

Fostering an Investment Culture

A Discussion with Artisan Partners CEO Eric Colson

Would you begin by giving us more background about Artisan Partners?

Artisan Partners is a global investment management firm that provides a broad range of high value-added investment strategies in growing asset classes to sophisticated clients around the world. We have been committed to attracting experienced, disciplined investment professionals to manage client assets since the firm was founded. Our autonomous investment teams oversee a diverse range of investment strategies across multiple asset classes.

What makes Artisan Partners distinct relative to other investment management firms?

True investment talent is a scarce resource. Talent that integrates well with our business model is even rarer. What makes us distinct is the investment culture that is created by the combination of our investment talent and business model.

Would you describe what you mean by an investment culture?

Culture is often brought up as a very soft topic—something human resource departments are charged with discussing during the interview process. When we talk about the culture at Artisan Partners, we are really talking about the things we value most. We value Creative Perspectives, Investment Focus, Interest Alignment and Thoughtful Growth. Everyone at our firm is committed to understanding and supporting those values. We believe that is what makes our investment culture distinctive.

We believe team autonomy and investment freedom retain the purity of each team's investment process and amplify the creative perspectives that lead to value creation.

Would you elaborate on the value of creative perspectives to an investment manager?

We believe value-added investment decisions stem from creative perspectives. Bureaucracy, committees and benchmark constraints can quickly lead to consensus or biased decision-making that can stifle the creative perspectives of individuals. In order to deliver high value-added strategies to our clients, we amplify the potential of our teams by eliminating those hurdles. We allow our teams to operate autonomously and we provide them high degrees of freedom in the context of



a well-defined process.

For example, our Growth team has a security selection process that emphasizes profit acceleration, franchise quality and attractive valuations. Alternatively, our Global Value team looks for undervalued, high-quality businesses in strong financial condition with shareholder-oriented management teams. Those are two very different approaches. We do not want to limit the number of ideas the individuals on those teams can generate by constraining them to a single thought process or benchmark-tethered universe.

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Why is investment focus such an important value at Artisan Partners?

Well, investing is at the heart of what we do as a firm. And it is incredibly important that our investment teams are able to focus on just that. In fact, the most valuable asset we can give to our investment teams is time.

We see a lot of investment firms out there that have investment professionals with dual titles such as Portfolio Manager and Chief Executive Officer. I am not going to suggest that model can't work. I know a lot of high energy individuals who can wear both hats successfully, but we believe that is very hard to do. The investment management business for a global investment firm such as ours is highly regulated and has numerous operational complexities and communication demands, both internal and external. All of those things have

the potential to distract from the investment process.

It is our goal to create as much time as possible for our investment teams to focus on their unique investment processes. As a result, we have a business management team in place, which is distinct from our investment teams, and dedicated marketing and client service teams to oversee the numerous operational, legal and client service aspects of our business. This has been true since our founding when Carlene Ziegler was the investment manager, Andy Ziegler managed the business and we had dedicated marketing professionals. That model remains in place today.

I interact regularly with our investment teams, but at the end of the day, it is my responsibility, along with the rest of the senior management team, to oversee the financial, legal, operational and client service aspects of our business. We believe this business model maximizes investment focus and the time our investment teams spend on investment decisions.

OK, so we have covered creative perspectives and investment focus. What about interest alignment?

We want to develop long-term relationships with our investment talent and clients. If we share common goals, we believe we increase the likelihood of that happening. Poor alignment, lack of fairness and opacity can destroy a relationship. Our equity ownership structure is a key way for us to establish alignment of interests between our investment teams and clients.

Our autonomous investment teams manage a diverse range of active, high value-added investment strategies. And they understand business cycles, earnings growth and value realization do not happen over short, structured time frames. If we were to create incentives for our teams that emphasized the short term, we would be creating a natural conflict with their investment processes and, more importantly, the investing

*Talent retention and firm evolution
require thoughtful growth.*

time frames of those who invest with us. Equity ownership encourages long-term thinking, preserves the integrity of the investment process and aligns the goals of our investment teams with the investing goals of our clients.

We do not stop there though. We have also established consistency in our incentive model across our investment teams. We believe the combination of our equity ownership structure and a fair and transparent compensation system across our investment teams create stability in our firm.

Why not just growth? Why thoughtful growth?

Mainly because we want to highlight the difference.

Talent retention and firm evolution require growth, but growth for growth's sake can make a business as unattractive to investment talent and clients as a lack of growth. Unmanaged growth also has the potential to infringe on the investment process or lead to a lack of trust with clients.

We hire and develop talent that has an entrepreneurial mindset similar to ours. Growth is important to them because it creates career opportunities. Growth is important to our clients because markets evolve. And that evolution demands that we continue to develop our lineup of investment solutions. But change can't be based on anecdote or cause our teams to diverge from their normal research processes. We add to or update our strategy offerings when the investment solution is grounded in a sustainable global trend, is relevant for clients and is a natural extension of one or more of our investment teams' processes.

That is what we believe leads to thoughtful growth.

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