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, 2023

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	**45-0969585**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
875 E. Wisconsin Avenue, Suite 800	
Milwaukee, WI	**53202**
(Address of principal executive offices)	*(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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 31, 2023 were 68,479,386, 2,456,534 and 9,024,947, 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 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, 2022, filed with the SEC on February 27, 2023, 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 future business initiatives;
- 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, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 198,308	$ 114,832
Accounts receivable	96,062	98,634
Investment securities	139,630	85,415
Property and equipment, net	46,896	48,104
Deferred tax assets	446,491	477,024
Prepaid expenses and other assets	18,986	20,053
Operating lease assets	91,662	101,410
Assets of consolidated investment products		
Cash and cash equivalents	32,221	28,416
Accounts receivable and other	10,993	4,977
Investment assets, at fair value	336,429	255,743
Total assets	$ 1,417,678	$ 1,234,608
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Accounts payable, accrued expenses, and other	$ 23,872	$ 24,414
Accrued incentive compensation	126,453	29,762
Borrowings	199,226	199,050
Operating lease liabilities	110,524	120,847
Amounts payable under tax receivable agreements	363,860	398,789
Liabilities of consolidated investment products		
Accounts payable, accrued expenses, and other	37,379	26,358
Investment liabilities, at fair value	13,314	20,751
Total liabilities	874,628	819,971
Commitments and contingencies		
Redeemable noncontrolling interests	219,726	135,280
Common stock		
Class A common stock ($0.01 par value per share, 500,000,000 shares authorized, 68,481,220 and 67,982,025 shares outstanding at September 30, 2023 and December 31, 2022, respectively)	685	680
Class B common stock ($0.01 par value per share, 200,000,000 shares authorized, 2,456,534 and 2,583,884 shares outstanding at September 30, 2023 and December 31, 2022, respectively)	25	26
Class C common stock ($0.01 par value per share, 400,000,000 shares authorized, 9,024,947 and 9,040,147 shares outstanding at September 30, 2023 and December 31, 2022, respectively)	90	90
Additional paid-in capital	187,764	171,416
Retained earnings	112,266	93,088
Accumulated other comprehensive income (loss)	(3,246)	(3,079)
Total Artisan Partners Asset Management Inc. stockholders' equity	297,584	262,221
Noncontrolling interests - Artisan Partners Holdings	25,740	17,136
Total stockholders' equity	323,324	279,357
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	$ 1,417,678	$ 1,234,608

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,	
	2023	**2022**	**2023**	**2022**
Revenues				
Management fees	$ 248,691	$ 234,191	$ 725,980	$ 766,901
Performance fees	31	121	154	397
Total revenues	248,722	234,312	$ 726,134	$ 767,298
Operating Expenses				
Compensation and benefits	130,648	122,033	392,593	389,359
Distribution, servicing and marketing	6,153	5,593	17,786	18,952
Occupancy	7,244	7,127	21,506	20,407
Communication and technology	12,974	12,441	38,395	37,704
General and administrative	9,548	8,392	28,690	26,751
Total operating expenses	166,567	155,586	498,970	493,173
Total operating income	82,155	78,726	227,164	274,125
Non-operating income (expense)				
Interest expense	(2,297)	(2,428)	(6,520)	(7,853)
Net gain (loss) on the tax receivable agreements	505	431	505	913
Net investment gain (loss) of consolidated investment products	9,787	(3,936)	38,189	(14,605)
Other net investment gain (loss)	(2,152)	(5,563)	11,329	(23,729)
Total non-operating income (expense)	5,843	(11,496)	43,503	(45,274)
Income before income taxes	87,998	67,230	270,667	228,851
Provision for income taxes	14,570	14,750	51,663	46,761
Net income before noncontrolling interests	73,428	52,480	219,004	182,090
Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings	11,319	10,999	35,493	37,150
Less: Net income (loss) attributable to noncontrolling interests - consolidated investment products	8,954	(2,754)	25,978	(9,007)
Net income attributable to Artisan Partners Asset Management Inc.	$ 53,155	$ 44,235	$ 157,533	$ 153,947
Basic earnings per share	$ 0.76	$ 0.65	$ 2.27	$ 2.17
Diluted earnings per share	$ 0.76	$ 0.65	$ 2.27	$ 2.17
Basic weighted average number of common shares outstanding	63,520,402	62,623,434	63,419,587	62,329,756
Diluted weighted average number of common shares outstanding	63,563,044	62,632,660	63,449,804	62,353,275
Dividends declared per Class A common share	$ 0.61	$ 0.60	$ 2.01	$ 3.11

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,	
	2023	**2022**	**2023**	**2022**
Net income before noncontrolling interests	$ 73,428	$ 52,480	$ 219,004	$ 182,090
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	(770)	(1,518)	144	(3,476)
Total other comprehensive income (loss)	(770)	(1,518)	144	(3,476)
Comprehensive income	72,658	50,962	219,148	178,614
Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings	11,204	10,800	35,727	36,654
Comprehensive income (loss) attributable to noncontrolling interests - consolidated investment products	8,954	(2,754)	25,978	(9,007)
Comprehensive income attributable to Artisan Partners Asset Management Inc.	$ 52,500	$ 42,916	$ 157,443	$ 150,967

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)

Three months ended September 30, 2023	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Artisan Partners Holdings	Total Stockholders' Equity	Redeemable Noncontrolling Interests
Balance at July 1, 2023	$ 685	$ 25	$ 90	$ 181,484	$ 101,243	$ (2,531)	$ 25,741	$ 306,737	$ 206,288
Net income	—	—	—	—	53,155	—	11,319	64,474	8,954
Other comprehensive income - foreign currency translation	—	—	—	—	—	(655)	(115)	(770)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(532)	—	(60)	592	—	—
Amortization of equity-based compensation	—	—	—	6,781	—	—	1,114	7,895	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	32	—	—	—	32	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(1)	—	—	—	(1)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	—	—	—	—	—	—	—	—	—
Employee net share settlement	—	—	—	—	—	—	—	—	—
Exchange of subsidiary equity	—	—	—	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	23,013
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(18,529)
Distributions	—	—	—	—	—	—	(12,883)	(12,883)	—
Dividends	—	—	—	—	(42,132)	—	(28)	(42,160)	—
Balance at September 30, 2023	$ 685	$ 25	$ 90	$ 187,764	$ 112,266	$ (3,246)	$ 25,740	$ 323,324	$ 219,726

Three months ended September 30, 2022	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Artisan Partners Holdings	Total Stockholders' Equity	Redeemable Noncontrolling Interests
Balance at July 1, 2022	$ 674	$ 31	$ 91	$ 153,134	$ 75,443	$ (2,971)	$ 16,892	$ 243,294	$ 127,078
Net income	—	—	—	—	44,235	—	10,999	55,234	(2,754)
Other comprehensive income - foreign currency translation	—	—	—	—	—	(1,294)	(224)	(1,518)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	889	—	(24)	(865)	—	—
Amortization of equity-based compensation	—	—	—	8,660	—	—	1,499	10,159	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	1,378	—	—	—	1,378	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(7)	—	—	—	(7)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	—	—	—	—	—	—	—	—	—
Employee net share settlement	—	—	—	(285)	(1)	—	(48)	(334)	—
Exchange of subsidiary equity	5	(5)	—	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	4,557
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	—
Distributions	—	—	—	—	—	—	(12,026)	(12,026)	—
Dividends	—	—	—	—	(41,036)	—	(31)	(41,067)	—
Balance at September 30, 2022	$ 679	$ 26	$ 91	$ 163,769	$ 78,641	$ (4,289)	$ 16,196	$ 255,113	$ 128,881

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

Nine months ended September 30, 2023	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Artisan Partners Holdings	Total Stockholders' Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2023	$ 680	$ 26	$ 90	$ 171,416	$ 93,088	$ (3,079)	$ 17,136	$ 279,357	$ 135,280
Net income	—	—	—	—	157,533	—	35,493	193,026	25,978
Other comprehensive income - foreign currency translation	—	—	—	—	—	(90)	234	144	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(696)	—	(77)	773	—	—
Amortization of equity-based compensation	—	—	—	22,489	—	—	3,523	26,012	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	421	—	—	—	421	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(85)	—	—	—	(85)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	6	—	—	(6)	—	—	—	—	—
Employee net share settlement	(2)	—	—	(5,775)	—	—	(981)	(6,758)	—
Exchange of subsidiary equity	1	(1)	—	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	76,997
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(18,529)
Distributions	—	—	—	—	—	—	(30,341)	(30,341)	—
Dividends	—	—	—	—	(138,355)	—	(97)	(138,452)	—
Balance at September 30, 2023	$ 685	$ 25	$ 90	$ 187,764	$ 112,266	$ (3,246)	$ 25,740	$ 323,324	$ 219,726

Nine months ended September 30, 2022	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests - Artisan Partners Holdings	Total Stockholders' Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2022	$ 667	$ 32	$ 91	$ 141,835	$ 134,889	$ (1,310)	$ 19,757	$ 295,961	$ 111,035
Net income	—	—	—	—	153,947	—	37,150	191,097	(9,007)
Other comprehensive income - foreign currency translation	—	—	—	—	—	(2,950)	(526)	(3,476)	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP	—	—	—	(262)	—	(29)	291	—	—
Amortization of equity-based compensation	—	—	—	27,026	—	—	4,587	31,613	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	1,708	—	—	—	1,708	—
Issuance of Class A common stock, net of issuance costs	—	—	—	(9)	—	—	—	(9)	—
Forfeitures and employee/partner terminations	—	—	—	—	—	—	—	—	—
Issuance of restricted stock awards	8	—	—	(8)	—	—	—	—	—
Employee net share settlement	(2)	—	—	(6,521)	(26)	—	(1,205)	(7,754)	—
Exchange of subsidiary equity	6	(6)	—	—	—	—	—	—	—
Capital contributions, net	—	—	—	—	—	—	—	—	36,126
Impact of deconsolidation of CIPs	—	—	—	—	—	—	—	—	(9,273)
Distributions	—	—	—	—	—	—	(43,721)	(43,721)	—
Dividends	—	—	—	—	(210,169)	—	(137)	(210,306)	—
Balance at September 30, 2022	$ 679	$ 26	$ 91	$ 163,769	$ 78,641	$ (4,289)	$ 16,196	$ 255,113	$ 128,881

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, 2023	2022
Cash flows from operating activities		
Net income before noncontrolling interests	$ 219,004	$ 182,090
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,896	5,618
Deferred income taxes	32,286	21,697
Noncash lease expense (benefit)	(158)	1,271
Net investment (gain) loss on nonconsolidated investment securities	(7,551)	23,777
Net (gain) loss on the tax receivable agreements	(505)	(913)
(Gain) loss on disposal of property and equipment	2	38
Amortization of debt issuance costs	333	329
Share-based compensation	26,012	31,613
Net investment (gain) loss of consolidated investment products	(38,189)	14,605
Purchase of investments by consolidated investment products	(325,922)	(319,093)
Proceeds from sale of investments by consolidated investment products	224,288	151,198
Change in assets and liabilities resulting in an increase (decrease) in cash:		
Accounts receivable	2,232	12,416
Prepaid expenses and other assets	431	2,527
Accounts payable and accrued expenses	100,060	94,611
Net change in operating assets and liabilities of consolidated investment products including net investment income	23,583	84,838
Net cash provided by operating activities	262,802	306,622
Cash flows from investing activities		
Acquisition of property and equipment	(585)	(5,284)
Leasehold improvements	(5,690)	(11,007)
Proceeds from sale of investment securities	5,226	5,164
Purchase of investment securities	(35,483)	(49,337)
Net cash used in investing activities	(36,532)	(60,464)
Cash flows from financing activities		
Partnership distributions	(30,341)	(43,721)
Dividends paid	(138,451)	(210,306)
Payment of debt issuance costs	—	(543)
Proceeds from issuance of notes payable	—	90,000
Principal payments on notes payable	—	(90,000)
Payments under the tax receivable agreements	(35,757)	(33,109)
Taxes paid related to employee net share settlement	(6,758)	(7,754)
Capital contributions to consolidated investment products, net	76,997	36,126
Net cash used in financing activities	(134,310)	(259,307)
Net increase (decrease) in cash, cash equivalents, and restricted cash	91,960	(13,149)
Net cash impact of deconsolidation of CIPs	(4,679)	—
Cash, cash equivalents and restricted cash		
Beginning of period	143,248	200,771
End of period	**$ 230,529**	**$ 187,622**
Cash, cash equivalents and restricted cash as of the end of the period		
Cash and cash equivalents	$ 198,308	$ 168,123
Restricted cash	—	629
Cash and cash equivalents of consolidated investment products	32,221	18,870
Cash, cash equivalents and restricted cash	**$ 230,529**	**$ 187,622**
Supplementary information		
Noncash activity:		
Establishment of deferred tax assets	$ 3,214	$ 8,327
Establishment of amounts payable under tax receivable agreements	828	5,929
Increase in investment securities due to deconsolidation of CIPs	19,612	9,970
Operating lease assets obtained in exchange for operating lease liabilities	78	32,070
Settlement of franchise capital liability via transfer of investment securities	3,204	—

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 its 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, 2023, APAM held approximately 86% 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. Artisan Private Funds consist of a number of Artisan-sponsored unregistered pooled investment vehicles.

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, 2023, Artisan had a controlling financial interest in one series of Artisan Funds, five 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.

Reclassification

In conjunction with annual reporting on Form 10-K for the year ended December 31, 2022, the Company changed the presentation of its Consolidated Statements of Operations to recategorize expenditures for computers and mobile devices from "General and administrative" to "Communication and technology." Amounts for the comparative period in fiscal 2022 presented herein have been reclassified to conform to the current presentation. The reclassification had no impact on previously reported operating income, net income, or financial position. Management believes the revised presentation is more useful to readers of its financial statements.

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, 2023	As of December 31, 2022
Investments in equity securities	$ 128,822	$ 76,156
Investments in equity securities accounted for under the equity method	10,808	9,259
Total investment securities	**$ 139,630**	**$ 85,415**

Artisan's investments in equity securities consist of investments in Artisan Funds, Artisan Global Funds and Artisan Private Funds. As of September 30, 2023 and December 31, 2022, Artisan held investment securities of $96.6 million and $63.3 million, respectively, related to funded long-term incentive compensation plans (excluding investments in consolidated investment products).

Unrealized gain (loss) related to investment securities held at the end of the periods indicated below were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Unrealized gain (loss) on investment securities held at the end of the period	$ (3,901)	$ (6,675)	$ 6,458	$ (24,145)

Other net investment gain (loss) is presented within the non-operating income (expense) section of the Consolidated Statements of Operations. The components of other net investment gain (loss) are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net investment gain (loss) on nonconsolidated seed investments	$ 214	$ (1,649)	$ 1,424	$ (4,585)
Net investment gain (loss) on franchise capital investments	(4,454)	(3,987)	6,127	(19,192)
Interest income on cash and cash equivalents and other	2,088	73	3,778	48
Other net investment gain (loss)	**$ (2,152)**	**$ (5,563)**	**$ 11,329**	**$ (23,729)**

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, 2023 and December 31, 2022:

	Assets and Liabilities at Fair Value				
	Total	NAV Practical Expedient (No Fair Value Level)	Level 1	Level 2	Level 3
September 30, 2023					
Assets					
Money market funds [1]	$ 167,310	$ —	$ 167,310	$ —	$ —
Equity securities	139,630	10,306	129,324	—	—
December 31, 2022					
Assets					
Money market funds [1]	$ 3,297	$ —	$ 3,297	$ —	$ —
Equity securities	85,415	8,835	76,580	—	—

[1] Money market funds are included within the cash and cash equivalents line of the Unaudited Condensed Consolidated Statements of Financial Condition.

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, 2023 and December 31, 2022:

	Maturity[1]	As of September 30, 2023	As of December 31, 2022	Interest Rate Per Annum
Revolving credit agreement	August 2027	$ —	$ —	NA
Senior notes				
Series D	August 2025	60,000	60,000	4.29 %
Series E	August 2027	50,000	50,000	4.53 %
Series F	August 2032	90,000	90,000	3.10 %
Total gross borrowings		**$ 200,000**	**$ 200,000**	
Debt issuance costs		$ (774)	$ (950)	
Total borrowings		**$ 199,226**	**$ 199,050**	

(1) The Company is not required to make principal payments on any of the outstanding obligations prior to contractual maturity.

The fair value of borrowings was approximately $176.4 million as of September 30, 2023. 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."

The fixed interest rate on each series of unsecured notes is subject to a one percentage 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.

As of September 30, 2023, there were no borrowings outstanding under the $100.0 million revolving credit facility and the interest rate on the unused commitment was 0.15%.

Interest expense incurred on the unsecured notes and revolving credit agreement was $1.9 million and $2.3 million for the three months ended September 30, 2023 and 2022, respectively, and $5.8 million and $7.4 million for the nine months ended September 30, 2023 and 2022, respectively.

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 VOEs. Artisan consolidates an investment product if it has a controlling financial interest in the entity. See Note 2, "Summary of Significant Accounting Policies." Any such entities are collectively referred to herein as consolidated investment products or CIPs.

As of September 30, 2023, Artisan is considered to have a controlling financial interest in one series of Artisan Funds, five sub-funds of Artisan Global Funds and two Artisan Private Funds, with an aggregate direct equity investment in the consolidated investment products of $109.2 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 14, "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 condensed consolidated statements of operations.

During the nine months ended September 30, 2023, the Company determined that it no longer had a controlling financial interest in one series of Artisan Funds as a result of third party capital contributions. Upon loss of control, the fund was deconsolidated and the related assets, liabilities, and equity of the fund were derecognized from the Company’s unaudited condensed consolidated statements of financial condition. There was no net impact to the unaudited consolidated statement of operations for the nine months ended September 30, 2023. Artisan generally does not recognize a gain or loss upon deconsolidation of investment products as the assets and liabilities of CIPs are carried at fair value. Artisan’s $19.6 million direct equity investment was reclassified from investment assets of consolidated investment products to investment securities.

As of September 30, 2023, Artisan held direct equity investments of $10.8 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 prices provided by independent 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. Short term investments are comprised of repurchase agreements and U.S. Treasury obligations. Repurchase agreements are valued at cost plus accrued interest and U.S. treasury obligations are valued using the same principles as fixed income securities. Derivative assets and liabilities are generally comprised of put and call options on securities and indices and forward foreign currency contracts. 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. Open forward foreign currency contracts are valued using the market spot rate.

The following tables present the fair value hierarchy levels of assets and liabilities held by CIPs measured at fair value as of September 30, 2023 and December 31, 2022:

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
September 30, 2023				
Assets				
Money market funds	$ 26,682	$ 26,682	$ —	$ —
Equity securities - long position	35,007	32,632	2,074	301
Fixed income instruments - long position	293,274	—	288,729	4,545
Derivative assets	843	—	843	—
Short term investments	7,305	—	7,305	—
Liabilities				
Fixed income instruments - short position	$ 10,410	$ 364	$ 10,046	$ —
Derivative liabilities	2,904	—	2,904	—

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
December 31, 2022				
Assets				
Money market funds	$ 25,140	$ 25,140	$ —	$ —
Equity securities - long position	32,388	30,179	2,209	—
Fixed income instruments - long position	216,638	—	212,368	4,270
Derivative assets	951	74	877	—
Short term investments	5,766	—	5,766	—
Liabilities				
Equity securities - short position	$ 256	$ 256	$ —	$ —
Fixed income instruments - short position	17,273	—	17,273	—
Derivative liabilities	3,222	2,462	760	—

CIP balances included in the Company's unaudited condensed consolidated statements of financial condition were as follows:

	As of September 30, 2023	As of December 31, 2022
Net CIP assets included in the table above	$ 349,797	$ 260,132
Net CIP assets/(liabilities) not included in the table above	(20,847)	(18,105)
Total Net CIP assets	328,950	242,027
Less: redeemable noncontrolling interests	219,726	135,280
Artisan's direct equity investment in CIPs	$ 109,224	$ 106,747

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, 2023, APAM held approximately 86% 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, 2023, 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, 2022	**67,982,025**	**11,624,031**	**79,606,056**	**85 %**
Holdings Common Unit Exchanges [(1)]	142,550	(142,550)	—	— %
Issuance of APAM Restricted Shares	515,702	—	515,702	1 %
Delivery of Shares Underlying RSUs and PSUs [(1)]	46,146	—	46,146	— %
Restricted Share Award Net Share Settlement [(1)]	(187,287)	—	(187,287)	— %
Forfeitures from Employee Terminations [(1)]	(17,916)	—	(17,916)	— %
Balance at September 30, 2023	**68,481,220**	**11,481,481**	**79,962,701**	**86 %**

[(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:

	For the Nine Months Ended September 30,	
Statements of Financial Condition	**2023**	**2022**
Additional paid-in capital	$ (696)	$ (262)
Noncontrolling interests - Artisan Partners Holdings	773	291
Accumulated other comprehensive income (loss)	(77)	(29)
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 $0.2 million and $0.5 million for the nine months ended September 30, 2023 and 2022, respectively.

Note 8. Stockholders' Equity

APAM - Stockholders' Equity

APAM had the following authorized and outstanding equity as of September 30, 2023 and December 31, 2022, respectively:

		Outstanding			
	Authorized	**As of September 30, 2023**	**As of December 31, 2022**	**Voting Rights [1]**	**Economic Rights**
Common shares					
Class A, par value $0.01 per share	500,000,000	68,481,220	67,982,025	1 vote per share	Proportionate
Class B, par value $0.01 per share	200,000,000	2,456,534	2,583,884	1 vote per share	None
Class C, par value $0.01 per share	400,000,000	9,024,947	9,040,147	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, 2023, Artisan's employees held 5,242,987 restricted shares of Class A common stock and all 2,456,534 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 share of ownership each has 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, 2023 and 2022:

Type of Dividend	**Class of Stock**	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**
Quarterly	Class A Common	$ 0.61	$ 0.60	$ 1.66	$ 2.39
Special Annual	Class A Common	$ —	$ —	$ 0.35	$ 0.72

The following table summarizes APAM's stock transactions for the nine months ended September 30, 2023:

	Total Stock Outstanding	Class A Common Stock[(1)]	Class B Common Stock	Class C Common Stock
Balance at December 31, 2022	**79,606,056**	**67,982,025**	**2,583,884**	**9,040,147**
Holdings Common Unit Exchanges	—	142,550	(127,350)	(15,200)
Restricted Share Award Grants	515,702	515,702	—	—
Restricted Share Award Net Share Settlement	(187,287)	(187,287)	—	—
Delivery of Shares Underlying RSUs and PSUs	46,146	46,146	—	—
Employee/Partner Terminations	(17,916)	(17,916)	—	—
Balance at September 30, 2023	**79,962,701**	**68,481,220**	**2,456,534**	**9,024,947**

(1) There were 415,112 and 367,392 restricted stock units outstanding at September 30, 2023 and December 31, 2022, respectively. In addition, there were 216,170 and 231,170 performance share units outstanding at September 30, 2023 and December 31, 2022, respectively. Based on the quarter-end status of the market and performance conditions, the 216,170 unvested performance share units would ultimately result in the issuance of 264,143 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 as required. 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, 2023 and 2022 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Holdings Partnership Distributions to Limited Partners	$ 12,883	$ 12,026	$ 30,341	$ 43,721
Holdings Partnership Distributions to APAM	72,419	64,441	169,102	227,165
Total Holdings Partnership Distributions	**$ 85,302**	**$ 76,467**	**$ 199,443**	**$ 270,886**

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

The following table presents a disaggregation of investment advisory revenue by type and vehicle for the three and nine months ended September 30, 2023 and 2022:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Management fees				
Artisan Funds	$ 145,269	$ 135,919	$ 420,244	$ 445,260
Artisan Global Funds	11,220	10,423	32,388	33,192
Separate accounts and other [(1)]	92,202	87,849	273,348	288,449
Performance fees				
Separate accounts and other [(1)]	31	121	154	397
Total revenues [(2)]	**$ 248,722**	**$ 234,312**	**$ 726,134**	**$ 767,298**

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

[(2)] All management fees and performance fees from consolidated investment products were eliminated upon consolidation and therefore are omitted from this table. See Note 14, "Related Party Transactions."

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

Customer	As of September 30, 2023	As of December 31, 2022
Artisan Funds	$ 6,096	$ 5,597
Artisan Global Funds	4,578	4,453
Separate accounts and other	77,976	74,936
Total receivables from contracts with customers	$ 88,650	$ 84,986
Non-customer receivables	7,412	13,648
Accounts receivable	**$ 96,062**	**$ 98,634**

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, 2023 or December 31, 2022.

Non-customer receivables include state tax payments made on behalf of certain limited partners, which are then netted from subsequent distributions or payments to the limited partners, as well as redemptions of investments related to franchise capital that have not yet been collected.

Note 10. Compensation and Benefits

Total compensation and benefits consist of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Salaries, incentive compensation and benefits [(1)]	$ 118,271	$ 109,563	$ 350,147	$ 352,221
Long-term cash incentive compensation expense	4,625	2,453	17,969	7,065
Restricted share-based award compensation expense	7,752	10,017	24,477	30,073
Long-term incentive compensation expense	12,377	12,470	42,446	37,138
Total compensation and benefits	**$ 130,648**	**$ 122,033**	**$ 392,593**	**$ 389,359**

[(1)] Excluding long-term incentive compensation expense

Incentive compensation

Cash incentive compensation paid to members of Artisan's investment teams and members of its distribution team 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 it was earned with the exception of fourth quarter incentive compensation which is earned and paid in the fourth quarter of the year. Cash incentive compensation paid to most other employees is 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

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 related to unvested shares will be reversed.

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 PSUs. The fair value of each award is equal to the market price of the Company's common stock on the grant date, except for PSUs 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. Grantees are generally entitled to dividends or dividend equivalents on unvested and vested awards. 6,400,000 shares of Class A common stock were reserved and available for issuance under the Artisan Partners Asset Management, Inc. 2023 Omnibus Incentive Compensation Plan (the "Plan") as of September 30, 2023, which includes 3,945,902 shares registered in the nine months ended September 30, 2023.

During the nine months ended September 30, 2023, Artisan granted 515,702 restricted stock awards and 1,684 restricted stock units.

The following tables summarize the restricted share-based award activity for the nine months ended September 30, 2023:

	Weighted-Average Grant Date Fair Value	Restricted Stock Awards and Restricted Stock Units
Unvested at January 1, 2023	**$ 39.09**	**5,396,343**
Granted	34.99	517,386
Forfeited	43.40	(17,916)
Vested	37.55	(542,487)
Unvested at September 30, 2023	**$ 38.84**	**5,353,326**

	Weighted-Average Grant Date Fair Value	Performance Share Units
Unvested at January 1, 2023	**$ 58.13**	**231,170**
Granted	—	—
Forfeited	—	—
Vested [1]	34.97	(15,000)
Unvested at September 30, 2023	**$ 54.89**	**216,170**

[1] During the nine months ended September 30, 2023, the 60,000 PSUs granted in 2020 met the requisite three-year performance conditions, resulting in the potential vesting of 150% of the PSUs, or 90,000 shares of Class A common stock. 45,000 shares of Class A common stock were promptly delivered at that time, while the remaining 45,000 PSUs remain subject to the qualified retirement vesting condition.

Based on the quarter-end status of the market and performance conditions, the 216,170 unvested PSUs would ultimately result in the issuance of 264,143 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, 2023 was $68.1 million with a weighted average recognition period of 3.2 years remaining. The unrecognized compensation expense for the unvested PSUs as of September 30, 2023 was $4.1 million with a weighted average recognition period of 2.0 years remaining.

During the nine months ended September 30, 2023, the Company withheld a total of 187,287 restricted shares and paid a total of $6.8 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, 2023, Artisan granted $39.0 million of franchise capital awards to investment team members in lieu of certain additional 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 generally allocated to 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 to which the awards are allocated. 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 generally 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:

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Statement of Operations Section	**Statement of Operations Line Item**	**2023**	**2022**	**2023**	**2022**
Operating expenses (benefit)	Compensation and benefits	$ (1,230)	$ (1,490)	$ 1,216	$ (4,138)
Non-operating income (expense)	Other net investment gain (loss)	(4,454)	(3,987)	6,127	(19,192)

The franchise capital award liability was $23.6 million and $14.5 million as of September 30, 2023 and December 31, 2022, respectively, and is included in accrued incentive compensation in the unaudited consolidated statements of financial condition. The unrecognized compensation expense for the unvested franchise capital awards as of September 30, 2023 was $80.6 million with a weighted average recognition period of 3.8 years remaining.

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, 2023, approximately 16% 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.

APAM’s effective tax rate was 19.1% and 20.4% for the nine months ended September 30, 2023 and 2022, 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,	
	2023	2022	2023	2022
Current:				
Federal	$ 4,240	$ 5,934	$ 14,546	$ 19,606
State and local	950	1,380	4,128	5,051
Foreign	337	129	703	407
Total	5,527	7,443	19,377	25,064
Deferred:				
Federal	7,687	6,212	27,448	18,458
State and local	1,356	1,095	4,838	3,239
Total	9,043	7,307	32,286	21,697
Income tax expense (benefit)	**$ 14,570**	**$ 14,750**	**$ 51,663**	**$ 46,761**

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 and (ii) 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 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, 2023 is summarized as follows:

	Deferred Tax Asset - Amortizable Basis	Amounts Payable Under TRAs
December 31, 2022	**$ 426,468**	**$ 398,789**
2023 Holdings Common Unit Exchanges	1,567	1,333
Amortization	(32,885)	—
Payments under TRAs	—	(35,757)
Change in estimate	(2)	(505)
September 30, 2023	**$ 395,148**	**$ 363,860**

Net deferred tax assets comprise the following:

	As of September 30, 2023	As of December 31, 2022
Deferred tax assets:		
Amortizable basis [(1)]	$ 395,148	$ 426,468
Other [(2)]	51,343	50,556
Total deferred tax assets	446,491	477,024
Less: valuation allowance [(3)]	—	—
Net deferred tax assets	**$ 446,491**	**$ 477,024**

(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 Artisan's investment in Holdings, related primarily to incentive compensation plan deduction timing differences. 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 $0.2 million and $0.1 million as of September 30, 2023 and December 31, 2022, respectively. 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 unrecognized tax benefits was less than $0.1 million as of September 30, 2023 and December 31, 2022. 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, 2023, U.S. federal income tax returns filed for the years 2020 through 2022 are open and therefore subject to examination. State, local, and foreign income tax returns filed are generally subject to examination from 2019 to 2022.

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 three and nine months ended September 30, 2023 and 2022 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Basic and Diluted Earnings Per Share	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net income attributable to APAM	$ 53,155	$ 44,235	$ 157,533	$ 153,947
Less: Allocation to participating securities	4,691	3,651	13,799	18,675
Net income available to common stockholders	$ 48,464	$ 40,584	$ 143,734	$ 135,272
Denominator:				
Basic weighted average shares outstanding	63,520,402	62,623,434	63,419,587	62,329,756
Dilutive effect of nonparticipating share-based awards	42,642	9,226	30,217	23,519
Diluted weighted average shares outstanding	63,563,044	62,632,660	63,449,804	62,353,275
Earnings per share - Basic	**$ 0.76**	**$ 0.65**	**$ 2.27**	**$ 2.17**
Earnings per share - Diluted	**$ 0.76**	**$ 0.65**	**$ 2.27**	**$ 2.17**

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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Anti-Dilutive Weighted Average Shares Outstanding	**2023**	**2022**	**2023**	**2022**
Holdings limited partnership units	11,487,400	11,928,838	11,517,987	12,145,755
Unvested restricted share-based awards	5,586,181	5,668,508	5,571,819	5,587,842
Total	**17,073,581**	**17,597,346**	**17,089,806**	**17,733,597**

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. 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.

Holdings also makes estimated state tax payments on behalf of certain limited partners, including related parties. These payments are then netted from subsequent distributions or payments to the limited partners. At September 30, 2023 and December 31, 2022, accounts receivable included $4.3 million and $6.5 million, respectively, of partnership tax reimbursements due from Holdings' limited partners, including related parties.

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 0.60% 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 0.83% 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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Artisan Funds	**2023**	**2022**	**2023**	**2022**
Investment advisory fees (Gross of expense reimbursements)	$ 145,738	$ 136,216	$ 421,459	$ 446,417
Elimination of fees from consolidated investment products [1]	(67)	(73)	(265)	(137)
Consolidated investment advisory fees (Gross of expense reimbursements)	**$ 145,671**	**$ 136,143**	**$ 421,194**	**$ 446,280**
Expense reimbursements	$ 517	$ 352	$ 1,400	$ 1,320
Elimination of expense reimbursements from consolidated investment products [1]	(115)	(128)	(450)	(300)
Consolidated expense reimbursements	**$ 402**	**$ 224**	**$ 950**	**$ 1,020**

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

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 0.50% 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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Artisan Global Funds	**2023**	**2022**	**2023**	**2022**
Investment advisory fees (Gross of expense reimbursements)	$ 11,331	$ 10,471	$ 32,663	$ 33,301
Elimination of fees from consolidated investment products[1]	(123)	(58)	(287)	(94)
Consolidated investment advisory fees (Gross of expense reimbursements)	**$ 11,208**	**$ 10,413**	**$ 32,376**	**$ 33,207**
Expense reimbursements	$ 127	$ 103	$ 308	$ 293
Elimination of expense reimbursements from consolidated investment products [1]	(139)	(113)	(320)	(278)
Consolidated expense reimbursements	**$ (12)**	**$ (10)**	**$ (12)**	**$ 15**

[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, Artisan has agreed to reimburse certain funds 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. The directors of Artisan Private Funds and the officers of the general partners of the Artisan Private Funds who are affiliated with Artisan receive no compensation from the funds.

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

Investment advisory fees for managing 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,	
Artisan Private Funds	**2023**	**2022**	**2023**	**2022**
Investment advisory fees (Gross of expense reimbursements)	$ 2,781	$ 3,592	$ 9,170	$ 11,651
Elimination of fees from consolidated investment products [1]	(311)	(147)	(702)	(430)
Consolidated investment advisory fees (Gross of expense reimbursements)	**$ 2,470**	**$ 3,445**	**$ 8,468**	**$ 11,221**
Expense reimbursements	$ 82	$ 46	$ 194	$ 178
Elimination of expense reimbursements from consolidated investment products [1]	(35)	(19)	(82)	(94)
Consolidated expense reimbursements	**$ 47**	**$ 27**	**$ 112**	**$ 84**

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

Note 15. Subsequent Events

Distributions and dividends

APAM, acting as the general partner of Artisan Partners Holdings, declared, effective October 31, 2023, a distribution by Artisan Partners Holdings of $18.8 million to holders of Artisan Partners Holdings partnership units, including APAM. The board of directors of APAM declared, effective October 31, 2023, a quarterly dividend of $0.65 per share of Class A common stock. The APAM dividend is payable on November 30, 2023, to stockholders of record as of November 16, 2023.

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

Overview and Recent Highlights

We are an investment management firm focused on providing high-value added, active investment strategies in growing asset classes to sophisticated clients around the world. As of September 30, 2023, our 10 autonomous investment teams managed a total of 25 investment strategies across multiple asset classes and investment styles.

We focus on attracting, retaining and developing talented investment professionals and creating an environment in which each investment team is provided ample resources and support, transparent and direct financial incentives, a high degree of investment autonomy, and a long-term time horizon. We create new investment strategies when we identify opportunities to add value for clients, oftentimes through the use of a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk.

We offer our investment management capabilities primarily to sophisticated investors that operate with institutional decision-making processes and longer-term investment horizons. We employ knowledgeable and investment focused relationship managers who are directly aligned with our investment teams, and we pair them with regional and distribution channel experts. We provide access to our investment strategies through multiple investment vehicles, including separate accounts and different types of pooled vehicles. As of September 30, 2023, approximately 76% of our assets under management were managed for clients and investors domiciled in the U.S. and 24% 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 dividends and distributions. We expect to continue to invest in the growth of the business, with a focus on adding new investment capabilities and more degrees of freedom in areas where both opportunity and client demand exist, and in which we can differentiate our active management and add value for clients.

Financial highlights for the quarter included the following:

- During the three months ended September 30, 2023, our assets under management declined to $136.5 billion, a decrease of $6.5 billion, or 5%, compared to $143.0 billion at June 30, 2023, primarily due to $5.1 billion of market depreciation and net client cash outflows of $1.3 billion.
- Average assets under management for the three months ended September 30, 2023 were $142.2 billion, a 7% increase from the average of $132.9 billion for the three months ended September 30, 2022. Average assets under management for the three months ended September 30, 2023 increased 2% from the average of $139.3 billion for the three months ended June 30, 2023.
- We earned $248.7 million in revenue for the three months ended September 30, 2023, an increase of 6% from revenues of $234.3 million for the three months ended September 30, 2022. Performance fees of $0.1 million were recognized in the three months ended September 30, 2023 and 2022.
- Our GAAP operating margin was 33.0% for the three months ended September 30, 2023, compared to 33.6% for the three months ended September 30, 2022. Adjusted operating margin was 32.5% for the three months ended September 30, 2023, compared to 32.9% for the three months ended September 30, 2022.
- We generated $0.76 of earnings per basic and diluted share and $0.75 of adjusted EPS.
- We declared and distributed dividends of $0.61 per share of Class A common stock during the three months ended September 30, 2023.
- We declared, effective October 31, 2023, a quarterly dividend with respect to the three months ended September 30, 2023, of $0.65 per share of Class A common stock.

Organizational Structure

Organizational Structure

Our operations are conducted through Artisan Partners Holdings LP (“Holdings”) and its subsidiaries. On March 12, 2013, Artisan Partners Asset Management Inc. (“APAM”) and Holdings 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.

Limited partners of Holdings, some of whom are employees, held approximately 14% of the equity interests in Holdings as of September 30, 2023. Our results reflect that significant noncontrolling interest.

We operate our business in a single segment.

Holdings Unit Exchanges

During the nine months ended September 30, 2023, certain limited partners of Holdings exchanged 142,550 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 142,550 shares of Class A common stock. In connection with the exchanges, APAM received 142,550 GP units of Holdings.

APAM’s equity ownership interest in Holdings increased from 85% at December 31, 2022 to 86% at September 30, 2023, as a result of these transactions and other equity transactions during the period.

Financial Overview

Economic Environment

Global market conditions materially affect our financial performance. Concerns about elevated inflation, interest rate increases, effects of geopolitical tensions, conflicts and wars, and other global economic conditions continued into the three months ended September 30, 2023. Volatility and uncertainty in global financial markets impact the value of our assets under management. Because the revenue we earn is based on the value of our assets under management (AUM), fluctuations in our AUM will result in corresponding fluctuations in our revenues and earnings.

The following table presents the total returns of relevant market indices for the three and nine months ended September 30, 2023 and 2022:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
S&P 500 total returns	(3.3)%	(4.9)%	13.1 %	(23.9)%
MSCI All Country World total returns	(3.4)%	(6.8)%	10.1 %	(25.6)%
MSCI EAFE total returns	(4.1)%	(9.4)%	7.1 %	(27.1)%
Russell Midcap® total returns	(4.7)%	(3.4)%	3.9 %	(24.3)%
MSCI Emerging Markets Index	(2.9)%	(11.6)%	1.8 %	(27.2)%
ICE BofA US High Yield Index	0.5 %	(0.7)%	6.0 %	(14.6)%

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,	
	2023	**2022**	**2023**	**2022**
	(unaudited; dollars in millions)			
Assets under management at period end	$ 136,495	$ 120,607	$ 136,495	$ 120,607
Average assets under management [(1)]	$ 142,199	$ 132,946	$ 138,982	$ 146,244
Net client cash flows [(2)]	$ (1,339)	$ (1,073)	$ (3,678)	$ (4,621)
Total revenues	$ 248.7	$ 234.3	$ 726.1	$ 767.3
Weighted average management fee [(3)]	69.5 bps	70.0 bps	70.0 bps	70.2 bps
Operating margin	33.0 %	33.6 %	31.3 %	35.7 %
Adjusted operating margin [(4)]	32.5 %	32.9 %	31.5 %	35.1 %

[(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.

[(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.

Assets under management within our consolidated investment products, and investment advisory fees earned thereon, are excluded from our weighted average fee calculations and total revenues, since any such revenues are eliminated upon consolidation. Assets under management within Artisan Private Funds are included in the reported firmwide, 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	
	2023	2022	$	%
	(unaudited; in millions)			
Beginning assets under management	$ 142,989	$ 130,547	$ 12,442	9.5 %
Gross client cash inflows	5,601	6,898	(1,297)	(18.8)%
Gross client cash outflows	(6,940)	(7,971)	1,031	12.9 %
Net client cash flows [1]	(1,339)	(1,073)	(266)	(24.8)%
Artisan Funds' distributions not reinvested [2]	(75)	(81)	6	7.4 %
Investment returns and other [3]	(5,080)	(8,786)	3,706	42.2 %
Ending assets under management	$ 136,495	$ 120,607	$ 15,888	13.2 %
Average assets under management	$ 142,199	$ 132,946	$ 9,253	7.0 %

	For the Nine Months Ended September 30,		Period-to-Period	
	2023	2022	$	%
	(unaudited; in millions)			
Beginning assets under management	$ 127,892	$ 174,754	$ (46,862)	(26.8)%
Gross client cash inflows	15,889	22,397	(6,508)	(29.1)%
Gross client cash outflows	(19,567)	(27,018)	7,451	27.6 %
Net client cash flows [1]	(3,678)	(4,621)	943	20.4 %
Artisan Funds' distributions not reinvested [2]	(190)	(169)	(21)	(12.4)%
Investment returns and other [3]	12,471	(49,357)	61,828	125.3 %
Ending assets under management	$ 136,495	$ 120,607	$ 15,888	13.2 %
Average assets under management	$ 138,982	$ 146,244	$ (7,262)	(5.0)%

(1) Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested.

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

(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 declined by $6.5 billion primarily due to $5.1 billion of market depreciation and net client cash outflows of $1.3 billion. For the quarter, 16 of our 25 investment strategies had net outflows totaling $3.3 billion, which were partially offset by $1.9 billion of net inflows across the remaining 9 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 and the velocity at which the strategies are experiencing inflows. 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.

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 U.S. Small-Cap Growth strategy with respect to new client relationships.

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.

In November 2023, we expect the Artisan Funds to have completed their annual income and capital gain distributions for their equity mutual funds. Based on our current estimates and assumptions, we expect fourth quarter distributions to result in approximately $400 million of net client cash outflows from investors who choose not to reinvest their distributions. The November 2023 distribution (estimates of which we expect Artisan Funds will disclose in advance of the record dates) 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, 2023. 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 14% of our assets under management at September 30, 2023, are maintained in separate composites the results of which are not included below.

Investment Team and Strategy	Composite Inception Date	Strategy AUM[2] (in $MM)	Average Annual Total Returns (Gross) (%) 1 YR	3 YR	5 YR	10 YR	Inception	Average Annual Value-Added[1] Since Inception (bps)
Growth Team								
Global Opportunities Strategy	2/1/2007	$ 18,957	16.18%	(0.42)%	7.95%	10.35%	10.10%	452
MSCI All Country World Index			*20.80%*	*6.89%*	*6.46%*	*7.55%*	*5.58%*	
Global Discovery Strategy	9/1/2017	$ 1,364	17.91%	1.14%	9.53%	---	11.65%	441
MSCI All Country World Index			*20.80%*	*6.89%*	*6.46%*	---	*7.24%*	
U.S. Mid-Cap Growth Strategy	4/1/1997	$ 11,927	13.87%	(1.27)%	8.46%	9.86%	14.08%	500
Russell Midcap® Index			*13.45%*	*8.09%*	*6.38%*	*8.98%*	*9.73%*	
Russell Midcap® Growth Index			*17.47%*	*2.61%*	*6.97%*	*9.94%*	*9.08%*	
U.S. Small-Cap Growth Strategy	4/1/1995	$ 3,033	7.72%	(5.30)%	4.36%	9.14%	10.13%	298
Russell 2000® Index			*8.93%*	*7.16%*	*2.39%*	*6.64%*	*8.42%*	
Russell 2000® Growth Index			*9.59%*	*1.09%*	*1.55%*	*6.71%*	*7.15%*	
Global Equity Team								
Global Equity Strategy	4/1/2010	$ 375	18.61%	(0.04)%	5.80%	8.53%	10.52%	264
MSCI All Country World Index			*20.80%*	*6.89%*	*6.46%*	*7.55%*	*7.88%*	
Non-U.S. Growth Strategy	1/1/1996	$ 12,461	22.73%	1.00%	3.56%	4.41%	9.01%	443
MSCI EAFE Index			*25.65%*	*5.75%*	*3.24%*	*3.82%*	*4.58%*	
Non-U.S. Small-Mid Growth Strategy	1/1/2019	$ 6,629	13.03%	(1.13)%	---	---	9.34%	400
MSCI All Country World Index Ex USA Small Mid Cap			*19.95%*	*3.24%*	---	---	*5.34%*	
China Post-Venture Strategy	4/1/2021	$ 161	4.19%	---	---	---	(17.05)%	330
MSCI China SMID Cap Index			*1.89%*	---	---	---	*(20.35)%*	
U.S. Value Team								
Value Equity Strategy	7/1/2005	$ 3,722	29.94%	16.06%	9.39%	9.90%	8.99%	175
Russell 1000® Index			*21.19%*	*9.53%*	*9.62%*	*11.62%*	*9.42%*	
Russell 1000® Value Index			*14.44%*	*11.05%*	*6.22%*	*8.44%*	*7.24%*	
U.S. Mid-Cap Value Strategy	4/1/1999	$ 2,642	17.50%	13.85%	6.08%	7.13%	11.73%	276
Russell Midcap® Index			*13.45%*	*8.09%*	*6.38%*	*8.98%*	*8.97%*	
Russell Midcap® Value Index			*11.05%*	*10.98%*	*5.18%*	*7.91%*	*8.97%*	
Value Income Strategy	3/1/2022	$ 11	11.71%	---	---	---	(4.18)%	(459)
S&P 500 Market Index			*21.62%*	---	---	---	*0.41%*	
International Value Team								
International Value Strategy	7/1/2002	$ 36,401	33.22%	14.98%	8.74%	7.72%	11.32%	573
MSCI EAFE Index			*25.65%*	*5.75%*	*3.24%*	*3.82%*	*5.59%*	
International Explorer	11/1/2020	$ 201	22.30%	---	---	---	12.58%	748
MSCI All Country World Index Ex USA Small Cap			*19.01%*	---	---	---	*5.10%*	
Global Value Team								
Global Value Strategy	7/1/2007	$ 22,398	29.51%	12.35%	6.39%	8.00%	8.11%	293
MSCI All Country World Index			*20.80%*	*6.89%*	*6.46%*	*7.55%*	*5.18%*	
Select Equity Strategy	3/1/2020	$ 308	26.13%	9.65%	---	---	8.94%	(382)
S&P 500 Market Index			*21.62%*	*10.15%*	---	---	*12.76%*	
Sustainable Emerging Markets Team								
Sustainable Emerging Markets Strategy	7/1/2006	$ 796	20.95%	(0.87)%	2.30%	4.17%	4.67%	79
MSCI Emerging Markets Index			*11.70%*	*(1.73)%*	*0.55%*	*2.07%*	*3.88%*	
Credit Team								
High Income Strategy	4/1/2014	$ 8,387	11.59%	4.72%	5.22%	---	6.34%	266
ICE BofA US High Yield Index			*10.19%*	*1.82%*	*2.80%*	---	*3.68%*	
Credit Opportunities Strategy	7/1/2017	$ 199	18.64%	15.04%	12.96%	---	12.69%	1,087
ICE BofA US Dollar 3-Month Deposit Offered Rate Constant Maturity Index			*4.54%*	*1.70%*	*1.86%*	---	*1.82%*	
Floating Rate Strategy	1/1/2022	$ 52	14.36%	---	---	---	6.14%	123
Credit Suisse Leveraged Loan Total Return Index			*12.47%*	---	---	---	*4.91%*	

Developing World Team									
Developing World Strategy	7/1/2015	$	3,223	23.82%	(8.56)%	10.00%	---	8.40%	620
MSCI Emerging Markets Index				*11.70%*	*(1.73)%*	*0.55%*	---	*2.20%*	
Antero Peak Group									
Antero Peak Strategy	5/1/2017	$	2,055	10.26%	4.17%	9.57%	---	15.36%	382
S&P 500 Market Index				*21.62%*	*10.15%*	*9.91%*	---	*11.54%*	
Antero Peak Hedge Strategy	11/1/2017	$	400	5.36%	1.72%	7.14%	---	9.45%	(149)
S&P 500 Market Index				*21.62%*	*10.15%*	*9.91%*	---	*10.94%*	
EMsights Capital Group									
Global Unconstrained Strategy	4/1/2022	$	296	12.66%	---	---	---	10.43%	708
ICE BofA 3-month Treasury Bill Index				4.47%	---	---	---	*3.35%*	
Emerging Markets Debt Opportunities Strategy	5/1/2022	$	81	17.56%	---	---	---	11.96%	1,025
J.P. Morgan EMB Hard Currency/Local currency 50-50 Index				*11.15%*	---	---	---	*1.71%*	
Emerging Markets Local Opportunities Strategy	8/1/2022	$	416	15.77%	---	---	---	9.66%	332
J.P. Morgan GBI-EM Global Diversified				*13.10%*	---	---	---	*6.34%*	
Total Assets Under Management		**$**	**136,495**						

[1] Value-added is the amount, in basis points, by which the average annual gross composite return of each strategy has outperformed or underperformed its respective benchmark.

[2] 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 $55 million.

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

	By Investment Team										
Three Months Ended	**Growth**	**Global Equity**	**U.S. Value**	**International Value**	**Global Value**	**Sustainable Emerging Markets**	**Credit**	**Developing World**	**Antero Peak Group**	**EMsights Capital Group**	**Total**
September 30, 2023	(unaudited; in millions)										
Beginning assets under management	$ 38,586	$ 21,109	$ 6,648	$ 36,786	$ 23,974	$ 873	$ 8,198	$ 3,572	$ 3,129	$ 114	$ 142,989
Gross client cash inflows	1,181	311	84	1,957	376	17	799	131	43	702	5,601
Gross client cash outflows	(2,755)	(662)	(212)	(1,123)	(952)	(58)	(422)	(228)	(527)	(1)	(6,940)
Net client cash flows [1]	(1,574)	(351)	(128)	834	(576)	(41)	377	(97)	(484)	701	(1,339)
Artisan Funds' distributions not reinvested [2]	—	—	—	—	—	—	(75)	—	—	—	(75)
Investment returns and other	(1,731)	(1,132)	(145)	(1,018)	(692)	(36)	138	(252)	(190)	(22)	(5,080)
Ending assets under management	$ 35,281	$ 19,626	$ 6,375	$ 36,602	$ 22,706	$ 796	$ 8,638	$ 3,223	$ 2,455	$ 793	$ 136,495
Average assets under management	$ 37,406	$ 20,762	$ 6,655	$ 37,286	$ 23,780	$ 874	$ 8,474	$ 3,488	$ 2,917	$ 557	$ 142,199
September 30, 2022											
Beginning assets under management	$ 33,964	$ 21,643	$ 6,775	$ 29,391	$ 22,390	$ 1,003	$ 7,085	$ 4,136	$ 4,126	$ 34	$ 130,547
Gross client cash inflows	2,996	549	65	1,257	834	27	712	235	192	31	6,898
Gross client cash outflows	(2,319)	(1,807)	(296)	(1,185)	(936)	(62)	(655)	(378)	(333)	—	(7,971)
Net client cash flows [1]	677	(1,258)	(231)	72	(102)	(35)	57	(143)	(141)	31	(1,073)
Artisan Funds' distributions not reinvested [2]	—	—	—	(33)	—	—	(48)	—	—	—	(81)
Investment returns and other	(1,122)	(1,499)	(418)	(2,783)	(2,224)	(114)	(58)	(344)	(225)	1	(8,786)
Ending assets under management	$ 33,519	$ 18,886	$ 6,126	$ 26,647	$ 20,064	$ 854	$ 7,036	$ 3,649	$ 3,760	$ 66	$ 120,607
Average assets under management	$ 36,491	$ 21,362	$ 6,937	$ 29,231	$ 22,203	$ 963	$ 7,241	$ 4,231	$ 4,229	$ 58	$ 132,946

[1] Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested.

[2] Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds.

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	EMsights Capital Group	Total
September 30, 2023	(unaudited; in millions)										
Beginning assets under management	$ 33,977	$ 20,623	$ 6,088	$ 30,210	$ 21,767	$ 873	$ 7,140	$ 3,466	$ 3,676	$ 72	$ 127,892
Gross client cash inflows	2,905	1,196	195	6,149	1,304	63	2,542	488	311	736	15,889
Gross client cash outflows	(5,093)	(2,870)	(556)	(3,222)	(3,130)	(217)	(1,506)	(1,277)	(1,695)	(1)	(19,567)
Net client cash flows [1]	(2,188)	(1,674)	(361)	2,927	(1,826)	(154)	1,036	(789)	(1,384)	735	(3,678)
Artisan Funds' distributions not reinvested [2]	—	—	—	—	—	—	(190)	—	—	—	(190)
Investment returns and other	3,492	677	648	3,465	2,765	77	652	546	163	(14)	12,471
Net transfers[3]	—	—	—	—	—	—	—	—	—	—	$ —
Ending assets under management	$ 35,281	$ 19,626	$ 6,375	$ 36,602	$ 22,706	$ 796	$ 8,638	$ 3,223	$ 2,455	$ 793	$ 136,495
Average assets under management	$ 36,812	$ 21,167	$ 6,489	$ 35,210	$ 23,203	$ 882	$ 8,118	$ 3,593	$ 3,260	$ 248	$ 138,982
September 30, 2022											
Beginning assets under management	$ 52,434	$ 32,998	$ 8,053	$ 31,816	$ 26,744	$ 1,173	$ 8,157	$ 8,102	$ 5,277	—	$ 174,754
Gross client cash inflows	6,008	2,805	450	5,906	2,404	243	2,111	1,431	974	65	22,397
Gross client cash outflows	(6,771)	(7,232)	(814)	(3,798)	(2,698)	(133)	(2,169)	(2,451)	(952)	—	(27,018)
Net client cash flows [1]	(763)	(4,427)	(364)	2,108	(294)	110	(58)	(1,020)	22	65	(4,621)
Artisan Funds' distributions not reinvested [2]	—	—	—	(33)	—	—	(136)	—	—	—	(169)
Investment returns and other	(18,152)	(9,685)	(1,563)	(7,244)	(6,386)	(429)	(927)	(3,433)	(1,539)	1	(49,357)
Net transfers[3]	—	—	—	—	—	—	—	—	—	—	$ —
Ending assets under management	$ 33,519	$ 18,886	$ 6,126	$ 26,647	$ 20,064	$ 854	$ 7,036	$ 3,649	$ 3,760	$ 66	$ 120,607
Average assets under management [4]	$ 39,888	$ 25,249	$ 7,405	$ 30,858	$ 24,306	$ 1,030	$ 7,674	$ 5,289	$ 4,514	$ 45	$ 146,244

(1) Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested.

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

(3) 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.

(4) For the EMsights Capital Group, average assets under management is for the period beginning March 31, 2022, when the team's first strategy began investment operations.

The goal of our marketing, distribution and client services efforts is to establish and maintain a client base that is diversified by investment strategy, client type 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, 2023		As of September 30, 2022	
	$ in Millions	**% of Total**	**$ in Millions**	**% of Total**
	(unaudited)		(unaudited)	
Institutional	$ 85,770	62.8 %	$ 76,780	63.6 %
Intermediary	45,435	33.3 %	38,561	32.0 %
Retail	5,290	3.9 %	5,266	4.4 %
Ending Assets Under Management	$ 136,495	100.0 %	$ 120,607	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 9% of our total assets under management as of September 30, 2023.

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, 2023	(unaudited; in millions)		
Beginning assets under management	$ 69,144	$ 73,845	$ 142,989
Gross client cash inflows	3,313	2,288	5,601
Gross client cash outflows	(3,440)	(3,500)	(6,940)
Net client cash flows [2]	(127)	(1,212)	(1,339)
Artisan Funds' distributions not reinvested [3]	(75)	—	(75)
Investment returns and other	(2,297)	(2,783)	(5,080)
Net transfers [4]	(15)	15	—
Ending assets under management	$ 66,630	$ 69,865	$ 136,495
Average assets under management	$ 69,042	$ 73,157	$ 142,199
September 30, 2022			
Beginning assets under management	$ 63,033	$ 67,514	$ 130,547
Gross client cash inflows	3,784	3,114	6,898
Gross client cash outflows	(4,607)	(3,364)	(7,971)
Net client cash flows [2]	(823)	(250)	(1,073)
Artisan Funds' distributions not reinvested [3]	(81)	—	(81)
Investment returns and other	(4,141)	(4,645)	(8,786)
Net transfers [4]	(149)	149	—
Ending assets under management	$ 57,839	$ 62,768	$ 120,607
Average assets under management	$ 63,978	$ 68,968	$ 132,946

Nine Months Ended	Artisan Funds & Artisan Global Funds	Separate Accounts and Other [1]	Total
September 30, 2023	(unaudited; in millions)		
Beginning assets under management	$ 60,811	$ 67,081	$ 127,892
Gross client cash inflows	11,294	4,595	15,889
Gross client cash outflows	(11,074)	(8,493)	(19,567)
Net client cash flows [2]	220	(3,898)	(3,678)
Artisan Funds' distributions not reinvested [3]	(190)	—	(190)
Investment returns and other	5,804	6,667	12,471
Net transfers [4]	(15)	15	—
Ending assets under management	$ 66,630	$ 69,865	$ 136,495
Average assets under management	$ 67,110	$ 71,872	$ 138,982
September 30, 2022			
Beginning assets under management	$ 84,363	$ 90,391	$ 174,754
Gross client cash inflows	15,067	7,330	22,397
Gross client cash outflows	(17,843)	(9,175)	(27,018)
Net client cash flows [2]	(2,776)	(1,845)	(4,621)
Artisan Funds' distributions not reinvested [3]	(169)	—	(169)
Investment returns and other	(23,366)	(25,991)	(49,357)
Net transfers [4]	(213)	213	—
Ending assets under management	$ 57,839	$ 62,768	$ 120,607
Average assets under management	$ 70,544	$ 75,700	$ 146,244

(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, 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 discretionary investment authority.

(2) Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested.

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

(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.

The following table sets forth our assets under management by asset class:

Three Months Ended	**Equity [1]**	**Fixed Income [1]**	**Alternative [1]**	**Total**
September 30, 2023	(unaudited; in millions)			
Beginning assets under management	$ 131,384	$ 8,103	$ 3,502	$ 142,989
Gross client cash inflows	4,056	1,225	320	5,601
Gross client cash outflows	(5,990)	(422)	(528)	(6,940)
Net client cash flows [2]	(1,934)	803	(208)	(1,339)
Artisan Funds' distributions not reinvested [3]	—	(75)	—	(75)
Investment returns and other	(5,002)	104	(182)	(5,080)
Net transfers [4]	—	—	—	—
Ending assets under management	$ 124,448	$ 8,935	$ 3,112	$ 136,495
Average assets under management	$ 130,084	$ 8,787	$ 3,328	$ 142,199
September 30, 2022				
Beginning assets under management	$ 119,101	$ 6,974	$ 4,472	$ 130,547
Gross client cash inflows	5,962	738	198	6,898
Gross client cash outflows	(6,983)	(653)	(335)	(7,971)
Net client cash flows [2]	(1,021)	85	(137)	(1,073)
Artisan Funds' distributions not reinvested [3]	(33)	(48)	—	(81)
Investment returns and other	(8,464)	(57)	(265)	(8,786)
Net transfers [4]	—	—	—	—
Ending assets under management	$ 109,583	$ 6,954	$ 4,070	$ 120,607
Average assets under management	$ 121,231	$ 7,148	$ 4,567	$ 132,946

Nine Months Ended	**Equity [1]**	**Fixed Income [1]**	**Alternative [1]**	**Total**
September 30, 2023	(unaudited; in millions)			
Beginning assets under management	$ 116,832	$ 7,059	$ 4,001	$ 127,892
Gross client cash inflows	12,299	2,962	628	15,889
Gross client cash outflows	(16,365)	(1,504)	(1,698)	(19,567)
Net client cash flows [2]	(4,066)	1,458	(1,070)	(3,678)
Artisan Funds' distributions not reinvested [3]	—	(190)	—	(190)
Investment returns and other	11,682	608	181	12,471
Net transfers [4]	—	—	—	—
Ending assets under management	$ 124,448	$ 8,935	$ 3,112	$ 136,495
Average assets under management	$ 127,181	$ 8,165	$ 3,636	$ 138,982
September 30, 2022				
Beginning assets under management	$ 161,083	$ 8,037	$ 5,634	$ 174,754
Gross client cash inflows	19,235	2,135	1,027	22,397
Gross client cash outflows	(23,895)	(2,158)	(965)	(27,018)
Net client cash flows [2]	(4,660)	(23)	62	(4,621)

Artisan Funds' distributions not reinvested [3]	(33)	(136)	—	(169)
Investment returns and other	(46,807)	(924)	(1,626)	(49,357)
Net transfers [4]	—	—	—	—
Ending assets under management	$ 109,583	$ 6,954	$ 4,070	$ 120,607
Average assets under management	$ 133,827	$ 7,562	$ 4,855	$ 146,244

[1] Equity includes the following investment strategies: Mid-Cap Growth, Small-Cap Growth, Mid-Cap Value, Non-U.S. Growth, International Value, Global Opportunities, Global Equity, Value Equity, Global Value, Sustainable Emerging Markets, Global Discovery, Developing World, Non-U.S. Small-Mid Growth, International Explorer, Select Equity, and Value Income. Fixed Income includes the following investment strategies: High Income, Floating Rate, Emerging Markets Debt Opportunities, and Emerging Markets Local Opportunities. Alternative includes the following investment strategies: Antero Peak, Antero Peak Hedge, China Post-Venture, Credit Opportunities, and Global Unconstrained.

[2] Net client cash flows excludes Artisan Funds' income and capital gain distributions that were not reinvested.

[3] Artisan Funds' distributions not reinvested represents the amount of income and capital gain distributions that were not reinvested in the Artisan Funds.

[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, 2023, compared to Three months ended September 30, 2022

	For the Three Months Ended September 30,		For the Period-to-Period	
	2023	**2022**	**$**	**%**
Statements of operations data:	(unaudited; in millions, except share and per-share data)			
Revenues	$ 248.7	$ 234.3	$ 14.4	6 %
Operating Expenses				
Total compensation and benefits	130.7	122.1	8.6	7 %
Other operating expenses	35.8	33.5	2.3	7 %
Total operating expenses	166.5	155.6	10.9	7 %
Total operating income	82.2	78.7	3.5	4 %
Non-operating income (expense)				
Interest expense	(2.3)	(2.5)	0.2	8 %
Other non-operating income (expense)	8.1	(8.9)	17.0	191 %
Total non-operating income (expense)	5.8	(11.4)	17.2	151 %
Income before income taxes	88.0	67.3	20.7	31 %
Provision for income taxes	14.6	14.8	(0.2)	(1)%
Net income before noncontrolling interests	73.4	52.5	20.9	40 %
Less: Noncontrolling interests - Artisan Partners Holdings	11.3	11.0	0.3	3 %
Less: Noncontrolling interests - consolidated investment products	9.0	(2.7)	11.7	433 %
Net income attributable to Artisan Partners Asset Management Inc.	$ 53.1	$ 44.2	$ 8.9	20 %
Share Data				
Basic earnings per share	$ 0.76	$ 0.65		
Diluted earnings per share	$ 0.76	$ 0.65		
Basic weighted average number of common shares outstanding	63,520,402	62,623,434		
Diluted weighted average number of common shares outstanding	63,563,044	62,632,660		

Investment Advisory Revenues

Essentially all of our revenues consist of fees earned from managing clients' assets. 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.

The different fee structures associated with Artisan Funds, Artisan Global Funds and separate accounts and other pooled vehicles, and the different fee schedules applicable to each of our investment strategies, make the composition of our assets under management an important determinant of the investment management fees we earn. Historically, we have received higher effective rates of investment management fees from Artisan Funds and Artisan Global Funds than from traditional separate accounts, reflecting, among other things, the different and broader array of services we provide to Artisan Funds and Artisan Global Funds. Investment management fees for non-U.S. funds may also be higher because they include fees to offset higher distribution costs. Our investment management fees also differ by investment strategy, with higher-capacity strategies having lower standard fee rates than strategies with more limited capacity.

Certain separate account clients pay us fees based on the performance of their accounts relative to agreed-upon benchmarks, which typically results in a lower base fee but allows us to earn higher fees if the performance we achieve for that client is superior to the performance of the agreed-upon benchmark. We may also receive performance fees or incentive allocations from Artisan Private Funds. Approximately 3% of our $136.5 billion of assets under management as of September 30, 2023 have performance fee billing arrangements. Performance fees of $0.1 million were recognized in each of the three months ended September 30, 2023 and 2022.

The increase in revenues of $14.4 million, or 6%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, was driven primarily by a $9.3 billion, or 7% increase in our average assets under management. The weighted average investment management fee, which excludes performance fees, was 69.5 basis points for the three months ended September 30, 2023, compared to 70.0 basis points for the three months ended September 30, 2022.

The following table sets forth investment advisory fees and the weighted average management fee 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.

	Separate Accounts and Other [1]		Artisan Funds and Artisan Global Funds	
For the Three Months Ended September 30,	**2023**	**2022**	**2023**	**2022**
	(unaudited; dollars in millions)			
Investment advisory fees	$ 92.3	$ 87.9	$ 156.4	$ 146.4
Weighted average management fee [2]	50.1 bps	50.6 bps	90.1 bps	90.8 bps
Percentage of ending AUM	52 %	52 %	48 %	48 %

(1) 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 discretionary investment authority.

(2) 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.

Operating Expenses

Operating expenses increased $10.9 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, due to an $8.6 million increase in total compensation and benefits and a $2.3 million increase in other operating expenses.

Compensation and Benefits

	For the Three Months Ended September 30,		Period-to-Period	
	2023	**2022**	**$**	**%**
	(unaudited; in millions)			
Salaries, incentive compensation and benefits[1]	$ 118.3	$ 109.7	$ 8.6	8 %
Long-term incentive compensation awards	12.4	12.4	0.0	0 %
Total compensation and benefits	**$ 130.7**	**$ 122.1**	**$ 8.6**	7 %

(1) Excluding long-term incentive compensation awards

The increase in salaries, incentive compensation and benefits was driven primarily by an increase in incentive compensation and higher fixed compensation and benefits costs reflecting annual merit increases and an increase in the number of full time associates.

Total compensation and benefits was 53% and 52% of our revenues for the three months ended September 30, 2023, and 2022, respectively.

Other operating expenses

Other operating expenses increased $2.3 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to an increase in travel expenses.

Non-Operating Income (Expense)

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

	For the Three Months Ended September 30,		Period-to-Period	
	2023	2022	$	%
	(unaudited; in millions)			
Interest expense	$ (2.3)	$ (2.5)	$ 0.2	(8)%
Net investment gain (loss) of consolidated investment products	9.8	(3.9)	13.7	351 %
Net gain (loss) on the tax receivable agreements	0.5	0.5	0.0	0 %
Net investment gain (loss) on nonconsolidated seed investments	0.2	(1.6)	1.8	113 %
Net investment gain (loss) on franchise capital investments	(4.5)	(4.0)	(0.5)	(13)%
Interest income on cash and cash equivalents and other	2.1	0.1	2.0	2,000 %
Total non-operating income (expense)	**$ 5.8**	**$ (11.4)**	**$ 17.2**	151 %

Net investment gain (loss) of consolidated investment products, net investment gain (loss) on nonconsolidated seed investments, and net investment gain (loss) on franchise capital investments increased $15.0 million in the aggregate for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, predominately due to market conditions. Interest income on cash and cash equivalents and other increased $2.0 million for the three months ended September 30, 2023, as a result of higher yields.

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, 2023 and 2022 was 16.6% and 21.8%, respectively. Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 16% and 17% of Holdings’ full year projected taxable earnings were not subject to corporate-level taxes for the three months ended September 30, 2023 and 2022, 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, 2023, compared to the three months ended September 30, 2022, as a result of unit exchanges and equity award grants. See Note 12, “Earnings Per Share” in the Notes to the unaudited consolidated financial statements for discussion of earnings per share.

Nine months ended September 30, 2023, compared to Nine months ended September 30, 2022

	For the Nine Months Ended September 30,		Period-to-Period	
	2023	2022	$	%
Statements of operations data:	(unaudited; in millions, except share and per share data)			
Revenues	$ 726.1	$ 767.3	$ (41.2)	(5)%
Operating Expenses				
Total compensation and benefits	392.6	389.4	3.2	1 %
Other operating expenses	106.3	103.8	2.5	2 %
Total operating expenses	498.9	493.2	5.7	1 %
Total operating income	227.2	274.1	(46.9)	(17)%
Non-operating income (expense)				
Interest expense	(6.5)	(7.9)	1.4	18 %
Other non-operating income (expense)	50.0	(37.3)	87.3	234 %
Total non-operating income (expense)	43.5	(45.2)	88.7	196 %
Income before income taxes	270.7	228.9	41.8	18 %
Provision for income taxes	51.7	46.8	4.9	10 %
Net income before noncontrolling interests	219.0	182.1	36.9	20 %
Less: Noncontrolling interests - Artisan Partners Holdings	35.5	37.2	(1.7)	(5)%
Less: Noncontrolling interests - consolidated investment products	26.0	(9.0)	35.0	389 %
Net income attributable to Artisan Partners Asset Management Inc.	$ 157.5	$ 153.9	$ 3.6	2 %
Share Data				
Basic earnings per share	$ 2.27	$ 2.17		
Diluted earnings per share	$ 2.27	$ 2.17		
Basic weighted average number of common shares outstanding	63,419,587	62,329,756		
Diluted weighted average number of common shares outstanding	63,449,804	62,353,275		

Investment Advisory Revenues

The decrease in revenues of $41.2 million, or 5%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was driven primarily by a $7.2 billion, or 5%, decrease in our average assets under management. The weighted average management fee, which excludes performance fees, was 70.0 basis points for the nine months ended September 30, 2023, compared to 70.2 basis points for the nine months ended September 30, 2022. Performance fees of $0.2 million were recognized in the nine months ended September 30, 2023, compared to $0.4 million in the nine months ended September 30, 2022.

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

	Separate Accounts and Other [1]		Artisan Funds and Artisan Global Funds	
For the Nine Months Ended September 30,	2023	2022	2023	2022
	(unaudited; dollars in millions)			
Investment advisory fees	$ 273.5	$ 288.8	$ 452.6	$ 478.5
Weighted average management fee[2]	51.0 bps	51.0 bps	90.3 bps	90.7 bps
Percentage of ending AUM	52 %	52 %	48 %	48 %

[1] 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 discretionary investment authority.

[2] 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.

Operating Expenses

Operating expenses increased $5.7 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, due to a $3.2 million increase in total compensation and benefits and a $2.5 million increase in other operating expenses.

Compensation and Benefits

	For the Nine Months Ended September 30,		Period-to-Period	
	2023	2022	$	%
	(unaudited; in millions)			
Salaries, incentive compensation and benefits [1]	$ 350.1	$ 352.3	$ (2.2)	(1)%
Long-term incentive compensation awards	42.5	37.1	5.4	15 %
Total compensation and benefits	**$ 392.6**	**$ 389.4**	**$ 3.2**	1 %

[1] Excluding long-term incentive compensation awards

The decrease in salaries, incentive compensation and benefits was driven primarily by a $12.2 million decrease in incentive compensation paid to our investment and distribution professionals as a result of the decrease in revenue, partially offset by higher fixed compensation and benefits costs reflecting annual merit increases and a 6% increase in the number of full time associates.

Long-term incentive compensation award expense increased $5.4 million due to the impact of investment returns on the cash-based awards.

During the first quarter of 2023, the Company's board of directors approved a grant of $57.1 million of long-term incentive awards consisting of $18.1 million of restricted share-based awards and $39.0 million of cash-based long-term incentive awards, which we refer to as franchise capital awards. Long-term incentive compensation award expense for all outstanding awards is expected to be approximately $14 million per quarter in fiscal 2023, excluding the impact of investment returns on the franchise capital awards.

Total compensation and benefits was 54% and 51% of our revenues for the nine months ended September 30, 2023, and 2022, respectively.

Other operating expenses

Other operating expenses increased $2.5 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to an increase in travel expenses and occupancy costs, offset by a decrease in distribution fees due to lower revenues.

Non-Operating Income (Expense)

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

	For the Nine Months Ended September 30,		Period-to-Period	
	2023	2022	$	%
	(unaudited; in millions)			
Interest expense	$ (6.5)	$ (7.9)	$ 1.4	(18)%
Net investment gain (loss) of consolidated investment products	38.2	(14.6)	52.8	362 %
Net gain (loss) on the tax receivable agreements	0.5	1.0	(0.5)	(50)%
Net investment gain (loss) on nonconsolidated seed investments	1.4	(4.6)	6.0	130 %
Net investment gain (loss) on franchise capital investments	6.1	(19.2)	25.3	132 %
Interest income on cash and cash equivalents and other	3.8	0.1	3.7	3,700 %
Total non-operating income (expense)	**$ 43.5**	**$ (45.2)**	**$ 88.7**	196 %

Net investment gain (loss) of consolidated investment products, net investment gain (loss) on nonconsolidated seed investments, and net investment gain (loss) on franchise capital investments increased $84.1 million in the aggregate for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, predominately due to market conditions. The increase in interest income on cash and cash equivalents and other increased $3.7 million for the nine months ended September 30, 2023, as a result of higher yields.

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 19.1% and 20.4% for the nine months ended September 30, 2023 and 2022, respectively.

Several factors contribute to the effective tax rate, including a rate benefit attributable to the fact that approximately 16% and 17% of Holdings' full year projected taxable earnings were not subject to corporate-level taxes for the nine months ended September 30, 2023 and 2022, 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 nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, 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 (reversal) 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 (reversal) 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% for all periods presented.
- 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 (reversal) 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. Interest income generated on cash and cash equivalents is considered part of normal operations, and therefore, is not excluded from adjusted net income.

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,	
	2023	2022	2023	2022
	(unaudited; in millions, except per share data)			
Reconciliation of non-GAAP financial measures:				
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	**$ 53.1**	**$ 44.2**	**$ 157.5**	**$ 153.9**
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	11.3	11.0	35.5	37.2
Add back: Provision for income taxes	14.6	14.8	51.7	46.8
Add back: Compensation expense (reversal) related to market valuation changes in compensation plans	(1.3)	(1.6)	1.2	(4.4)
Add back: Net (gain) loss on the tax receivable agreements	(0.5)	(0.5)	(0.5)	(1.0)
Add back: Net investment (gain) loss of investment products attributable to APAM	3.6	7.1	(19.2)	30.0
Less: Adjusted provision for income taxes	20.0	18.6	55.9	64.9
Adjusted net income (Non-GAAP)	**$ 60.8**	**$ 56.4**	**$ 170.3**	**$ 197.6**
Average shares outstanding				
Class A common shares	63.5	62.6	63.4	62.3
Assumed vesting or exchange of:				
Unvested Class A restricted share-based awards	5.7	5.8	5.7	5.7
Artisan Partners Holdings units outstanding (noncontrolling interests)	11.5	11.9	11.5	12.2
Adjusted shares	**80.7**	**80.3**	**80.6**	**80.2**
Basic earnings per share (GAAP)	**$ 0.76**	**$ 0.65**	**$ 2.27**	**$ 2.17**
Diluted earnings per share (GAAP)	**$ 0.76**	**$ 0.65**	**$ 2.27**	**$ 2.17**
Adjusted net income per adjusted share (Non-GAAP)	**$ 0.75**	**$ 0.70**	**$ 2.11**	**$ 2.47**
Operating income (GAAP)	**$ 82.2**	**$ 78.7**	**$ 227.2**	**$ 274.1**
Add back: Compensation expense (reversal) related to market valuation changes in compensation plans	(1.3)	(1.6)	1.2	(4.4)
Adjusted operating income (Non-GAAP)	**$ 80.9**	**$ 77.1**	**$ 228.4**	**$ 269.7**
Operating margin (GAAP)	**33.0 %**	**33.6 %**	**31.3 %**	**35.7 %**
Adjusted operating margin (Non-GAAP)	**32.5 %**	**32.9 %**	**31.5 %**	**35.1 %**
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	**$ 53.1**	**$ 44.2**	**$ 157.5**	**$ 153.9**
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	11.3	11.0	35.5	37.2
Add back: Compensation expense (reversal) related to market valuation changes in compensation plans	(1.3)	(1.6)	1.2	(4.4)
Add back: Net (gain) loss on the tax receivable agreements	(0.5)	(0.5)	(0.5)	(1.0)
Add back: Net investment (gain) loss of investment products attributable to APAM	3.6	7.1	(19.2)	30.0
Add back: Interest expense	2.3	2.5	6.5	7.9
Add back: Provision for income taxes	14.6	14.8	51.7	46.8
Add back: Depreciation and amortization	2.4	2.0	6.9	5.5
Adjusted EBITDA (Non-GAAP)	**$ 85.5**	**$ 79.5**	**$ 239.6**	**$ 275.9**

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, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(unaudited; in millions)	
Cash and cash equivalents	$ 198.3	$ 114.8
Accounts receivable	$ 96.1	$ 98.6
Seed investments[(1)]	$ 144.6	$ 124.8
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 $104.2 million of investments made related to long-term incentive compensation plans.

We manage our cash balances in order to fund our day-to-day operations. The Company did not have any deposits with financial institutions directly impacted by events within the banking industry earlier this year. We continue to mitigate concentration risk through the diversification of financial institutions holding daily operating cash balances and by investing excess operating cash in various money market funds. $167.3 million of our cash and cash equivalents balance was invested in money market funds as of September 30, 2023.

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, 2023, none of our receivables were considered uncollectible.

We utilize cash to make seed investments in Artisan-sponsored investment products to support the development of new investment strategies and vehicles. As of September 30, 2023, the balance of all seed investments, including investments in consolidated investment products, was $144.6 million. Subject to certain restrictions on the timing of redemptions, seed investments are generally redeemable at our discretion. We monitor for opportunities to redeem existing seed investments as sufficient scale in those strategies and vehicles is achieved.

During the nine months ended September 30, 2023, we also made investments of $39.0 million related to funded long-term incentive compensation plans. As of September 30, 2023, the value of investments held in connection with funded long-term incentive compensation plans was $104.2 million.

We expect our investment portfolio to continue to grow as we grant additional annual franchise capital awards and make additional seed capital investments in new strategies and vehicles to support our growth.

We have $200 million in unsecured notes outstanding and a $100 million revolving credit facility with a five-year term ending August 2027. The notes are comprised of three series, Series D, Series E, and Series F, 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, 2023.

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, 2023.

Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM for the three and nine months ended September 30, 2023 and 2022, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited, in millions)			
Holdings Partnership Distributions to Limited Partners	$ 12.9	$ 12.0	$ 30.3	$ 43.7
Holdings Partnership Distributions to APAM	72.4	64.5	169.1	227.2
Total Holdings Partnership Distributions	**$ 85.3**	**$ 76.5**	**$ 199.4**	**$ 270.9**

On October 31, 2023, we, acting as the general partner of Artisan Partners Holdings, declared a distribution of $18.8 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, 2023 and 2022:

Type of Dividend	Class of Stock	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2023	2022	2023	2022
Quarterly	Class A Common	$ 0.61	$ 0.60	$ 1.66	$ 2.39
Special Annual	Class A Common	$ —	$ —	$ 0.35	$ 0.72

Our board of directors declared, effective October 31, 2023, a variable quarterly dividend of $0.65 per share of Class A common stock with respect to the September quarter of 2023, payable on November 30, 2023 to stockholders of record as of the close of business on November 16, 2023. The variable quarterly dividend represents approximately 80% of the cash generated in the September quarter of 2023 and a pro-rata portion of 2023 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 our quarterly cash generation to approximate adjusted net income plus long-term incentive compensation award expense, less cash reserved for future franchise capital awards (which we generally 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 $363.9 million liability as of September 30, 2023. 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, 2023, we made payments totaling approximately $35.8 million related to the TRAs. We do not intend to make any additional TRA payments in 2023. In 2024, we expect to make payments of approximately $37.2 million related to the TRAs.

Cash Flows

	For the Nine Months Ended September 30,	
	2023	2022
	(unaudited; in millions)	
Cash, cash equivalents and restricted cash as of January 1	**$ 143.2**	**$ 200.8**
Net cash provided by operating activities	262.8	306.6
Net cash used in investing activities	(36.5)	(60.5)
Net cash used in financing activities	(134.3)	(259.3)
Net impact of deconsolidation of consolidated investment products	(4.7)	—
Cash, cash equivalents and restricted cash as of September 30	**$ 230.5**	**$ 187.6**

Net cash provided by operating activities decreased $43.8 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to a decrease in operating income resulting from lower revenues. For the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, our operating income, excluding share based compensation expense, decreased $52.6 million, and was offset by changes in working capital.

Investing activities consist primarily of acquiring property and equipment, leasehold improvements and the purchase and sale of investment securities. Net cash used in investing activities decreased $24.0 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to a decrease in the net purchase of investment securities relating to franchise capital awards and fewer investments in non-consolidated investment products in fiscal 2023, compared to fiscal 2022.

Financing activities consist primarily of partnership distributions to non-controlling interests, dividend payments to holders of our Class A common stock, proceeds from the issuance of Class A common stock in follow-on offerings, payments to purchase Holdings partnership units, and payments of amounts owed under the tax receivable agreements. Net cash used in financing activities decreased $125.0 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to a $71.9 million decrease in dividends and a $13.4 million decrease in distributions paid to shareholders and limited partners, respectively, as well as a $40.9 million increase in contributions from noncontrolling interests in our consolidated investment products.

During the nine months ended September 30, 2023, 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 $4.7 million decrease in cash, cash equivalents and restricted cash.

Certain Contractual Obligations

As of September 30, 2023, 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, 2022, filed with the SEC on February 27, 2023, except for the changes in the TRA liability during the year.

As previously discussed in this report, the TRA liability decreased from $398.8 million at December 31, 2022 to $363.9 million at September 30, 2023. 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, 2023, we made payments of approximately $35.8 million related to the TRAs. We do not intend to make any additional TRA payments in 2023. In 2024, we expect to make payments of approximately $37.2 million related to the TRAs.

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, 2022.

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, 2022.

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, 2023. 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 Rule 13a-15(f) under the Exchange Act), during the quarter ended September 30, 2023 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 adverse 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, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

(a) None.

(b) None.

(c) 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
101	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, 2023 and December 31, 2022; (ii) the Unaudited Consolidated Statements of Operations for the nine months ended September 30, 2023 and 2022; (iii) the Unaudited Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2023 and 2022; (iv) the Unaudited Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2023 and 2022; (v) the Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022 (vi) the Notes to Unaudited Consolidated Financial Statements as of and for the nine months ended September 30, 2023 and 2022.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

(1) Indicates a management contract or compensatory plan or arrangement.

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: November 2, 2023

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)

Exhibit 31.1

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: November 2, 2023

Exhibit 31.2

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: November 2, 2023

Exhibit 32.1

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, 2023 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: November 2, 2023

Exhibit 32.2

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, 2023 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: November 2, 2023