555
Forfeited	29.85	(98,197)
Vested	31.53	(685,178)
Unvested at September 30, 2021	\$ 38.17	5,251,822

	Weighted-Average Grant Date Fair Value	Performance Share Units
Unvested at January 1, 2021	\$ 52.45	60,000
Granted	68.58	75,230
Forfeited	—	—
Vested	—	—
Unvested at September 30, 2021	\$ 61.42	135,230

Based on the current status of the market and performance conditions, the 135,230 unvested performance share units would ultimately result in the issuance of 165,233 shares of Class A common stock if all other vesting conditions were met.

The unrecognized compensation expense for the unvested restricted stock awards and restricted stock units as of September 30, 2021 was \$85.6 million with a weighted average recognition period of 3.4 years remaining. The unrecognized compensation expense for the unvested performance share units as of September 30, 2021 was \$5.8 million with a weighted average recognition period of 3.0 years remaining.

During the nine months ended September 30, 2021, the Company withheld a total of 176,194 restricted shares and paid or will pay a total of \$9.2 million as a result of net share settlements to satisfy employee tax withholding obligations. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the number of shares outstanding.

Long-term cash awards (franchise capital awards)

During the nine months ended September 30, 2021, Artisan granted \$35.0 million of franchise capital awards to investment team members in lieu of restricted share-based awards. The franchise capital awards are subject to the same long-term vesting and forfeiture provisions as restricted share-based awards. Prior to vesting, franchise capital awards are invested in one or more of the investment strategies managed by the award recipient's investment team. During the vesting period, the value of the awards will increase or decrease based on the investment returns of the strategies in which the awards are invested. Compensation expense, including the appreciation or depreciation related to investment returns, is recognized on a straight-line basis over the required service period, which is generally five years. Because the awards will be paid out in cash upon vesting, the fair value of unvested awards is recorded as a liability based on the percentage of the service requirement that has been completed.

The company hedges its economic exposure to the change in value of these awards due to market movements by investing the cash reserved for the awards in the underlying investments. The franchise capital award liability and the underlying investment holdings are marked to market each quarter. The change in value of the award liability is recognized as a compensation expense on a straight-line basis over the required service period. The change in value of the underlying investment holdings is recognized in non-operating income (expense) in the period of change. While there is a timing difference between the recognition of the compensation expense and the offsetting investment gain or loss, the compensation expense and investment income will net to zero at the end of the multi-year vesting period for all awards that ultimately vest. The change in value of the investments had the following impact on the unaudited consolidated statements of operations:

Statement of Operations Section	Statement of Operations Line Item	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2021	2020	2021	2020
Operating expenses	Compensation and benefits	\$ 83	\$ —	\$ 297	\$ —
Non-operating income (expense)	Other net investment gain (loss)	(356)	—	2,117	—

Note 11. Income Taxes and Related Payments

APAM is subject to U.S. federal, state and local income taxation on APAM's allocable portion of Holdings' income as well as foreign income taxes payable by Holdings' subsidiaries. APAM's effective income tax rate was lower than the U.S. federal statutory rate of 21% primarily due to a rate benefit attributable to the fact that, for the nine months ended September 30, 2021, approximately 20% of Artisan Partners Holdings' full year projected taxable earnings were attributable to other partners and not subject to corporate-level taxes. The effective tax rate was also lower than the statutory rate due to tax deductible dividends paid on unvested restricted share-based awards and favorable tax deductions related to the vesting of restricted share-based awards.

APAM's effective tax rate was 18.8% and 18.1% for the nine months ended September 30, 2021 and 2020, respectively.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Current:				
Federal	\$ 15,097	\$ 8,539	\$ 38,414	\$ 15,685
State and local	4,339	1,992	10,906	4,511
Foreign	152	97	406	261
Total	19,588	10,628	49,726	20,457
Deferred:				
Federal	7,198	6,703	24,155	20,313
State and local	1,268	1,117	4,256	3,385
Total	8,466	7,820	28,411	23,698
Income tax expense (benefit)	\$ 28,054	\$ 18,448	\$ 78,137	\$ 44,155

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

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

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

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

Payments under the TRAs, if any, will be made pro rata among all TRA counterparties entitled to payments on an annual basis to the extent APAM has sufficient taxable income to utilize the increased depreciation and amortization charges and imputed interest deductions. Artisan expects to make one or more payments under the TRAs, to the extent they are required, prior to or within 125 days after APAM’s U.S. federal income tax return is filed for each fiscal year. Interest on the TRA payments will accrue at a rate equal to one-year LIBOR plus 100 basis points from the due date (without extension) of such tax return until such payments are made. Amounts payable under the TRAs are estimates which may be impacted by factors, including but not limited to, expected tax rates, projected taxable income, and projected ownership levels and are subject to change. Changes in the estimates of amounts payable under tax receivable agreements are recorded as non-operating income (loss) in the Unaudited Consolidated Statements of Operations.

The change in the Company’s deferred tax assets related to the tax benefits described above and the change in corresponding amounts payable under the TRAs for the nine months ended September 30, 2021 is summarized as follows:

	Deferred Tax Asset - Amortizable Basis	Amounts Payable Under TRAs
December 31, 2020	\$ 446,954	\$ 412,468
2021 Follow-On Offering	16,362	13,908
2021 Holdings Common Unit Exchanges	11,360	9,656
Amortization	(29,378)	—
Payments under TRAs	—	(31,250)
Change in estimate	(9)	(358)
September 30, 2021	\$ 445,289	\$ 404,424

Net deferred tax assets comprise the following:

	As of September 30, 2021	As of December 31, 2020
Deferred tax assets:		
Amortizable basis ⁽¹⁾	\$ 445,289	\$ 446,954
Other ⁽²⁾	36,919	35,107
Total deferred tax assets	482,208	482,061
Less: valuation allowance ⁽³⁾	—	—
Net deferred tax assets	\$ 482,208	\$ 482,061

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

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

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

Accounting standards establish a minimum threshold for recognizing, and a process for measuring, the benefits of income tax return positions in financial statements. The Company's gross liability for unrecognized tax benefits was \$1.3 million as of September 30, 2021 and December 31, 2020. The total amount of unrecognized tax benefits is not expected to significantly increase or decrease within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. Accrued interest on uncertain tax positions was \$0.2 million as of September 30, 2021 and December 31, 2020. The gross unrecognized tax benefit is recorded within accounts payable, accrued expenses, and other in the Company's Unaudited Condensed Consolidated Statements of Financial Condition.

In the normal course of business, Artisan is subject to examination by federal and certain state, local and foreign tax regulators. As of September 30, 2021, U.S. federal income tax returns filed for the years 2018 through 2020 are open and therefore subject to examination. State, local, and foreign income tax returns filed are generally subject to examination from 2017 to 2020.

Note 12. Earnings Per Share

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

Diluted earnings per share is computed under the more dilutive of the treasury stock method or the two-class method. The weighted average number of Class A common shares outstanding during the period is increased by the assumed conversion of nonparticipating unvested share-based awards into Class A common stock using the treasury stock method.

The computation of basic and diluted earnings per share for the nine months ended September 30, 2021 and 2020 were as follows:

Basic and Diluted Earnings Per Share	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>Numerator:</i>				
Net income attributable to APAM	\$ 86,413	\$ 58,527	\$ 251,898	\$ 139,503
Less: Allocation to participating securities	8,226	6,006	23,260	16,944
Net income available to common stockholders	\$ 78,187	\$ 52,521	\$ 228,638	\$ 122,559
<i>Denominator:</i>				
Basic weighted average shares outstanding	59,965,549	56,402,503	59,519,634	55,188,563
Dilutive effect of nonparticipating share-based awards	17,225	5,769	16,260	1,923
Diluted weighted average shares outstanding	59,982,774	56,408,272	59,535,894	55,190,486
Earnings per share - Basic	\$ 1.30	\$ 0.93	\$ 3.84	\$ 2.22
Earnings per share - Diluted	\$ 1.30	\$ 0.93	\$ 3.84	\$ 2.22

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

The Holdings limited partnership units are anti-dilutive primarily due to the impact of public company expenses. Unvested restricted share-based awards with non-forfeitable dividend rights during the vesting period are considered participating securities and are therefore anti-dilutive. The following table summarizes the weighted-average shares outstanding that are excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive:

Anti-Dilutive Weighted Average Shares Outstanding	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Holdings limited partnership units	14,146,934	17,177,313	14,486,932	18,308,766
Unvested restricted share-based awards	5,417,353	5,389,854	5,438,556	5,323,596
Total	19,564,287	22,567,167	19,925,488	23,632,362

Note 13. Indemnifications

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

Note 14. Leases

Operating lease expense was as follows:

Lease Type	Classification	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2021	2020	2021	2020
Parking leases	Compensation and benefits	\$ 130	\$ 130	\$ 388	\$ 389
Office leases ⁽¹⁾	Occupancy	3,664	4,312	10,862	11,337
Variable lease cost ⁽²⁾	Occupancy	14	193	44	233
Short-term lease cost ⁽²⁾	Occupancy	97	109	257	286
Sublease income	Occupancy	(100)	—	(167)	(286)
Office equipment leases	Communication and technology	59	67	190	212
Total operating lease expense		\$ 3,864	\$ 4,811	\$ 11,574	\$ 12,171

⁽¹⁾ Office lease expense includes an impairment charge of \$0.9 million for the three and nine months ended September 30, 2020, related to the abandonment of a leased office space, as discussed below. No impairment charges were recorded for the three and nine months ended September 30, 2021.

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

The table below presents the maturity of operating lease liabilities:

	As of September 30, 2021
2021 (excluding the nine months ended September 30, 2021)	\$ 4,435
2022	16,305
2023	14,738
2024	13,567
2025	13,448
Thereafter	37,124
Total undiscounted lease payments ⁽¹⁾	\$ 99,617
Adjustment to discount to present value	(14,242)
Total operating lease liabilities	\$ 85,375

⁽¹⁾ Total undiscounted lease payments excludes \$41.2 million of operating lease payments associated with leases that have been signed but have not yet commenced as of September 30, 2021. Leases that have been signed but have not yet commenced are also excluded from operating lease assets and operating lease liabilities within the Unaudited Condensed Consolidated Statements of Financial Condition.

As of September 30, 2021, none of the options to extend lease terms were reasonably certain of being exercised. Other information related to leases was as follows:

	For the Nine Months Ended September 30,	
	2021	2020
Weighted average discount rate	4.6 %	4.6 %
Weighted average remaining lease term	6.7 years	7.3 years
Operating cash flows for operating leases	\$ 12,779	\$ 12,396

Note 15. Related Party Transactions

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

Affiliate transactions—Artisan Funds

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

Investment advisory fees for managing Artisan Funds and amounts reimbursed by Artisan for fees and expenses (including management fees) are as follows:

Artisan Funds	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Investment advisory fees (Gross of expense reimbursements)	\$ 186,434	\$ 132,128	\$ 529,441	\$ 356,758
Expense reimbursements	\$ 180	\$ 186	\$ 517	\$ 440

Affiliate transactions—Artisan Global Funds

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

Investment advisory fees for managing Artisan Global Funds and amounts reimbursed to Artisan Global Funds by Artisan are as follows:

Artisan Global Funds	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Investment advisory fees (Gross of expense reimbursements)	\$ 12,873	\$ 8,545	\$ 35,672	\$ 24,088
Elimination of fees from consolidated investment products ⁽¹⁾	(19)	(15)	(56)	(41)
Consolidated investment advisory fees (Gross of expense reimbursements)	\$ 12,854	\$ 8,530	\$ 35,616	\$ 24,047
Expense reimbursements	\$ 147	\$ 192	\$ 334	\$ 402
Elimination of expense reimbursements from consolidated investment products ⁽¹⁾	(115)	(131)	(286)	(253)
Consolidated expense reimbursements	\$ 32	\$ 61	\$ 48	\$ 149

⁽¹⁾ Investment advisory fees and expense reimbursements related to consolidated investment products are eliminated from revenue upon consolidation.

Affiliate transactions—Artisan Private Funds

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

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

Investment advisory fees for managing the Artisan Private Funds and amounts reimbursed to Artisan Private Funds by Artisan are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Artisan Private Funds				
Investment advisory fees (Gross of expense reimbursements)	\$ 3,785	\$ 1,836	\$ 9,269	\$ 4,651
Elimination of fees from consolidated investment products ⁽¹⁾	(117)	(92)	(332)	(198)
Consolidated investment advisory fees (Gross of expense reimbursements)	\$ 3,668	\$ 1,744	\$ 8,937	\$ 4,453
Expense reimbursements	\$ 67	\$ 79	\$ 221	\$ 183
Elimination of expense reimbursements from consolidated investment products ⁽¹⁾	(56)	(45)	(126)	(75)
Consolidated expense reimbursements	\$ 11	\$ 34	\$ 95	\$ 108

⁽¹⁾ Investment advisory fees and expense reimbursements related to consolidated investment products are eliminated from revenue upon consolidation.

Note 16. Subsequent Events

Distributions and dividends

APAM, acting as the general partner of Artisan Partners Holdings, declared, effective October 26, 2021, a distribution by Artisan Partners Holdings of \$33.3 million to holders of Artisan Partners Holdings partnership units, including APAM. The board of directors of APAM declared, effective October 26, 2021, a quarterly dividend of \$1.07 per share of Class A common stock. The APAM dividend is payable on November 30, 2021, to shareholders of record as of November 16, 2021.

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

Overview

We are an investment management firm focused on providing high-value added, active investment strategies to sophisticated clients globally. As of September 30, 2021, our nine autonomous investment teams managed a total of 20 investment strategies across multiple asset classes and investment styles. Over our firm's history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk.

We focus our distribution efforts on sophisticated investors and asset allocators, including institutions and intermediaries that operate with institutional-like decision-making processes. We offer our investment strategies to clients and investors through multiple investment vehicles, including separate accounts and different types of pooled vehicles. As of September 30, 2021, approximately 78% of our assets under management were managed for clients and investors domiciled in the U.S. and 22% of our assets under management were managed for clients and investors domiciled outside of the U.S.

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

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

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

Business and financial highlights for the quarter included:

- Michael Cirami, Michael O'Brien and Sarah Orvin joined Artisan to build the firm's newest autonomous investment franchise. The new team will develop active, differentiated strategies with broad exposure to the emerging markets debt asset class. We expect to launch the team's initial strategies during the first half of 2022.
- During the three months ended September 30, 2021, our assets under management declined to \$173.6 billion, a decrease of \$1.6 billion, or 1%, compared to \$175.2 billion at June 30, 2021, as a result of \$1.6 billion of negative investment returns.
- Average assets under management for the three months ended September 30, 2021 were \$177.6 billion, an increase of 36% from the average of \$131.0 billion for the three months ended September 30, 2020, and an increase of 4% from the average of \$170.5 billion for the three months ended June 30, 2021.
- We earned \$316.6 million in revenue for the three months ended September 30, 2021, an increase of 36% from revenues of \$232.7 million for the three months ended September 30, 2020.
- Our GAAP operating margin was 45.2% for the three months ended September 30, 2021, compared to 41.8% for the three months ended September 30, 2020.
- We generated \$1.30 of earnings per basic and diluted share and \$1.33 of adjusted EPS.
- We declared and distributed dividends of \$1.00 per share of Class A common stock during the three months ended September 30, 2021.
- We declared, effective October 26, 2021, a quarterly dividend of \$1.07 per share of Class A common stock.

COVID-19 Pandemic

The COVID-19 pandemic continues to impact the manner in which we operate. During the third quarter, the majority of our associates continued to work from home the majority of the time and business travel remained significantly reduced from pre-COVID-19 levels. Additionally, many third-party vendors on whom we rely for certain critical functions also continued to operate in fully or partially remote environments during the third quarter.

We expect that many of our associates will transition back to working in an Artisan office location for part or all of the time during the fourth quarter, such that by year-end the vast majority of our associates will be working in an Artisan office more often than not. Given the continued uncertainty surrounding the COVID-19 pandemic, it is difficult to predict whether further changes to associates' work arrangements will be needed and how long the reduced business travel will last. We expect most operating costs to return to pre-COVID-19 levels when associates return to the office and resume business travel.

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

Organizational Structure

Organizational Structure

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

Our employees and other limited partners of Holdings held approximately 17% of the equity interests in Holdings as of September 30, 2021. As a result, our results reflect that significant noncontrolling interest.

We operate our business in a single segment.

2021 Follow-On Offering and Holdings Unit Exchanges

On March 1, 2021, the Company sold 963,614 shares of Class A common stock in an underwritten offering and utilized all of the proceeds to purchase an aggregate of 963,614 common units from certain limited partners of Holdings. In connection with the offering, APAM received 963,614 GP units of Holdings.

During the nine months ended September 30, 2021, certain limited partners of Holdings exchanged 653,741 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 653,741 shares of Class A common stock. In connection with the exchanges, APAM received 653,741 GP units of Holdings.

APAM’s equity ownership interest in Holdings increased from 80% at December 31, 2020 to 83% at September 30, 2021, as a result of these transactions and other equity transactions during the period.

Financial Overview

Economic Environment

Global equity and debt market conditions materially affect our financial performance. The following table presents the total returns of relevant market indices for the three and nine months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
S&P 500 total returns	0.6 %	8.9 %	15.9 %	5.6 %
MSCI All Country World total returns	(1.1)%	8.1 %	11.1 %	1.4 %
MSCI EAFE total returns	(0.4)%	4.8 %	8.3 %	(7.1)%
Russell Midcap® total returns	(0.9)%	7.5 %	15.2 %	(2.3)%
MSCI Emerging Markets Index	(8.1)%	9.6 %	(1.2)%	(1.2)%
ICE BofA U.S. High Yield Master II Total Return Index	0.9 %	4.7 %	4.7 %	(0.3)%

Key Performance Indicators

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(unaudited; dollars in millions)				
Assets under management at period end	\$ 173,623	\$ 134,288	\$ 173,623	\$ 134,288
Average assets under management ⁽¹⁾	\$ 177,557	\$ 130,967	\$ 170,380	\$ 118,142
Net client cash flows ⁽²⁾	\$ 11	\$ 2,148	\$ 2,463	\$ 5,093
Total revenues	\$ 316.6	\$ 232.7	\$ 912.2	\$ 638.5
Weighted average management fee ⁽³⁾	70.7 bps	70.7 bps	70.8 bps	71.0 bps
Operating margin	45.2 %	41.8 %	44.1 %	38.3 %
Adjusted operating margin ⁽⁴⁾	45.2 %	41.8 %	44.2 %	38.3 %

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

⁽²⁾ Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested. Prior period net client cash flows have been recast to exclude Artisan Funds' distributions.

⁽³⁾ We compute our weighted average management fee by dividing annualized investment management fees (which excludes performance fees) by average assets under management for the applicable period.

⁽⁴⁾ Adjusted measures are non-GAAP measures and are explained and reconciled to the comparable GAAP measures in "Supplemental Non-GAAP Financial Information" below.

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

Assets Under Management and Investment Performance

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

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

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

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

	For the Three Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(unaudited; in millions)			
Beginning assets under management	\$ 175,214	\$ 120,574	\$ 54,640	45.3 %
Gross client cash inflows	6,942	8,860	(1,918)	(21.6)%
Gross client cash outflows	(6,931)	(6,712)	(219)	(3.3)%
Net client cash flows ⁽¹⁾	11	2,148	(2,137)	(99.5)%
Artisan Funds' distributions not reinvested ⁽²⁾	(39)	(33)	(6)	(18.2)%
Investment returns and other ⁽³⁾	(1,563)	11,599	(13,162)	(113.5)%
Ending assets under management	\$ 173,623	\$ 134,288	\$ 39,335	29.3 %
Average assets under management	\$ 177,557	\$ 130,967	\$ 46,590	35.6 %

	For the Nine Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(unaudited; in millions)			
Beginning assets under management	\$ 157,776	\$ 121,016	\$ 36,760	30.4 %
Gross client cash inflows	25,814	27,240	(1,426)	(5.2)%
Gross client cash outflows	(23,351)	(22,147)	(1,204)	(5.4)%
Net client cash flows ⁽¹⁾	2,463	5,093	(2,630)	(51.6)%
Artisan Funds' distributions not reinvested ⁽²⁾	(114)	(96)	(18)	(18.8)%
Investment returns and other ⁽³⁾	13,498	8,275	5,223	63.1 %
Ending assets under management	\$ 173,623	\$ 134,288	\$ 39,335	29.3 %
Average assets under management	\$ 170,380	\$ 118,142	\$ 52,238	44.2 %

⁽¹⁾ Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested. Prior period net client cash flows have been recast to exclude Artisan Funds' distributions.

⁽²⁾ Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds, including in the Artisan High Income Fund.

⁽³⁾ Includes the impact of translating the value of assets under management denominated in non-USD currencies into U.S. dollars. The impact was immaterial for the periods presented.

During the quarter, our AUM decreased by \$1.6 billion due to \$1.6 billion of negative investment returns. For the quarter, 12 of our 20 investment strategies had net inflows totaling \$2.4 billion, which were offset by \$2.4 billion of net outflows from the remaining strategies.

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

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

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

As of the date of this filing, the Artisan High Income Fund, Artisan International Value Fund and Artisan International Small-Mid Fund are closed to most new investors and their respective strategies have limited availability to most new client relationships. In addition, we are actively managing the capacity of our Global Opportunities and U.S. Small-Cap Growth strategies with respect to new client relationships.

In November 2021 we expect the Artisan Funds will make their annual income and capital gain distributions. Based on our current estimates and assumptions, we expect this year's distributions to result in approximately \$2 billion of net client cash outflows from investors who choose not to reinvest their distributions. The November 2021 distribution (estimates of which we expect Artisan Funds will disclose in advance of the record date) may cause increased mutual fund redemptions.

The unaudited table on the following page sets forth the average annual total returns for each composite (gross of fees) and its respective broad-based benchmark (and style benchmark, if applicable) over a multi-horizon time period as of September 30, 2021. Returns for periods less than one year are not annualized.

We measure investment performance based upon the results of our “composites”, which represent the aggregate performance of all discretionary client accounts, including pooled investment vehicles, invested in the same strategy except those accounts with respect to which we believe client-imposed investment restrictions may have a material impact on portfolio construction and those accounts managed in a currency other than U.S. dollars. The results of these excluded accounts, which represented approximately 10% of our assets under management at September 30, 2021, are maintained in separate composites the results of which are not included below.

Investment Team and Strategy	Composite Inception	Strategy AUM	Average Annual Total Returns (Gross) (%)					Average Annual Value-Added ⁽¹⁾ Since Inception (bps)
	Date	(in \$MM)	1 YR	3 YR	5 YR	10 YR	Inception	
Growth Team								
Global Opportunities Strategy	2/1/2007	\$ 26,926	21.55%	21.74%	19.70%	18.37%	13.15%	648
<i>MSCI All Country World Index</i>			27.44%	12.57%	13.19%	11.89%	6.67%	
Global Discovery Strategy	9/1/2017	\$ 2,626	30.24%	25.64%	---	---	24.66%	1,252
<i>MSCI All Country World Index</i>			27.44%	12.57%	---	---	12.14%	
U.S. Mid-Cap Growth Strategy	4/1/1997	\$ 17,232	31.42%	27.00%	23.34%	19.36%	16.78%	607
<i>Russell Midcap® Index</i>			38.11%	14.20%	14.38%	15.51%	10.96%	
<i>Russell Midcap® Growth Index</i>			30.45%	19.12%	19.25%	17.53%	10.71%	
U.S. Small-Cap Growth Strategy	4/1/1995	\$ 6,396	25.96%	22.45%	23.56%	20.19%	12.60%	385
<i>Russell 2000® Index</i>			47.68%	10.53%	13.44%	14.62%	9.84%	
<i>Russell 2000® Growth Index</i>			33.27%	11.68%	15.33%	15.73%	8.75%	
Global Equity Team								
Global Equity Strategy	4/1/2010	\$ 2,910	21.47%	17.25%	18.12%	16.84%	14.39%	467
<i>MSCI All Country World Index</i>			27.44%	12.57%	13.19%	11.89%	9.72%	
Non-U.S. Growth Strategy	1/1/1996	\$ 21,295	16.68%	10.49%	10.81%	10.96%	10.27%	507
<i>MSCI EAFE Index</i>			25.73%	7.62%	8.81%	8.09%	5.20%	
Non-U.S. Small-Mid Growth Strategy	1/1/2019	\$ 9,475	25.15%	---	---	---	28.18%	1,228
<i>MSCI All Country World Index Ex USA Small Mid Cap</i>			28.94%	---	---	---	15.90%	
China Post-Venture Strategy	4/1/2021	\$ 137	---	---	---	---	(3.64)%	453
<i>MSCI China SMID Cap Index</i>			---	---	---	---	(8.17)%	
U.S. Value Team								
Value Equity Strategy	7/1/2005	\$ 3,859	42.15%	12.51%	13.28%	13.52%	9.51%	144
<i>Russell 1000® Index</i>			30.96%	16.41%	17.10%	16.75%	10.61%	
<i>Russell 1000® Value Index</i>			35.01%	10.06%	10.93%	13.50%	8.07%	
U.S. Mid-Cap Value Strategy	4/1/1999	\$ 3,920	46.53%	10.07%	11.26%	12.45%	12.80%	280
<i>Russell Midcap® Index</i>			38.11%	14.20%	14.38%	15.51%	10.25%	
<i>Russell Midcap® Value Index</i>			42.40%	10.27%	10.59%	13.92%	10.00%	
International Value Team								
International Value Strategy	7/1/2002	\$ 29,952	38.12%	11.37%	10.79%	12.04%	12.01%	548
<i>MSCI EAFE Index</i>			25.73%	7.62%	8.81%	8.09%	6.53%	
International Small Cap Value	11/1/2020	\$ 23	---	---	---	---	49.40%	1,270
<i>MSCI All Country World Index Ex USA Small Cap</i>			---	---	---	---	36.70%	
Global Value Team								
Global Value Strategy	7/1/2007	\$ 25,364	37.26%	9.68%	11.15%	13.16%	9.05%	281
<i>MSCI All Country World Index</i>			27.44%	12.57%	13.19%	11.89%	6.24%	
Select Equity Strategy	3/1/2020	\$ 409	34.22%	---	---	---	22.72%	(620)
<i>S&P 500 Market Index</i>			30.01%	---	---	---	28.92%	
Sustainable Emerging Markets Team								
Sustainable Emerging Markets Strategy	7/1/2006	\$ 982	21.32%	11.73%	11.68%	7.80%	6.82%	91
<i>MSCI Emerging Markets Index</i>			18.20%	8.58%	9.23%	6.08%	5.91%	
Credit Team								
High Income Strategy	4/1/2014	\$ 8,137	14.80%	8.84%	8.65%	---	8.10%	265
<i>ICE BofA US High Yield Master II Total Return Index</i>			11.46%	6.62%	6.35%	---	5.45%	
Credit Opportunities Strategy	7/1/2017	\$ 121	30.58%	16.40%	---	---	14.97%	1,344
<i>ICE BofA US Dollar LIBOR 3-month Constant Maturity Index</i>			0.21%	1.46%	---	---	1.53%	
Developing World Team								
Developing World Strategy	7/1/2015	\$ 9,333	18.06%	35.45%	23.06%	---	19.23%	1,264
<i>MSCI Emerging Markets Index</i>			18.20%	8.58%	9.23%	---	6.59%	
Antero Peak Group								
Antero Peak Strategy	5/1/2017	\$ 3,418	27.44%	21.18%	---	---	26.44%	998

S&P 500 Market Index			30.01%	15.98%	---	---	16.46%	
Antero Peak Hedge Strategy	11/1/2017	\$ 1,108	19.85%	17.13%	---	---	18.47%	231
S&P 500 Market Index			30.01%	15.98%	---	---	16.16%	

Total Assets Under Management	\$ 173,623
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⁽¹⁾ Value-added is the amount, in basis points, by which the average annual gross composite return of each of our strategies has outperformed or underperformed its respective benchmark. Value-added for periods less than one year is not annualized. The High Income strategy holds loans and other security types that are not included in its benchmark, which, at times, causes material differences in relative performance. The Credit Opportunities strategy is benchmark agnostic and has been compared to the 3-month LIBOR for reference purposes only. The Antero Peak and Antero Peak Hedge strategies' investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future.

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

Three Months Ended	By Investment Team									
	Growth	Global Equity	U.S. Value	International Value	Global Value	Sustainable Emerging Markets	Credit	Developing World	Antero Peak Group	Total
September 30, 2021	(unaudited; in millions)									
Beginning assets under management	\$ 53,517	\$ 34,166	\$ 7,929	\$ 29,720	\$ 26,515	\$ 998	\$ 7,785	\$ 10,314	\$ 4,270	\$ 175,214
Gross client cash inflows	1,125	955	68	1,943	885	86	819	733	328	6,942
Gross client cash outflows	(2,631)	(1,143)	(150)	(874)	(816)	(7)	(383)	(770)	(157)	(6,931)
Net client cash flows ⁽¹⁾	(1,506)	(188)	(82)	1,069	69	79	436	(37)	171	11
Artisan Funds' distributions not reinvested ⁽²⁾	—	—	—	—	—	—	(39)	—	—	(39)
Investment returns and other	1,169	(161)	(68)	(814)	(811)	(95)	76	(944)	85	(1,563)
Ending assets under management	\$ 53,180	\$ 33,817	\$ 7,779	\$ 29,975	\$ 25,773	\$ 982	\$ 8,258	\$ 9,333	\$ 4,526	\$ 173,623
Average assets under management	\$ 54,948	\$ 34,706	\$ 7,944	\$ 30,320	\$ 26,200	\$ 1,010	\$ 8,041	\$ 9,732	\$ 4,656	\$ 177,557
September 30, 2020										
Beginning assets under management	\$ 41,079	\$ 25,447	\$ 6,012	\$ 19,193	\$ 16,013	\$ 477	\$ 4,351	\$ 5,396	\$ 2,606	\$ 120,574
Gross client cash inflows	1,982	1,913	44	1,048	2,022	15	749	916	171	8,860
Gross client cash outflows	(1,935)	(1,299)	(304)	(1,272)	(1,074)	(3)	(285)	(456)	(84)	(6,712)
Net client cash flows ⁽¹⁾	47	614	(260)	(224)	948	12	464	460	87	2,148
Artisan Funds' distributions not reinvested ⁽²⁾	—	—	—	—	—	—	(33)	—	—	(33)
Investment returns and other	5,244	2,140	425	988	1,223	48	251	1,030	250	11,599
Ending assets under management	\$ 46,370	\$ 28,201	\$ 6,177	\$ 19,957	\$ 18,184	\$ 537	\$ 5,033	\$ 6,886	\$ 2,943	\$ 134,288
Average assets under management	\$ 44,684	\$ 27,566	\$ 6,266	\$ 20,263	\$ 17,913	\$ 526	\$ 4,703	\$ 6,201	\$ 2,845	\$ 130,967

⁽¹⁾ Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested. Prior period net client cash flows have been recast to exclude Artisan Funds' distributions.

⁽²⁾ Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds, including in the Artisan High Income Fund.

Nine Months Ended	By Investment Team									
	Growth	Global Equity	U.S. Value	International Value	Global Value	Sustainable Emerging Markets	Credit	Developing World	Antero Peak Group	Total
September 30, 2021	(unaudited; in millions)									
Beginning assets under management	\$ 52,685	\$ 32,056	\$ 7,149	\$ 24,123	\$ 22,417	\$ 679	\$ 6,338	\$ 8,853	\$ 3,476	\$ 157,776
Gross client cash inflows	5,324	3,625	257	5,990	3,781	367	2,643	2,811	1,016	25,814
Gross client cash outflows	(9,180)	(3,789)	(918)	(3,138)	(2,938)	(33)	(1,021)	(2,002)	(332)	(23,351)
Net client cash flows ⁽¹⁾	(3,856)	(164)	(661)	2,852	843	334	1,622	809	684	2,463
Artisan Funds' distributions not reinvested ⁽²⁾	—	—	—	—	—	—	(114)	—	—	(114)
Investment returns and other	4,351	1,925	1,291	3,000	2,513	(31)	412	(329)	366	13,498
Ending assets under management	\$ 53,180	\$ 33,817	\$ 7,779	\$ 29,975	\$ 25,773	\$ 982	\$ 8,258	\$ 9,333	\$ 4,526	\$ 173,623
Average assets under management	\$ 53,250	\$ 33,738	\$ 7,785	\$ 28,377	\$ 25,096	\$ 874	\$ 7,370	\$ 9,691	\$ 4,199	\$ 170,380
September 30, 2020										
Beginning assets under management	\$ 34,793	\$ 27,860	\$ 7,402	\$ 22,000	\$ 19,707	\$ 234	\$ 3,850	\$ 3,374	\$ 1,796	\$ 121,016
Gross client cash inflows	6,886	4,672	740	5,026	3,737	320	2,327	2,446	1,086	27,240
Gross client cash outflows	(5,715)	(4,808)	(1,348)	(4,815)	(2,836)	(14)	(1,229)	(1,097)	(285)	(22,147)
Net client cash flows ⁽¹⁾	1,171	(136)	(608)	211	901	306	1,098	1,349	801	5,093
Artisan Funds' distributions not reinvested ⁽²⁾	—	—	—	—	—	—	(96)	—	—	(96)
Investment returns and other	10,406	477	(617)	(2,254)	(2,424)	(3)	181	2,163	346	8,275
Ending assets under management	\$ 46,370	\$ 28,201	\$ 6,177	\$ 19,957	\$ 18,184	\$ 537	\$ 5,033	\$ 6,886	\$ 2,943	\$ 134,288
Average assets under management	\$ 37,989	\$ 26,034	\$ 6,114	\$ 19,413	\$ 16,948	\$ 433	\$ 4,143	\$ 4,708	\$ 2,360	\$ 118,142

⁽¹⁾ Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested. Prior period net client cash flows have been recast to exclude Artisan Funds' distributions.

⁽²⁾ Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds, including in the Artisan High Income Fund.

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

The table below sets forth our assets under management by distribution channel ⁽¹⁾:

	As of September 30, 2021		As of September 30, 2020	
	\$ in Millions	% of Total	\$ in Millions	% of Total
	(unaudited)		(unaudited)	
Institutional	\$ 109,721	63.2 %	\$ 88,085	65.6 %
Intermediary	55,912	32.2 %	40,565	30.2 %
Retail	7,990	4.6 %	5,638	4.2 %
Ending Assets Under Management	\$ 173,623	100.0 %	\$ 134,288	100.0 %

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

Our institutional channel includes assets under management sourced from defined contribution plan clients, which made up approximately 11% of our total assets under management as of September 30, 2021.

The following tables set forth the changes in our assets under management by vehicle type:

Three Months Ended	Artisan Funds & Artisan Global Funds	Separate Accounts and Other ⁽¹⁾	Total
September 30, 2021		(unaudited; in millions)	
Beginning assets under management	\$ 85,687	\$ 89,527	\$ 175,214
Gross client cash inflows	5,293	1,649	6,942
Gross client cash outflows	(4,089)	(2,842)	(6,931)
Net client cash flows ⁽²⁾	1,204	(1,193)	11
Artisan Funds' distributions not reinvested ⁽³⁾	(39)	—	(39)
Investment returns and other	(1,236)	(327)	(1,563)
Net transfers ⁽⁴⁾	(224)	224	—
Ending assets under management	\$ 85,392	\$ 88,231	\$ 173,623
Average assets under management	\$ 86,819	\$ 90,738	\$ 177,557
September 30, 2020			
Beginning assets under management	\$ 56,550	\$ 64,024	\$ 120,574
Gross client cash inflows	4,818	4,042	8,860
Gross client cash outflows	(3,796)	(2,916)	(6,712)
Net client cash flows ⁽²⁾	1,022	1,126	2,148
Artisan Funds' distributions not reinvested ⁽³⁾	(33)	—	(33)
Investment returns and other	5,289	6,310	11,599
Net transfers ⁽⁴⁾	(251)	251	—
Ending assets under management	\$ 62,577	\$ 71,711	\$ 134,288
Average assets under management	\$ 61,001	\$ 69,966	\$ 130,967
Nine Months Ended			
September 30, 2021			
Beginning assets under management	\$ 74,746	\$ 83,030	\$ 157,776
Gross client cash inflows	18,560	7,254	25,814
Gross client cash outflows	(13,115)	(10,236)	(23,351)
Net client cash flows ⁽²⁾	5,445	(2,982)	2,463
Artisan Funds' distributions not reinvested ⁽³⁾	(114)	—	(114)
Investment returns and other	5,617	7,881	13,498
Net transfers ⁽⁴⁾	(302)	302	—
Ending assets under management	\$ 85,392	\$ 88,231	\$ 173,623
Average assets under management	\$ 82,721	\$ 87,659	\$ 170,380
September 30, 2020			
Beginning assets under management	\$ 57,288	\$ 63,728	\$ 121,016
Gross client cash inflows	16,361	10,879	27,240
Gross client cash outflows	(14,323)	(7,824)	(22,147)
Net client cash flows ⁽²⁾	2,038	3,055	5,093
Artisan Funds' distributions not reinvested ⁽³⁾	(96)	—	(96)
Investment returns and other	3,663	4,612	8,275
Net transfers ⁽⁴⁾	(316)	316	—
Ending assets under management	\$ 62,577	\$ 71,711	\$ 134,288
Average assets under management	\$ 55,402	\$ 62,740	\$ 118,142

⁽¹⁾ Separate accounts and other consists of AUM we manage in or through vehicles other than Artisan Funds or Artisan Global Funds. This AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts and in Artisan Private Funds. As of September 30, 2021, AUM for certain strategies include the following amounts for which Artisan Partners provides investment models to managed account sponsors (reported on a one-month lag): Artisan Sustainable Emerging Markets \$23 million.

⁽²⁾ Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested. Prior period net client cash flows have been recast to exclude Artisan Funds' distributions.

⁽³⁾ Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds, including in the Artisan High Income Fund.

⁽⁴⁾ Net transfers represent certain amounts that we have identified as having been transferred out of one investment strategy, investment vehicle or account and into another strategy, vehicle or account.

Results of Operations

Three months ended September 30, 2021, compared to Three months ended September 30, 2020

	For the Three Months Ended September 30,		For the Period-to-Period	
	2021	2020	\$	%
(unaudited; in millions, except share and per-share data)				
Statements of operations data:				
Revenues	\$ 316.6	\$ 232.7	\$ 83.9	36 %
Operating Expenses				
Total compensation and benefits	142.2	108.7	33.5	31 %
Other operating expenses	31.3	26.8	4.5	17 %
Total operating expenses	173.5	135.5	38.0	28 %
Total operating income	143.1	97.2	45.9	47 %
Non-operating income (expense)				
Interest expense	(2.7)	(2.7)	—	— %
Other non-operating income	1.0	8.6	(7.6)	(88)%
Total non-operating income (expense)	(1.7)	5.9	(7.6)	(129)%
Income before income taxes	141.4	103.1	38.3	37 %
Provision for income taxes	28.0	18.5	9.5	51 %
Net income before noncontrolling interests	113.4	84.6	28.8	34 %
Less: Noncontrolling interests - Artisan Partners Holdings	24.8	21.5	3.3	15 %
Less: Noncontrolling interests - consolidated investment products	2.2	4.6	(2.4)	(52)%
Net income attributable to Artisan Partners Asset Management Inc.	<u>\$ 86.4</u>	<u>\$ 58.5</u>	<u>\$ 27.9</u>	<u>48 %</u>
Share Data				
Basic earnings per share	\$ 1.30	\$ 0.93		
Diluted earnings per share	\$ 1.30	\$ 0.93		
Basic weighted average number of common shares outstanding	59,965,549	56,402,503		
Diluted weighted average number of common shares outstanding	59,982,774	56,408,272		

Investment Advisory Revenues

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

Approximately 4% of our \$173.6 billion of assets under management as of September 30, 2021 have performance fee billing arrangements. Performance fees of \$0.4 million were recognized in the three months ended September 30, 2021, compared to \$0.3 million in the three months ended September 30, 2020.

The increase in revenues of \$83.9 million, or 36%, for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, was driven primarily by a \$46.6 billion, or 36%, increase in our average assets under management. The weighted average investment management fee, which excludes performance fees, was 70.7 basis points for the three months ended September 30, 2021 and 2020. The weighted average investment management fee remained flat as a decrease in separate account fee rates resulting from tiered fee structures and client mix was fully offset by the favorable rate impact of an increase in the proportion of our total assets managed through Artisan Funds and Artisan Global Funds, which accrue management fees at a higher rate than separate accounts.

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

For the Three Months Ended September 30,	Separate Accounts and Other ⁽²⁾		Artisan Funds and Artisan Global Funds	
	2021	2020	2021	2020
	(unaudited; dollars in millions)			
Investment advisory fees	\$ 117.5	\$ 92.4	\$ 199.1	\$ 140.3
Weighted average management fee ⁽¹⁾	51.3 bps	52.4 bps	91.0 bps	91.6 bps
Percentage of ending AUM	51 %	53 %	49 %	47 %

⁽¹⁾ We compute our weighted average management fee by dividing annualized management fees (which excludes performance fees) by average assets under management for the applicable period.

⁽²⁾ Separate accounts and other consists of assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds, including assets we manage in traditional separate accounts, Artisan-branded collective investment trusts and Artisan Private Funds, as well as assets under advisement related to investment models, for which we provide consulting advice but do not have full discretionary investment authority.

Operating Expenses

Operating expenses increased \$38.0 million for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, primarily as a result of higher incentive compensation and third-party distribution expense related to increased revenues, increases in compensation and benefits as a result of increased headcount, including the addition of the new investment team, and higher long-term incentive compensation costs as a result of the grant in January 2021.

Compensation and Benefits

	For the Three Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(unaudited; in millions)			
Salaries, incentive compensation and benefits ⁽¹⁾	\$ 130.8	\$ 99.6	\$ 31.2	31 %
Long-term incentive compensation awards	11.4	9.1	2.3	25 %
Total compensation and benefits	\$ 142.2	\$ 108.7	\$ 33.5	31 %

⁽¹⁾ Excluding long-term incentive compensation awards

The increase in salaries, incentive compensation and benefits was driven primarily by a \$25.0 million increase in quarterly incentive compensation for our investment and marketing professionals as a result of the increase in revenue, as well as compensation and benefits expense related to increased headcount in 2021, including our newest investment team.

Long-term incentive compensation award expense increased \$2.3 million, as the awards granted during 2020 and 2021 had a higher value than the awards that became fully vested in 2020 and 2021. During the first quarter of 2021, the Company's board of directors approved a grant of \$79.4 million of long-term incentive awards consisting of \$44.4 million of restricted share-based awards and \$35.0 million of long-term cash awards, which we refer to as franchise capital awards. Long-term incentive compensation award expense for all outstanding awards is expected to be approximately \$11 million in the fourth quarter of 2021, excluding the impact of investment returns.

During the first quarter of 2021, we made our first grant of franchise capital awards to investment professionals in lieu of additional grants of restricted share-based awards. We designed the franchise capital awards as an added feature to our long-term incentive program to enhance the alignment between our investment professionals and clients, and to provide investment professionals with greater control over their long-term economic outcome. Franchise capital awards are cash awards that are subject to the same long-term vesting and forfeiture provisions as our restricted share-based awards. Prior to vesting, though, the franchise capital awards will generally be invested in one or more of the investment strategies managed by the award recipient's investment team.

Total compensation and benefits was 45% and 47% of our revenues for the three months ended September 30, 2021, and 2020, respectively. The percentage decreased as revenue increased at a higher rate than compensation and benefits.

Other operating expenses

Other operating expenses increased \$4.5 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to an increase in third-party distribution expense as a result of an increase in AUM subject to those fees and higher professional fees.

Non-Operating Income (Expense)

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

	For the Three Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(unaudited; in millions)			
Interest expense	\$ (2.7)	\$ (2.7)	\$ —	— %
Net investment gain (loss) of consolidated investment products	2.7	7.8	(5.1)	(65)%
Net gain (loss) on the tax receivable agreements	0.4	0.2	0.2	100 %
Other investment gain (loss)	(2.1)	0.6	(2.7)	(450)%
Total non-operating income (expense)	\$ (1.7)	\$ 5.9	\$ (7.6)	(129)%

Provision for Income Taxes

The provision for income taxes primarily represents APAM's U.S. federal, state and local income taxes on its allocable portion of Holdings' income, as well as foreign income taxes payable by Holdings' subsidiaries. APAM's effective income tax rate for the three months ended September 30, 2021 and 2020 was 19.8% and 17.9%, respectively. Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 20% and 25% of Holdings' full year projected taxable earnings were not subject to corporate-level taxes for the three months ended September 30, 2021 and 2020, respectively. Thus, income before income taxes includes amounts that are attributable to noncontrolling interests and not taxable to APAM and its subsidiaries, which reduces the effective tax rate. As APAM's equity ownership in Holdings increases, the effective tax rate will likewise increase as more income will be subject to corporate-level taxes. The effective tax rate was favorably impacted in both periods due to tax deductible dividends paid on unvested restricted share-based awards.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, "Earnings Per Share" in the Notes to the Unaudited Consolidated Financial Statements for further discussion of earnings per share.

Nine months ended September 30, 2021, compared to Nine months ended September 30, 2020

	For the Nine Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
(unaudited; in millions, except share and per share data)				
Statements of operations data:				
Revenues	\$ 912.2	\$ 638.5	\$ 273.7	43 %
Operating Expenses				
Total compensation and benefits	419.7	315.6	104.1	33 %
Other operating expenses	89.8	78.1	11.7	15 %
Total operating expenses	509.5	393.7	115.8	29 %
Total operating income	402.7	244.8	157.9	65 %
Non-operating income (expense)				
Interest expense	(8.1)	(8.1)	—	— %
Other non-operating income	20.4	7.5	12.9	172 %
Total non-operating income (expense)	12.3	(0.6)	12.9	2,150 %
Income before income taxes	415.0	244.2	170.8	70 %
Provision for income taxes	78.1	44.2	33.9	77 %
Net income before noncontrolling interests	336.9	200.0	136.9	68 %
Less: Noncontrolling interests - Artisan Partners Holdings	74.1	55.8	18.3	33 %
Less: Noncontrolling interests - consolidated investment products	10.9	4.7	6.2	132 %
Net income attributable to Artisan Partners Asset Management Inc.	<u>\$ 251.9</u>	<u>\$ 139.5</u>	<u>\$ 112.4</u>	81 %
Share Data				
Basic earnings per share	\$ 3.84	\$ 2.22		
Diluted earnings per share	\$ 3.84	\$ 2.22		
Basic weighted average number of common shares outstanding	59,519,634	55,188,563		
Diluted weighted average number of common shares outstanding	59,535,894	55,190,486		

Investment Advisory Revenues

The increase in revenues of \$273.7 million, or 43%, for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, was driven primarily by a \$52.2 billion, or 44%, increase in our average assets under management. The weighted average management fee, which excludes performance fees, was 70.8 basis points for the nine months ended September 30, 2021 compared to 71.0 basis points for the nine months ended September 30, 2020. Performance fee revenue was \$11.2 million for both the nine months ended September 30, 2021 and 2020. The weighted average investment management fee remained relatively flat as a decrease in separate account fee rates resulting from tiered fee structures and client mix was mostly offset by the favorable rate impact of an increase in the proportion of our total assets managed through Artisan Funds and Artisan Global Funds, which accrue management fees at a higher rate than separate accounts.

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

For the Nine Months Ended September 30,	Separate Accounts and Other ⁽²⁾		Artisan Funds and Artisan Global Funds	
	2021	2020	2021	2020
(unaudited; dollars in millions)				
Investment advisory fees	\$ 347.7	\$ 258.3	\$ 564.5	\$ 380.2
Weighted average management fee ⁽¹⁾	51.4 bps	52.7 bps	91.2 bps	91.7 bps
Percentage of ending AUM	51 %	53 %	49 %	47 %

⁽¹⁾ We compute our weighted average management fee by dividing annualized management fees (which excludes performance fees) by average assets under management for the applicable period.

⁽²⁾ Separate accounts and other consists of assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds, including assets we manage in traditional separate accounts, Artisan-branded collective investment trusts and Artisan Private Funds, as well as assets under advisement related to investment models, for which we provide consulting advice but do not have full discretionary investment authority.

Operating Expenses

Operating expenses increased \$115.8 million for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, primarily as a result of higher incentive compensation and third-party distribution expense related to increased revenues, increases in compensation and benefits as a result of increased headcount, including the addition of the new investment team, and higher long-term incentive compensation costs as a result of the grant in January 2021.

Compensation and Benefits

	For the Nine Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
(unaudited; in millions)				
Salaries, incentive compensation and benefits ⁽¹⁾	\$ 385.1	\$ 288.2	\$ 96.9	34 %
Long-term incentive compensation awards	34.6	27.4	7.2	26 %
Total compensation and benefits	\$ 419.7	\$ 315.6	\$ 104.1	33 %

⁽¹⁾ Excluding long-term incentive compensation awards

The increase in salaries, incentive compensation and benefits was driven primarily by a \$81.7 million increase in incentive compensation paid to our investment and marketing professionals as a result of the increase in revenue, as well as compensation and benefits expense related to increased headcount in 2021, including our newest investment team.

Long-term incentive compensation award expense increased \$7.2 million as the awards granted during 2020 and 2021 had a higher value than the awards that became fully vested in 2020 and 2021.

Total compensation and benefits was 46% and 49% of our revenues for the nine months ended September 30, 2021, and 2020, respectively.

Other operating expenses

Other operating expenses increased \$11.7 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to an increase in third-party distribution expense as a result of an increase in AUM subject to those fees and higher professional fees.

Non-Operating Income (Expense)

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

	For the Nine Months Ended September 30,		Period-to-Period	
	2021	2020	\$	%
(unaudited; in millions)				
Interest expense	\$ (8.1)	\$ (8.1)	\$ —	— %
Net investment gain (loss) of consolidated investment products	18.0	7.8	10.2	131 %
Net gain (loss) on the tax receivable agreements	0.4	0.2	0.2	100 %
Other investment gain (loss)	2.0	(0.5)	2.5	500 %
Total non-operating income (expense)	\$ 12.3	\$ (0.6)	\$ 12.9	2,150 %

Provision for Income Taxes

The provision for income taxes primarily represents APAM's U.S. federal, state and local income taxes on its allocable portion of Holdings' income, as well as foreign income taxes payable by Holdings' subsidiaries. APAM's effective income tax rate was 18.8% and 18.1% for the nine months ended September 30, 2021 and 2020, respectively.

Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 20% and 25% of Holdings' full year projected taxable earnings were not subject to corporate-level taxes for the nine months ended September 30, 2021 and 2020, respectively. Thus, income before income taxes includes amounts that are attributable to noncontrolling interests and not taxable to APAM and its subsidiaries, which reduces the effective tax rate. As APAM's equity ownership in Holdings increases, the effective tax rate will likewise increase as more income will be subject to corporate-level taxes. The effective tax rate was favorably impacted in both periods due to tax deductible dividends paid on unvested restricted share-based awards and by the tax deduction related to the vesting of restricted share-based awards.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, “Earnings Per Share” in the Notes to the Unaudited Consolidated Financial Statements for further discussion of earnings per share.

Supplemental Non-GAAP Financial Information

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

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

- Adjusted net income represents net income excluding the impact of (1) net gain (loss) on the tax receivable agreements (if any), (2) compensation expense related to market valuation changes in compensation plans, and (3) net investment gain (loss) of investment products. Adjusted net income also reflects income taxes assuming the vesting of all unvested Class A share-based awards and as if all outstanding limited partnership units of Artisan Partners Holdings had been exchanged for Class A common stock of APAM on a one-for-one basis. Assuming full vesting and exchange, all income of Artisan Partners Holdings is treated as if it were allocated to APAM, and the adjusted provision for income taxes represents an estimate of income tax expense at an effective rate reflecting APAM's current federal, state, and local income statutory tax rates. The adjusted tax rate was 24.7% and 24.5% for the 2021 and 2020 periods presented, respectively.
- Adjusted net income per adjusted share is calculated by dividing adjusted net income by adjusted shares. The number of adjusted shares is derived by assuming the vesting of all unvested Class A share-based awards and the exchange of all outstanding limited partnership units of Artisan Partners Holdings for Class A common stock of APAM on a one-for-one basis.
- Adjusted operating income represents the operating income of the consolidated company excluding compensation expense related to market valuation changes in compensation plans.
- Adjusted operating margin is calculated by dividing adjusted operating income by total revenues.
- Adjusted EBITDA represents adjusted net income before interest expense, income taxes, depreciation and amortization expense.

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

Compensation expense related to market valuation changes in compensation plans represents the expense (income) associated with the change in the long term incentive award liability resulting from investment returns of the underlying investment products. Because the compensation expense impact of the investment market exposure is economically hedged, management believes it is useful to reflect the expected net income offset in the calculation of adjusted operating income, adjusted net income, and adjusted EBITDA. The related investment gain (loss) on the underlying investments is included in the adjustment for net investment gain (loss) of investment products.

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(unaudited; in millions, except per share data)			
Reconciliation of non-GAAP financial measures:				
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	\$ 86.4	\$ 58.5	\$ 251.9	\$ 139.5
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	24.8	21.5	74.1	55.8
Add back: Provision for income taxes	28.0	18.5	78.1	44.2
Add back: Compensation expense related to market valuation changes in compensation plans	0.1	—	0.3	—
Add back: Net (gain) loss on the tax receivable agreements	(0.4)	(0.2)	(0.4)	(0.2)
Add back: Net investment (gain) loss of investment products attributable to APAM	1.6	(3.7)	(8.9)	(2.2)
Less: Adjusted provision for income taxes	34.7	23.2	97.6	58.1
Adjusted net income (Non-GAAP)	\$ 105.8	\$ 71.4	\$ 297.5	\$ 179.0
Average shares outstanding				
Class A common shares	60.0	56.4	59.5	55.2
Assumed vesting or exchange of:				
Unvested Class A restricted share-based awards	5.4	5.4	5.5	5.3
Artisan Partners Holdings units outstanding (noncontrolling interests)	14.2	17.2	14.5	18.3
Adjusted shares	79.6	79.0	79.5	78.8
Basic and diluted earnings per share (GAAP)	\$ 1.30	\$ 0.93	\$ 3.84	\$ 2.22
Adjusted net income per adjusted share (Non-GAAP)	\$ 1.33	\$ 0.90	\$ 3.74	\$ 2.27
Operating income (GAAP)				
Add back: Compensation expense related to market valuation changes in compensation plans	0.1	—	0.3	—
Adjusted operating income (Non-GAAP)	\$ 143.2	\$ 97.2	\$ 403.0	\$ 244.8
Operating margin (GAAP)				
Adjusted operating margin (Non-GAAP)	45.2 %	41.8 %	44.1 %	38.3 %
Adjusted operating margin (Non-GAAP)				
Adjusted operating margin (Non-GAAP)	45.2 %	41.8 %	44.2 %	38.3 %
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)				
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	24.8	21.5	74.1	55.8
Add back: Net (gain) loss on the tax receivable agreements	(0.4)	(0.2)	(0.4)	(0.2)
Add back: Net investment (gain) loss of investment products attributable to APAM	1.6	(3.7)	(8.9)	(2.2)
Add back: Compensation expense related to market valuation changes in compensation plans	0.1	—	0.3	—
Add back: Interest expense	2.7	2.7	8.1	8.1
Add back: Provision for income taxes	28.0	18.5	78.1	44.2
Add back: Depreciation and amortization	1.8	1.8	5.1	5.0
Adjusted EBITDA (Non-GAAP)	\$ 145.0	\$ 99.1	\$ 408.3	\$ 250.2

Liquidity and Capital Resources

Our working capital needs, including accrued incentive compensation payments, have been and are expected to be met primarily through cash generated by our operations. The assets and liabilities of consolidated investment products attributable to third-party investors do not impact our liquidity and capital resources. We have no right to the benefits from, nor do we bear the risks associated with, the assets and liabilities of consolidated investment products, beyond our direct equity investment and any investment advisory fees earned. Accordingly, assets and liabilities of consolidated investment products attributable to third-party investors are excluded from the amounts and discussions below. The following table shows our liquidity position as of September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020	
	(unaudited; in millions)			
Cash and cash equivalents	\$	273.3	\$	155.0
Accounts receivable	\$	122.1	\$	99.9
Seed investments ⁽¹⁾	\$	65.0	\$	62.6
Undrawn commitment on revolving credit facility	\$	100.0	\$	100.0

⁽¹⁾ Seed investments include Artisan's direct equity investments in consolidated and nonconsolidated Artisan-sponsored investment products. The balance excludes \$37.3 of investments made related to funded long-term incentive compensation plans.

We manage our cash balances in order to fund our day-to-day operations. Accounts receivable primarily represent investment advisory fees that have been earned, but not yet received from our clients. We perform a review of our receivables on a monthly basis to assess collectability. As of September 30, 2021, none of our receivables were considered uncollectible.

We utilize capital to make seed investments in Artisan-sponsored investment products to support the development of new investment strategies and vehicles. As of September 30, 2021, the balance of all seed investments, including investments in consolidated investment products, was \$65.0 million. The seed investments are generally redeemable at our discretion.

We have \$200 million in unsecured notes outstanding and a \$100 million revolving credit facility with a five-year term ending August 2022. The notes are comprised of three series, Series C, Series D, and Series E, each with a balloon payment at maturity. The \$100 million revolving credit facility was unused as of and for the nine months ended September 30, 2021.

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

These borrowings contain various covenants. Our failure to comply with any of the covenants could result in an event of default under the agreements, giving our lenders the ability to accelerate repayment of our obligations. We were in compliance with all debt covenants as of September 30, 2021.

Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM for the three and nine months ended September 30, 2021 and 2020, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(unaudited, in millions)			
Holdings Partnership Distributions to Limited Partners	\$ 25.6	\$ 20.9	\$ 67.9	\$ 60.2
Holdings Partnership Distributions to APAM	110.6	70.0	285.0	181.4
Total Holdings Partnership Distributions	\$ 136.2	\$ 90.9	\$ 352.9	\$ 241.6

On October 26, 2021, we, acting as the general partner of Artisan Partners Holdings, declared a distribution of \$33.3 million, payable by Artisan Partners Holdings to holders of its partnership units, including APAM.

APAM declared and paid the following dividends per share during the three and nine months ended September 30, 2021 and 2020:

Type of Dividend	Class of Stock	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2021	2020	2021	2020
Quarterly	Class A Common	\$ 1.00	\$ 0.67	\$ 2.85	\$ 1.96
Special Annual	Class A Common	\$ —	\$ —	\$ 0.31	\$ 0.60

Our board of directors declared, effective October 26, 2021, a variable quarterly dividend of \$1.07 per share of Class A common stock with respect to the September quarter of 2021, payable on November 30, 2021 to stockholders of record as of the close of business on November 16, 2021. The variable quarterly dividend represents approximately 80% of the cash generated in the September quarter of 2021 and a pro-rata portion of 2021 tax savings related to our tax receivable agreements.

Subject to Board approval each quarter, we currently expect to pay a quarterly dividend of approximately 80% of the cash the Company generates each quarter. We expect cash generation will generally equal adjusted net income plus long-term incentive compensation award expense, less cash reserved for future franchise capital awards (which we expect will approximate 4% of investment management revenues each quarter) with additional adjustments made for certain other sources and uses of cash, including capital expenditures. After the end of the year, our Board will consider paying a special dividend after determining the amount of cash needed for general corporate purposes and investments in growth and strategic initiatives. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy or at all.

Tax Receivable Agreements (“TRAs”)

In addition to funding our normal operations, we will be required to fund amounts payable under the TRAs that we entered into in connection with the IPO, which resulted in the recognition of a \$404.4 million liability as of September 30, 2021. The liability generally represents 85% of the tax benefits APAM expects to realize as a result of the merger of an entity into APAM as part of the IPO Reorganization, our purchase of partnership units from limited partners of Holdings and the exchange of partnership units (for shares of Class A common stock or other consideration). The estimated liability assumes no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the TRAs. An increase or decrease in future tax rates will increase or decrease, respectively, the expected tax benefits APAM would realize and the amounts payable under the TRAs. Changes in the estimate of expected tax benefits APAM would realize and the amounts payable under the TRAs as a result of change in tax rates have been and will be recorded in net income.

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

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM’s payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRAs. In such cases, we intend to fund those payments with cash on hand, although we may have to borrow funds depending on the amount and timing of the payments. During the nine months ended September 30, 2021, we made payments of \$31.3 million related to the TRAs. We do not intend to make any additional TRA payments in 2021. In 2022, we expect to make payments of approximately \$33 million related to the TRAs.

Cash Flows

	For the Nine Months Ended September 30,	
	2021	2020
	(unaudited; in millions)	
Cash, cash equivalents and restricted cash as of January 1	\$ 199.5	\$ 144.3
Net cash provided by operating activities	404.2	298.7
Net cash provided by (used in) investing activities	(26.2)	16.2
Net cash used in financing activities	(252.2)	(228.3)
Net impact of deconsolidation of consolidated investment products	(34.8)	—
Cash, cash equivalents and restricted cash as of September 30	\$ 290.5	\$ 230.9

Net cash provided by operating activities increased \$105.5 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to an increase in operating income resulting from higher AUM and revenues. For the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, our operating income, excluding share-based related compensation expense, increased \$160.1 million. The increase was partially offset by a \$53.4 million decrease in operating cash flows from consolidated investment products, primarily due to an increase in net purchases of investments.

Net cash used in investment activities increased \$42.4 million for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, due to a \$39.0 million increase in net purchases of investment securities, primarily related to investments made in connection with the funding of a long-term incentive compensation plan.

Net cash used by financing activities increased \$23.9 million for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, primarily due to a \$52.4 million increase in dividends paid, a \$7.6 million increase in distributions to limited partners, a \$4.6 million increase in taxes paid related to employee net share settlement, and a \$4.3 million increase in payments of amounts owed under the TRAs, partially offset by a \$45.1 million increase in contributions from noncontrolling interests in our consolidated investment products.

During the nine months ended September 30, 2021, the Company determined that it no longer had a controlling financial interest in an investment product that was previously consolidated. The deconsolidation of the investment product resulted in a \$34.8 million decrease in cash, cash equivalents and restricted cash.

Certain Contractual Obligations

As of September 30, 2021, there have been no material changes to our contractual obligations outside the ordinary course of business from those listed in the “Contractual Obligations” table and related notes to the table in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 23, 2021, except for the changes in the TRA liability during the year.

As previously discussed in this report, the TRA liability decreased from \$412.5 million at December 31, 2020 to \$404.4 million at September 30, 2021. Amounts payable under the TRAs will increase upon exchanges of Holdings units for our Class A common stock or sales of Holdings units to us, with the increase representing 85% of the estimated future tax benefits, if any, resulting from such exchanges or sales and decrease when payments are made. The actual amount and timing of payments associated with our existing payable under the TRAs or future exchanges or sales, and associated tax benefits, will vary depending upon a number of factors as described under “Liquidity and Capital Resources.” As a result, the timing of payments by period is currently unknown. During the nine months ended September 30, 2021, we made payments of \$31.3 million related to the TRAs. We do not intend to make any additional TRA payments in 2021. In 2022, we expect to make payments of approximately \$33 million related to the TRAs.

During the nine months ended September 30, 2021, the Company entered into two office leases that have not commenced as of September 30, 2021, resulting in a \$41.2 million increase in the Company’s undiscounted future operating lease payment obligations. See Note 14, “Leases” for additional details on the Company’s contractual lease obligations.

Off-Balance Sheet Arrangements

As of September 30, 2021, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity or capital resources.

Critical Accounting Policies and Estimates

There have been no updates to our critical accounting policies from those disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the year ended December 31, 2020.

New or Revised Accounting Standards

None.

Item 3. Qualitative and Quantitative Disclosures Regarding Market Risk

There have been no material changes in our Quantitative and Qualitative Disclosures Regarding Market Risk from those previously reported in our Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at September 30, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2021, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

Unregistered Sales of Equity Securities

As described in Note 8, “Stockholders’ Equity”, to the Unaudited Consolidated Financial Statements included in Part I of this report, upon termination of employment with Artisan, an employee-partner’s Class B common units are exchanged for Class E common units and the corresponding shares of APAM Class B common stock are canceled. APAM issues the former employee-partner a number of shares of APAM Class C common stock equal to the former employee-partner’s number of Class E common units. Class E common units are exchangeable for Class A common stock subject to the same restrictions and limitations on exchange applicable to the other common units of Holdings. There were no such issuances during the three months ended September 30, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
	The following Extensible Business Reporting Language (XBRL) documents are collectively included herewith as Exhibit 101: (i) the Unaudited Condensed Consolidated Statements of Financial Condition as of September 30, 2021 and December 31, 2020; (ii) the Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020; (iii) the Unaudited Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and 2020; (iv) the Unaudited Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2021 and 2020; (v) the Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020 (vi) the Notes to Unaudited Consolidated Financial Statements as of and for the three and nine months ended September 30, 2021 and 2020.					X
101						X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Artisan Partners Asset Management Inc.

Dated: October 27, 2021

By: /s/ Eric R. Colson
Eric R. Colson
Chief Executive Officer
(principal executive officer)

/s/ Charles J. Daley, Jr.
Charles J. Daley, Jr.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)

CERTIFICATION

I, Eric R. Colson, certify that:

1. I have reviewed this report on Form 10-Q of Artisan Partners Asset Management Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric R. Colson

Eric R. Colson
Chief Executive Officer
(principal executive officer)

Date: October 27, 2021

CERTIFICATION

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

1. I have reviewed this report on Form 10-Q of Artisan Partners Asset Management Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Charles J. Daley, Jr.

Charles J. Daley, Jr.
Executive Vice President, Chief Financial Officer and
Treasurer
(principal financial and accounting officer)

Date: October 27, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Eric R. Colson, the Chief Executive Officer of Artisan Partners Asset Management Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric R. Colson

Eric R. Colson
Chief Executive Officer
(principal executive officer)

Date: October 27, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Charles J. Daley, Jr., the Executive Vice President, Chief Financial Officer and Treasurer of Artisan Partners Asset Management Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles J.
Daley, Jr.

Charles J.
Daley, Jr.
Executive
Vice
President,
Chief
Financial
Officer and
Treasurer
(principal
financial and
accounting
officer)

Date: October 27, 2021