Artisan Partners Asset Management Inc.
Form 10-K
February 21, 2018

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

Form 10-K
(Mark One)

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
OR	
o	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:

Class A Common Stock, $0.01 par value	The New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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. (Check one):

Large accelerated filer þ		Accelerated filer o
Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company o
		Emerging growth company o

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. o

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

The aggregate market value of common equity held by non-affiliates of the registrant at June 30, 2017, which was the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1,513,831,509 based on the closing price of $30.70 for one share of Class A common stock, as reported on the New York Stock Exchange on that date. For purposes of this calculation only, it is assumed that the affiliates of the registrant include only directors and executive officers of the registrant.

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 February 16, 2018 were 51,888,532, 11,922,192 and 13,184,527, respectively.

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Except where the context requires otherwise, in this report:

- "Artisan Funds" refers to Artisan Partners Funds, Inc., a family of Securities and Exchange Commission registered mutual funds.
- "Artisan Global Funds" refers to Artisan Partners Global Funds PLC, a family of Ireland-domiciled funds organized pursuant to the European Union's Undertaking for Collective Investment in Transferable Securities ("UCITS").

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- "client" and "clients" refer to investors who access our investment management services by investing in funds, including Artisan Funds, Artisan Global Funds, or Artisan sponsored private funds, or by engaging us to manage a separate account in one or more of our investment strategies (such accounts include collective investment trusts and other pooled investment vehicles for which we are investment adviser, each of which we manage on a separate account basis).
- "Company", "Artisan", "we", "us" or "our" refer to Artisan Partners Asset Management Inc. ("APAM") and, unless the contex otherwise requires, its direct and indirect subsidiaries, including Artisan Partners Holdings LP ("Artisan Partners Holdings" or "Holdings"), and, for periods prior to our IPO, "Artisan," the "company," "we," "us" and "our" refer to Artisan Partners Holdings and, unless the context otherwise requires, its direct and indirect subsidiaries. On March 12, 2013, APAM closed its IPO and related IPO Reorganization. Prior to that date, APAM was a subsidiary of Artisan Partners Holdings. The IPO Reorganization and IPO are described in the notes to our consolidated financial statements included in Part II of this Form 10-K.
- "IPO" means the initial public offering of 12,712,279 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on March 12, 2013.
- "IPO Reorganization" means the series of transactions Artisan Partners Asset Management Inc. and Artisan Partners Holdings completed on March 12, 2013, immediately prior to the IPO, in order to reorganize their capital structures in preparation for the IPO.
- "2015 Follow-On Offering" means the registered offering of 3,831,550 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on March 9, 2015.
- "2017 Follow-On Offering" means the registered offering of 5,626,517 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on February 28, 2017.

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 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 this Form 10-K. 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;
- 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 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.

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Performance and Assets Under Management Information Used in this Report

We manage investments primarily through pooled investment funds and separate accounts. We serve as investment adviser to Artisan Funds and as investment manager of Artisan Global Funds. We refer to funds and other accounts that are managed by us with a broadly common investment objective and substantially in accordance with a single model account as being part of the same investment "strategy".

We measure the results both of our individual funds and of our "composites", which represent the aggregate performance of all discretionary client accounts, including funds, invested in the same strategy, except those accounts with respect to which we believe client-imposed investment restrictions (such as socially-based restrictions) may have a material impact on portfolio construction and those accounts managed in a currency other than U.S. dollars (the results of these accounts are maintained in separate composites, which are not presented in this report).

The performance of accounts with investment restrictions differs from the performance of accounts included in our principal composite for the applicable strategy because one or more securities may be omitted from the portfolio in order to comply with client restrictions and the weightings in the portfolio of other securities are correspondingly altered. The performance of non-U.S. dollar accounts differs from the performance of the principal composite for the applicable strategy because of the fluctuations in currency exchange rates between the currencies in which portfolio securities are traded and the currency in which the account is managed or U.S. dollars, respectively. Our assets under management in accounts with investment restrictions and non-U.S. dollar accounts represented approximately 2% and 10%, respectively, of our assets under management as of December 31, 2017. Results for any investment strategy described herein, and for different investment vehicles within a strategy, are affected by numerous factors, including: different material market or economic conditions; different investment management fee rates, brokerage commissions and other expenses; and the reinvestment of dividends or other earnings.

The returns for any strategy may be positive or negative, and past performance does not guarantee future results. In this report, we refer to the date on which we began tracking the performance of an investment strategy as that strategy's "inception date".

In this report, we present the average annual returns of our composites on a "gross" basis, which represent average annual returns before payment of fees payable to us by any portfolio in the composite and are net of commissions and transaction costs. We also present the average annual returns of certain market indices or "benchmarks" for the comparable period. The indices are unmanaged and have differing volatility, credit and other characteristics. You should not assume that there is any material overlap between the securities included in the portfolios of our investment strategies during these periods and those that comprise any MSCI, Russell, S&P or ICE BofAML index referred to in this report. At times, this can cause material differences in relative performance. It is not possible to invest directly in any of the indices. The returns of these indices, as presented in this report, have not been reduced by fees and expenses associated with investing in securities, but do include the reinvestment of dividends.

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In this report, we present Morningstar, Inc., or Morningstar, ratings for series of Artisan Funds. The Morningstar RatingTM for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Throughout this report, we present historical information about our assets under management, including information about changes in our assets under management due to gross client cash inflows and outflows, market appreciation and depreciation and transfers between investment vehicles (e.g., Artisan Funds and separate accounts). Gross client cash inflows and outflows represent client fundings, terminations and client initiated contributions and withdrawals (which could be in cash or in securities). Market appreciation (depreciation) represents realized gains and losses, the change in unrealized gains and losses, net income and certain miscellaneous items, immaterial in the aggregate, which may include payment of Artisan’s management fees or payment of custody expenses to the extent a client causes these fees to be paid from the account we manage. The effect of translating into U.S. dollars the value of portfolio securities denominated in currencies other than the U.S. dollar is included in market appreciation (depreciation).We also present information about our average assets under management for certain periods.

We use our information management systems to track our assets under management, the components of market appreciation and depreciation, and client inflows and outflows, and we believe the information set forth in this report regarding our assets under management, market appreciation and depreciation, and client inflows and outflows is accurate in all material respects. We also present information regarding the amount of our assets under management and client inflows and outflows sourced through particular investment vehicles and distribution channels. The allocation of assets under management and client flows sourced through particular distribution channels involves estimates because precise information on the sourcing of assets invested in Artisan Funds or Artisan Global Funds through intermediaries is not available on a complete or timely basis and involves the exercise of judgment because the same assets, in some cases, might fairly be said to have been sourced from more than one distribution channel. We have presented the information on our assets under management and client inflows and outflows sourced by distribution channel in the way in which we prepare and use that information in the management of our business. Data on our assets under management sourced by distribution channel and client inflows and outflows are not subject to our internal controls over financial reporting.

None of the information in this report constitutes either an offer or a solicitation to buy or sell any fund securities, nor is any such information a recommendation for any fund security or investment service.

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PART I

Item 1. Business

Overview

Founded in 1994, Artisan is an investment management firm focused on providing high valued added, active investment strategies to sophisticated clients globally. Our 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. Since our founding, we have maintained a business model that is designed to maximize our ability to produce attractive investment results for our clients, and we believe this model has contributed to our success in doing so. We focus on attracting, retaining and developing talented investment professionals by creating an environment in which each investment team is provided ample resources and support, transparent and direct financial incentives, and a high degree of investment autonomy. Each of our investment teams is led by one or more experienced portfolio managers and applies its own unique investment philosophy and process. We believe this autonomous structure promotes independent analysis and accountability among our investment professionals, which we believe promotes superior investment results.

The following table sets forth our revenues and our ending and average assets under management for the periods noted:

	For the Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Total revenues	$796	$721	$806
Ending assets under management	$115,494	$96,845	$99,848
Average assets under management	$108,754	$96,281	$106,484

Additional information regarding our revenues and our assets under management during the past three years is contained in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, as well as our consolidated financial statements, which are included in Item 8 of this Form 10-K.

Each of our investment strategies is designed to have a clearly articulated, consistent and replicable investment process that is well-understood by clients and managed to achieve long-term performance. Over our firm’s history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk. During 2017, we continued to expand our degrees of freedom with the launch of the Global Discovery and Thematic strategies, as well as privately offered strategies managed by our Credit team and Thematic team.

We launch a new strategy only when we believe it has the potential to achieve superior investment performance in an area that we believe will have sustained client demand at attractive fee rates over the long term. We strive to maintain the integrity of the investment process followed in each of our strategies by rigorous adherence to the investment parameters we have communicated to our clients. We also carefully monitor our investment capacity in each investment 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. In order to better achieve our long-term goals, we are willing to close a strategy to new investors or otherwise take action to slow or restrict its growth, even though our short-term results may be impacted.

In addition to our investment teams, we have a management team that is focused on our business objectives of achieving profitable growth, expanding our investment capabilities, diversifying the source of our assets under management, delivering superior client service, developing our investment teams into investment franchises with multiple decision-makers and investment strategies, and maintaining the firm’s fiduciary mindset and culture of compliance. Our management team supports our investment management capabilities and manages a centralized infrastructure, which allows our investment professionals to focus primarily on making investment decisions and generating returns for our clients.

We offer our investment management capabilities primarily to institutions and through intermediaries that operate with institutional-like decision-making processes and have longer-term investment horizons, by means of separate accounts and pooled vehicles. We access traditional institutional clients primarily through relationships with investment consultants. We access other institutional-like investors primarily through consultants, alliances with major defined contribution/401(k) platforms and relationships with financial advisors and broker-dealers. We derive essentially all of our revenues from investment management fees, which primarily are based on a specified percentage of clients' average assets under management. These fees are determined by the investment advisory and sub-advisory agreements that are terminable by clients upon short notice or no notice.

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Investment Teams

We offer clients a broad range of actively managed investment strategies diversified by asset class, market cap, region and investment style. Each strategy is managed by one of the investment teams described below.

The table below sets forth the total assets under management for each of our investment teams and strategies as of December 31, 2017, the inception date for each investment composite, the value-added by each publicly offered strategy since inception date, and, as applicable, the Overall Morningstar Rating™ for the share class of the respective series of Artisan Funds with the earliest inception date. Performance information for Artisan sponsored privately offered strategies has been intentionally omitted.

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Investment Team and Strategy	AUM as of December 31, 2017 (in millions)	Composite Inception Date	Value-Added Since Inception Date [1] as of December 31, 2017	Fund Rating[2] as of December 31, 2017
Growth Team				
Global Opportunities	15,469	February 1, 2007	579	««««««
Global Discovery	16	September 1, 2017	(178)	Not yet rated
U.S. Mid-Cap Growth	12,798	April 1, 1997	453	««««
U.S. Small-Cap Growth	2,345	April 1, 1995	99	««««
Global Equity Team[3]				
Global Equity	1,439	April 1, 2010	406	««««
Non-U.S. Growth	27,101	January 1, 1996	542	««
Non-U.S. Small-Cap Growth	695	January 1, 2002	302	««
U.S. Value Team				
Value Equity	2,269	July 1, 2005	(5)	««««
U.S. Mid-Cap Value	6,496	April 1, 1999	388	««««
Global Value Team				
Global Value	19,930	July 1, 2007	482	«««««
Non-U.S. Value	21,757	July 1, 2002	628	««««««
Emerging Markets Team				
Emerging Markets	282	July 1, 2006	54	««««
Credit Team				
High Income	2,517	April 1, 2014	296	««««««
Privately offered strategy	37	July 1, 2017	Not disclosed	Not applicable
Developing World Team				
Developing World	2,253	July 1, 2015	353	Not yet rated
Thematic Team				
Thematic	32	May 1, 2017	1,612	Not yet rated
Privately offered strategy	58	November 1, 2017	Not disclosed	Not applicable
Total AUM as of December 31, 2017	115,494			

[1] Value-added since inception date is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed or underperformed the broad-based market index most commonly used by our clients to compare the performance of the relevant strategy since its inception date. Value-added for periods less than one year are not annualized. The broad-based market indices used to compute the value added since inception

date for each of our strategies are as follows: Non-U.S. Growth Strategy / Non-U.S. Value Strategy-MSCI EAFE Index; Global Equity Strategy / Global Opportunities Strategy / Global Value Strategy / Global Discovery Strategy-MSCI ACWI Index; Non-U.S. Small-Cap Growth Strategy-MSCI EAFE Small Cap Index; U.S. Mid-Cap Growth Strategy / U.S. Mid-Cap Value Strategy-Russell Midcap® Index; U.S. Small-Cap Growth Strategy-Russell 2000® Index; Value Equity Strategy-Russell 1000® Index; Developing World Strategy / Emerging Markets Strategy-MSCI Emerging Markets Index; High Income Strategy-ICE BofAML US High Yield Master II Total Return Index; Thematic Strategy-S&P® 500 Index. Unlike the ICE BofAML US High Yield Master II Total Return Index, the Artisan High Income strategy may hold loans and other security types. At times, this causes material differences in relative performance.

(2) The Overall Morningstar RatingTM for a fund is derived from a weighted average of the performance figures associated with its three-year, five-year, and ten-year (if applicable) Morningstar Ratings metrics. The ratings which form the basis for the information reflected in this report, and the fund categories in which they are rated, relating to each Fund's Investor Share Class are: Artisan Emerging Markets Fund—Diversified Emerging Markets; Artisan Global Equity Fund—World Stock; Artisan Global Opportunities Fund—World Stock; Artisan Global Value Fund—World Stock; Artisan High Income Fund—High Yield Bond; Artisan International Fund—Foreign Large Blend; Artisan International Small Cap Fund—Foreign Small/Mid Growth; Artisan International Value Fund—Foreign Large Blend; Artisan Mid Cap Fund—Mid-Cap Growth; Artisan Mid Cap Value Fund—Mid-Cap Value; Artisan Small Cap Fund—Small Growth; Artisan Value Fund—Large Value. Morningstar ratings are initially given on a fund's three year track record and change monthly.

(3) On January 20, 2017, we ceased managing assets in the Global Small-Cap Growth Strategy.

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Growth Team

Our Growth team, which was formed in 1997 and is based in Milwaukee, Wisconsin, manages four investment strategies: Global Opportunities, Global Discovery, U.S. Mid-Cap Growth and U.S. Small-Cap Growth. James D. Hamel, Matthew H. Kamm, Craigh A. Cepukenas, and Jason L. White are the portfolio co-managers of all four strategies. Mr. Hamel is the lead portfolio manager of the Global Opportunities strategy; Mr. White is the lead portfolio manager of the Global Discovery strategy; Mr. Kamm is the lead portfolio manager of the U.S. Mid-Cap Growth strategy; and Mr. Cepukenas is the lead portfolio manager of the U.S. Small-Cap Growth strategy. The U.S. Mid-Cap Growth and U.S. Small-Cap Growth strategies are currently closed to most new investors and client relationships. The Global Opportunities strategy is open across pooled vehicles, but closed to most new separate account clients.

The Growth team's investment process focuses on two distinct elements - security selection and capital allocation. The team identifies companies that have franchise characteristics (e.g. low cost production capability, possession of a proprietary asset, dominant market share or a defensible brand name), are benefiting from an accelerating profit cycle and are trading at a discount to the team's estimate of private market value. The team looks for companies that are well positioned for long-term growth, which is driven by demand for their products and services at an early enough stage in their profit cycle to benefit from the increased cash flows produced by the emerging profit cycle.

Based on the investment team's fundamental analysis of a company's profit cycle, the investment team divides each portfolio into three parts. Garden℠ investments generally are small positions in the early part of their profit cycle that may warrant a larger allocation once their profit cycle accelerates. Crop℠ investments are positions that are being increased to or maintained at a full weight because they are moving through the strongest part of their profit cycle. Harvest℠ investments are positions that are being reduced as they near the investment team's estimate of full valuation or their profit cycle begins to decelerate. The team overlays its investment process with broad knowledge of the global economy in order to position it to find growth wherever it occurs.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Global Opportunities (February 1, 2007)					
Average Annual Gross Returns	32.73%	15.18%	14.87%	10.46 %	11.00 %
MSCI ACWI® Index	23.97%	9.29 %	10.79%	4.65 %	5.21 %
Global Discovery (September 1, 2017)					
Average Annual Gross Returns	—	—	—	—	5.99 %
MSCI ACWI® Index	—	—	—	—	7.77 %
U.S. Mid-Cap Growth (April 1, 1997)					
Average Annual Gross Returns	21.96%	8.14 %	13.46%	9.95 %	15.06 %
Russell Midcap® Index	18.52%	9.57 %	14.95%	9.10 %	10.54 %
Russell® Midcap Growth Index	25.27%	10.29%	15.30%	9.09 %	9.28 %
U.S. Small-Cap Growth (April 1, 1995)					
Average Annual Gross Returns	28.38%	11.71%	15.15%	10.30 %	10.56 %
Russell 2000® Index	14.65%	9.95 %	14.11%	8.70 %	9.56 %
Russell 2000® Growth Index	22.17%	10.27%	15.20%	9.18 %	7.98 %

Global Equity Team

Our Global Equity team was formed in 1996 and is primarily based in San Francisco and New York. The Global Equity team manages three investment strategies: Global Equity, Non-U.S. Growth, and Non-U.S. Small-Cap Growth. Mark L. Yockey is the founder of our Global Equity team and has been portfolio manager of each of the team's strategies since their inception. Charles-Henri Hamker and Andrew J. Euretig are associate portfolio managers of the Non-U.S. Growth strategy and portfolio co-managers (with Mr. Yockey) of the Global Equity strategy. Mr. Hamker also serves as portfolio co-manager of the Non-U.S. Small-Cap Growth strategy with Mr. Yockey. The Non-U.S.

Growth and Non-U.S. Small-Cap Growth strategies are currently closed to most new investors and client relationships. On January 20, 2017, the Global Equity team ceased managing assets in a fourth strategy, the Artisan Global Small-Cap Growth strategy.

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The Global Equity team employs a fundamental stock selection process focused on identifying companies within its preferred themes with sustainable growth characteristics at valuations that do not fully reflect their long-term potential. The team identifies long-term secular growth trends with the objective of investing in companies that have meaningful exposure to those trends. The team focuses on companies that are industry leaders with attractive growth and valuation characteristics that will be long-term beneficiaries of those trends.

The team applies a fundamental approach to identifying long-term, sustainable growth characteristics of potential investments. It seeks high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team. The team uses multiple valuation metrics to establish a target price range and assesses the relationship between its estimate of a company's sustainable growth prospects and the company's current valuation.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Global Equity (April 1, 2010)					
Average Annual Gross Returns	33.31%	10.66%	13.20%	—	13.14 %
MSCI ACWI® Index	23.97%	9.29 %	10.79%	—	9.08 %
Non-U.S. Growth (January 1, 1996)					
Average Annual Gross Returns	32.55%	5.48 %	8.57 %	3.87 %	10.54 %
MSCI EAFE® Index	25.03%	7.79 %	7.89 %	1.94 %	5.12 %
Non-U.S. Small-Cap Growth (January 1, 2002)					
Average Annual Gross Returns	35.54%	10.39%	9.67 %	5.51 %	13.87 %
MSCI EAFE® Small Cap Index	33.01%	14.19%	12.85%	5.77 %	10.86 %

U.S. Value Team

Our U.S. Value team, which was formed in 1997 and is based in Atlanta and Chicago, manages two investment strategies: Value Equity and U.S. Mid-Cap Value. James C. Kieffer, Thomas A. Reynolds, and Daniel L. Kane are the portfolio co-managers for both strategies. George O. Sertl, Jr., previously a portfolio co-manager of the team's two strategies, stepped down from portfolio management in October 2017 and provided notice of his intent to retire. On May 23, 2016, the U.S. Value team ceased managing assets in a third strategy, the Artisan U.S. Small-Cap Value strategy.

The U.S. Value team seeks to invest in companies that the team believes are undervalued, are in solid financial condition and have attractive business economics. The team believes companies with these characteristics are less likely to experience eroding values over the long term compared to companies without such characteristics.

The team values a business using what it believes are reasonable expectations for the long-term earnings power and capitalization rates of that business. This results in a range of values for the company that the team believes would be reasonable. The team prefers companies with an acceptable level of debt and positive cash flow, and favors cash-producing businesses that it believes are capable of earning acceptable returns on capital over the company's business cycle.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Value Equity (July 1, 2005)					
Average Annual Gross Returns	16.99%	11.78%	13.41%	8.44 %	9.00 %
Russell 1000® Index	21.69%	11.22%	15.70%	8.59 %	9.05 %
Russell® 1000 Value Index	13.66%	8.64 %	14.03%	7.10 %	7.77 %
U.S. Mid-Cap Value (April 1, 1999)					
Average Annual Gross Returns	13.69%	8.70 %	12.64%	10.17 %	13.51 %
Russell Midcap® Index	18.52%	9.57 %	14.95%	9.10 %	9.63 %

Russell® Midcap Value Index	13.34%	8.99 %	14.67%	9.09 %	10.20 %

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Global Value Team

Our Global Value team was formed in 2002 and is based in San Francisco and Chicago. The team manages two investment strategies: Global Value and Non-U.S. Value. N. David Samra and Daniel J. O'Keefe are the portfolio co-managers of both strategies. Mr. Samra is the lead portfolio manager of the Non-U.S. Value strategy, and Mr. O'Keefe is the lead portfolio manager of the Global Value strategy. The Non-U.S. Value strategy is closed to most new investors and client relationships. The Global Value strategy is open to new relationships through pooled investment vehicles, but generally closed to most new separate account relationships.

The Global Value team employs a fundamental investment process to construct portfolios of companies that the team believes are high quality, undervalued companies with strong balance sheets and shareholder-oriented management teams. The team seeks to invest in companies at a significant discount to its estimate of each company's intrinsic value. The team also looks for companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries. The team believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available. The team's research process also attempts to identify management teams with a history of building value for shareholders.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Global Value (July 1, 2007)					
Average Annual Gross Returns	23.47%	10.49%	13.88%	10.45 %	9.40 %
MSCI ACWI® Index	23.97%	9.29 %	10.79%	4.65 %	4.58 %
Non-U.S. Value (July 1, 2002)					
Average Annual Gross Returns	25.34%	9.84 %	12.14%	9.04 %	13.03 %
MSCI EAFE® Index	25.03%	7.79 %	7.89 %	1.94 %	6.74 %

Emerging Markets Team

Our Emerging Markets team, which was formed in 2006 and is based in New York, manages a single investment strategy. Maria Negrete-Gruson is the portfolio manager for the Emerging Markets strategy.

The Emerging Markets team seeks to invest in emerging market companies that it believes are uniquely positioned to benefit from the growth potential in emerging markets and possess a sustainable global competitive advantage. The team believes that over the long-term a stock's price is directly related to the company's ability to deliver sustainable earnings, which the team determines based upon financial and strategic analyses. The team also believes that a disciplined risk framework allows greater focus on fundamental stock selection. The team incorporates its assessment of company-specific and macroeconomic risks into its valuation analysis to develop a risk adjusted target price. The risk-rating assessment includes a review of country-appropriate macroeconomic risk factors to which a company is exposed. Finally, the team believes that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. The team values a business and develops a price target for a company based on its assessment of the business's sustainable earnings and risk analysis.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Emerging Markets (July 1, 2006)					
Average Annual Gross Returns	41.19%	13.72%	6.83 %	2.28 %	6.89 %
MSCI Emerging Markets Index℠	37.28%	9.09 %	4.35 %	1.68 %	6.35 %

Credit Team

Our Credit team, which was formed in 2014 and is currently based in Mission Woods, Kansas, manages two investment strategies: High Income and a privately offered credit long-short strategy. Bryan L. Krug is the portfolio manager for both strategies. The following description applies to the High Income strategy. Information for the privately offered strategy has been intentionally omitted.

The Credit team seeks to invest in issuers with high quality business models that have compelling risk-adjusted return characteristics. The Credit team's research process has four primary pillars: business quality; financial strength and flexibility; downside analysis; and value identification.

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To understand an issuer's business model resiliency, the team analyzes the general health of the industry in which an issuer operates, the issuer's competitive position, the dynamics of industry participants, and the decision-making history of the issuer's management. The team believes that analyzing the history and trend of free cash flow generation is critical to understanding an issuer's financial health. The team also considers an issuer's capital structure, refinancing options, financial covenants, amortization schedules and overall financial transparency. The team seeks to manage the risk of loss on an investment with what it believes to be conservative financial projections that account for industry position, competitive dynamics and positioning within the capital structure. To determine the value of an investment opportunity the team uses multiple metrics. The team looks for credit improvement potential, relative value within an issuer's capital structure, catalysts for business improvement and potential value stemming from market or industry dislocations.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
High Income (April 1, 2014)					
Average Annual Gross Returns	9.90%	9.07 %	—	—	7.90 %
ICE BofA Merrill Lynch U.S. High Yield Master II Total Return Index (Net)	7.48%	6.38 %	—	—	4.94 %

Developing World Team

Our Developing World team, which was formed in 2015 and is based in San Francisco, manages a single investment strategy. Lewis S. Kaufman is the portfolio manager for the Developing World strategy.

The Developing World team employs a fundamental investment process to construct a diversified portfolio of securities that offers exposure to developing world economies. In pursuit of this goal, the team generally invests substantially in companies domiciled in or economically tied to countries the team considers to have characteristics typical of the developing world. The team generally seeks to emphasize business value compounders, which it defines as financially sound, free cash flow generative companies with sound business models that are exposed to the growth potential of the developing world. The team may seek to mitigate currency volatility by emphasizing investments in countries and currencies that are less dependent on foreign capital. The Developing World team believes a portfolio of companies with these characteristics will be well positioned to deliver attractive risk-adjusted returns over the long term.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Developing World (July 1, 2015)					
Average Annual Gross Returns	36.87%	—	—	—	13.24 %
MSCI Emerging Markets Index	37.28%	—	—	—	9.71 %

Thematic Team

Our Thematic team, which was formed in 2016 and is based in New York, manages two investment strategies: Thematic and a privately offered long-short strategy. Chris Smith is the portfolio manager for both strategies. The following description applies to the Thematic strategy. Information for the privately offered strategy has been intentionally omitted.

The team's investment approach is based on thematic idea generation, a systematic framework for analyzing companies and proactive risk management. Utilizing this approach, the team seeks to construct a focused portfolio designed to maximize alpha while limiting downside risk over the long term. The team believes the combination of a top-down thematic framework and bottom-up analysis will position a portfolio to deliver attractive risk-adjusted returns over the long term.

	As of December 31, 2017				
Investment Strategy (Inception Date)	1 Year	3 Years	5 Years	10 Years	Inception
Thematic (May 1, 2017)					
Average Annual Gross Returns	—	—	—	—	29.81 %
S&P 500 Index	—	—	—	—	13.70 %

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Distribution, Investment Products and Client Relationships

The goal of our marketing, distribution and client service efforts is to establish and maintain a client base that is diversified by investment strategy, investment vehicle (for example, across mutual funds and separate accounts), distribution channel (for example, institutional, intermediary and retail) and geographic region. We focus our distribution and marketing efforts on institutions and on intermediaries that operate with institutional-like, centralized decision-making processes and longer-term investment horizons. We have designed our distribution strategies and structured our distribution teams to use knowledgeable, seasoned marketing and client service professionals in a way intended to limit the time our investment professionals are required to spend in marketing and client service activities. We believe that minimizing other demands allows our portfolio managers and other investment professionals to focus their energies and attention on the investment decision-making process, which we believe enhances the opportunity to achieve superior investment returns. Our distribution efforts are centrally managed by our Head of Global Distribution, who oversees and coordinates the efforts of our marketing and client service professionals.

We continue to expand our distribution efforts into non-U.S. markets, with our primary non-U.S. efforts focused currently on the United Kingdom, other European countries, Australia, Canada and certain Asian countries where we believe there is growing demand for global and non-U.S. investment strategies. In our non-U.S. distribution efforts, we use regional specialists who draw on the knowledge and expertise of our strategy-focused professionals. As of December 31, 2017, 20% of our total assets under management were sourced from clients located outside the United States.

Institutional Channel

Our institutional distribution channel includes institutional clients, such as U.S.-registered mutual funds, non-U.S. funds and collective investment trusts we sub-advise; state and local governments; employee benefit plans including Taft-Hartley plans; foundations; and endowments. Our institutional distribution channel also includes defined contribution/401(k) plans. We offer our investment products to institutional clients directly and by marketing our services to the investment consultants and advisors that advise them. As of December 31, 2017, approximately 45% of our assets under management were attributed to clients represented by investment consultants.

As of December 31, 2017, 66% of our assets under management were sourced through our institutional channel.

Intermediary Channel

We maintain relationships with a number of major brokerage firms and larger private banks and trust companies at which the process for identifying which funds to offer has been centralized to a relatively limited number of key decision-makers that exhibit institutional decision-making behavior. We also maintain relationships with a number of financial advisory firms and broker-dealer advisors that offer our investment products to their clients. These advisors range from relatively small firms to large organizations.

As of December 31, 2017, approximately 30% of our assets under management were sourced through our intermediary channel.

Retail Channel

We primarily access retail investors indirectly through mutual fund supermarkets through which investors have the ability to purchase and redeem fund shares. Investors can also invest directly in the series of Artisan Funds. Our subsidiary, Artisan Partners Distributors LLC, a registered broker-dealer, distributes shares of Artisan Funds. Publicity and ratings and rankings from Morningstar, Lipper and others are important in building the Artisan Partners brand, which is important in attracting retail investors. As a result, we publicize the ratings and rankings received by the series of Artisan Funds and work to ensure that potential retail investors have appropriate information to evaluate a potential investment in Artisan Funds. We do not generally use direct marketing campaigns as we believe that their cost outweighs their potential benefits.

As of December 31, 2017, approximately 4% of our assets under management were sourced from investors we categorize as retail investors.

Access Through a Range of Investment Vehicles

Our clients access our investment strategies through a range of investment vehicles, including separate accounts and mutual funds. As of December 31, 2017, approximately 50% of our assets under management were in separate accounts, and Artisan Funds and Artisan Global Funds accounted for approximately 50% of our total assets under

management.

Separate Accounts

We manage separate account assets within most of our investment strategies. As of December 31, 2017, we managed 215 separate accounts spanning 141 client relationships and our largest separate account relationship represented approximately 9% of our assets under management. Our separate account clients include both institutional and intermediary channel relationships. We generally require a minimum relationship of $20 million to $100 million, depending on the strategy, to manage a separate account. We also offer access to a number of our strategies through Artisan-branded collective investment trusts and through funds (both public and private) that we sub-advise. The fees we charge our separate accounts vary by client, investment strategy and the size of the account. Fees are accrued monthly, but generally are paid quarterly in arrears.

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We offer two of our strategies through our own privately offered funds. In our reporting materials, unless otherwise stated, our separate account AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in our own privately offered funds.

Artisan Funds and Artisan Global Funds

U.S. investors that do not meet our minimum account size for a separate account, or who otherwise prefer to invest through a mutual fund, can invest in our strategies through Artisan Funds. We serve as the investment adviser to each series of Artisan Funds, SEC-registered mutual funds that offer no-load, no 12b-1 share classes designed to meet the needs of a range of investors. Each series of Artisan Funds corresponds to an investment strategy we offer to clients. In contrast to some mutual funds, investors in Artisan Funds pay no 12b-1 fees, which are fees charged to investors in addition to management fees to pay for marketing, advertising and distribution services associated with the mutual funds. Rebates and expenses for marketing, advertising and distribution services related to Artisan Funds, including distribution payments to broker-dealers and other intermediaries with respect to the Investor and Advisor Shares, are paid out of the investment management fees we earn. The Institutional Shares do not include any payments to intermediaries. We earn investment management fees, which are based on the average daily net assets of each Artisan Fund and are paid monthly, for serving as investment adviser to these funds.

We also serve as investment manager of Artisan Global Funds, a family of Ireland-based UCITS funds. Artisan Global Funds, which began operations in 2011, provides non-U.S. investors with access to a number of our investment strategies. Expenses for marketing, advertising and distribution services related to Artisan Global Funds, including payments to broker-dealers and other intermediaries, are paid out of the investment management fees we earn, which are based on the average daily net assets of each sub-fund and are generally paid monthly.

Regulatory Environment and Compliance

Our business is subject to extensive regulation in the United States at the federal level and, to a lesser extent, the state level, as well as by self-regulatory organizations and regulators located outside the United States. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. A regulatory proceeding, regardless of whether it results in a sanction, can require substantial expenditures and can have an adverse effect on our reputation or business.

SEC Regulation

Artisan Partners Limited Partnership and Artisan Partners UK LLP are registered with the SEC as investment advisers under the Advisers Act, and Artisan Funds and several of the investment companies we sub-advise are registered under the 1940 Act. The Advisers Act and the 1940 Act, together with the SEC's regulations and interpretations thereunder, impose substantive and material restrictions and requirements on the operations of advisers and mutual funds. The Securities Act and the Exchange Act, along with the regulations and interpretations thereunder, impose additional restrictions and requirements on mutual funds. The SEC is authorized to institute proceedings and impose sanctions for violations of those Acts, ranging from fines and censures to termination of an adviser's registration.

As an investment adviser, we have a fiduciary duty to our clients. The SEC has interpreted that duty to impose standards, requirements and limitations on, among other things: trading for proprietary, personal and client accounts; allocations of investment opportunities among clients; use of soft dollars; execution of transactions; and recommendations to clients. We manage accounts for our clients on a discretionary basis, with authority to buy and sell securities for each portfolio, select broker-dealers to execute trades and negotiate brokerage commission rates. In connection with certain of these transactions, we receive soft dollar credits from broker-dealers that have the effect of reducing certain of our expenses.

All of our soft dollar arrangements are intended to be within the safe harbor provided by Section 28(e) of the Exchange Act. If our ability to use soft dollars were reduced or eliminated as a result of the implementation of statutory amendments or new regulations including regulations imposed by non-U.S. regulators, our operating expenses would increase. As a registered adviser, we are subject to many additional requirements that cover, among

other things, disclosure of information about our business to clients; maintenance of written policies and procedures; maintenance of extensive books and records; restrictions on the types of fees we may charge; custody of client assets; client privacy; advertising; and solicitation of clients. The SEC has authority to inspect any investment adviser and typically inspects a registered adviser periodically to determine whether the adviser is conducting its activities (i) in accordance with applicable laws, (ii) in a manner that is consistent with disclosures made to clients and (iii) with adequate controls, systems and procedures to ensure compliance.

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For the year ended December 31, 2017, 62% of our revenues were derived from our advisory services to investment companies registered under the 1940 Act, including 59% from our advisory services to Artisan Funds. The 1940 Act imposes significant requirements and limitations on a registered fund, including with respect to its capital structure, investments and transactions. While we exercise broad discretion over the day-to-day management of the business and affairs of Artisan Funds and the investment portfolios of Artisan Funds and the funds we sub-advise, our own operations are subject to oversight and management by each fund's board of directors. Under the 1940 Act, a majority of the directors must not be "interested persons" (sometimes referred to as the "independent director" requirement). The responsibilities of each fund's board include, among other things, approving our investment management agreement with the fund; approving other service providers; determining the method of valuing assets; and monitoring transactions involving affiliates.

Our investment management agreements with these funds may be terminated by the funds on not more than 60 days' notice, and are subject to annual renewal by each fund's board after the initial term of one to two years. The 1940 Act also imposes on the investment adviser to a mutual fund a fiduciary duty with respect to the receipt of the adviser's investment management fees. That fiduciary duty may be enforced by the SEC, by administrative action or by litigation by investors in the fund pursuant to a private right of action.

As required by the Advisers Act, our investment management agreements may not be assigned without client consent. Under the 1940 Act, investment management agreements with registered funds (such as the mutual funds we manage) terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur upon the transfer, directly or indirectly, of a controlling interest in us.

Artisan Partners Distributors LLC, our SEC-registered broker-dealer subsidiary, is subject to the SEC's Uniform Net Capital Rule and the National Securities Clearing Corporation's excess net capital requirement, which require that at least a minimum part of a registered broker-dealer's assets be kept in relatively liquid form.

ERISA-Related Regulation

Artisan Partners Limited Partnership is a fiduciary under ERISA with respect to assets that we manage for benefit plan clients subject to ERISA. ERISA, regulations promulgated thereunder and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions.

Non-U.S. Regulation

In addition to the extensive regulation we are subject to in the United States, one of our subsidiaries, Artisan Partners UK LLP, is authorized and regulated by the U.K. Financial Conduct Authority, which is responsible for the conduct of business and supervision of financial firms in the United Kingdom. The Central Bank of Ireland imposes requirements on UCITS funds subject to regulation by it, including Artisan Global Funds, as do the regulators in certain other markets in which shares of Artisan Global Funds are offered for sale, and with which we are required to comply. We are also subject to regulation internationally by the Australian Securities and Investments Commission, where we operate pursuant to orders of exemption, and by various Canadian regulatory authorities in the Canadian provinces where we operate pursuant to exemptions from registration. Our business is also subject to the rules and regulations of the countries in which we market our funds or services and conduct investment management activities, including the countries in which our investment strategies make investments. We may become subject to additional regulatory demands in the future to the extent we expand our business in existing and new jurisdictions. See "Risk Factors—Risks Related to our Industry—We are subject to extensive regulation" and "Risk Factors—Risks Related to our Industry—The regulatory environment in which we operate is subject to continual change, and regulatory developments designed to increase oversight may adversely affect our business."

Competition

In order to grow our business, we must be able to compete effectively for assets under management. Historically, we have competed to attract assets to our management principally on the basis of:

- the performance of our investment strategies;
- continuity of our investment professionals;
- the quality of the service we provide to our clients; and

- our brand recognition and reputation within the institutional investing community.

Our ability to continue to compete effectively will also depend upon our ability to retain our current investment professionals and employees and to attract highly qualified new investment professionals and employees. We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. For additional information concerning the competitive risks that we face, see “Risks Factors—Risks Related to Our Industry—The investment management industry is intensely competitive.”

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Operations, Systems and Technology

With respect to our equity strategies, we perform most middle- and back-office functions internally, generally using third-party software and technology for functions such as trade confirmation, trade settlement, custodian reconciliations, corporate action processing, performance calculation and client reporting, customized as necessary to support our investment processes and operations. With respect to our fixed income strategies, we outsource most of the middle- and back-office functions to service providers that we supervise. Artisan Funds and Artisan Global Funds outsource the functions of custodian, transfer agent and portfolio accounting agent to third parties. We have back-up and disaster recovery systems in place.

Employees

As of December 31, 2017, we employed approximately 400 full-time and part-time employees. None of our employees is subject to collective bargaining agreements. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Our Structure and Reorganization

Holding Company Structure

We are a holding company and our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash. As the sole general partner of Artisan Partners Holdings, we operate and control all of its business and affairs, subject to certain voting rights of its limited partners. We conduct all of our business activities through operating subsidiaries of Artisan Partners Holdings. Net profits and net losses are allocated based on the ownership of partnership units of Artisan Partners Holdings. As of December 31, 2017, we owned approximately 67% of Artisan Partners Holdings, and the other 33% was owned by the limited partners of Artisan Partners Holdings.

IPO Reorganization

In March 2013, we completed our IPO. In connection with the IPO, we and Artisan Partners Holdings completed a series of reorganization transactions, which we refer to as the IPO Reorganization, in order to reorganize our capital structures in preparation for the IPO. The IPO Reorganization was designed to create a capital structure that preserves our ability to conduct our business through Artisan Partners Holdings, while permitting us to raise additional capital and provide access to liquidity through a public company. Multiple classes of securities at the public company level were necessary to achieve those objectives and maintain a corporate governance structure consistent with that of Artisan Partners Holdings prior to the IPO Reorganization. The IPO Reorganization included, among other changes, the following:

- Our appointment as the sole general partner of Artisan Partners Holdings.
- The modification of our capital structure into three classes of common stock and a series of convertible preferred stock. We issued shares of our Class B common stock, Class C common stock and convertible preferred stock to pre-IPO partners of Artisan Partners Holdings. Each share of Class B common stock corresponds to a Class B common unit of Artisan Partners Holdings. Each share of Class C common stock corresponds to either a Class A, Class D or Class E common unit of Artisan Partners Holdings. Subject to certain restrictions, each common unit of Artisan Partners Holdings (together with the corresponding share of Class B or Class C common stock) is exchangeable for a share of our Class A common stock.
- A corporation ("H&F Corp") merged with and into Artisan Partners Asset Management, which we refer to in this document as the H&F Corp Merger. As consideration for the merger, the shareholder of H&F Corp received shares of our convertible preferred stock, contingent value rights, or CVRs, issued by Artisan Partners Asset Management and the right to receive an amount of cash. In November 2013, the CVRs issued by Artisan Partners Asset Management were terminated with no amounts paid or payable thereunder. In June 2014, the shareholder of H&F Corp converted all of its then-remaining shares of convertible preferred stock into shares of Class A common stock and sold those shares. We no longer have any outstanding shares of convertible preferred stock, and Artisan Partners Holdings no longer has any outstanding preferred units.
- The voting and certain other rights of each class of limited partnership units of Artisan Partners Holdings were modified. In addition, Artisan Partners Holdings separately issued CVRs to the holders of the preferred units. In November 2013, the CVRs issued by Artisan Partners Holdings were terminated with no amounts paid or payable

thereunder.

We entered into two tax receivable agreements ("TRAs"), one with a private equity fund (the "Pre-H&F Corp Merger Shareholder") and the other with each limited partner of Artisan Partners Holdings. Pursuant to the first TRA, APAM will pay to the Pre-H&F Corp Merger Shareholder a portion of certain tax benefits APAM realizes as a result of the H&F Corp Merger. Pursuant to the second TRA, APAM will pay to current or former limited partners of Artisan Partners Holdings a portion of certain tax benefits APAM realizes as a result of the purchase or exchange of their limited partnership units of Artisan Partners Holdings.

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The diagram below depicts our organizational structure as of February 9, 2018:

(1) Our employees to whom we have granted equity have entered into a stockholders agreement with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future, pursuant to which they granted an irrevocable voting proxy to a stockholders committee currently consisting of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). The stockholders committee, by vote of a majority of its members, will determine the vote of all of the shares subject to the stockholders agreement. In addition to owning all of the shares of our Class B common stock, our employee-partners, together with our other employees, owned unvested restricted shares of our Class A common stock representing approximately 8% of our outstanding Class A common stock as of February 9, 2018.

(2) Each class of common units generally entitles its holders to the same economic and voting rights in Artisan Partners Holdings as each other class of common units, except that the Class E common units have no voting rights except as required by law.

Available Information

Our principal executive offices are located at 875 E. Wisconsin Avenue, Suite 800, Milwaukee, Wisconsin 53202. Our telephone number at this address is (414) 390-6100 and our website address is www.artisanpartners.com. We make available free of charge through our website all of the materials we file or furnish with the SEC as soon as reasonably practicable after we electronically file or furnish such materials with the SEC. Information contained on our website is not part of, nor is it incorporated by reference into, this Form 10-K. The company was incorporated in Wisconsin on March 21, 2011 and converted to a Delaware corporation on October 29, 2012.

The public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxies and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

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Item 1A. Risk Factors

An investment in our Class A common stock involves substantial risks and uncertainties. You should carefully consider each of the risks below, together with all of the other information contained in this document, before deciding to invest in shares of our Class A common stock. If any of the following risks develops into an actual event, our business, financial condition or results of operations could be negatively affected, the market price of your shares could decline and you could lose all or part of your investment.

Risks Related to our Business

The loss of key investment professionals or members of our senior management team could have a material adverse effect on our business. In addition, a substantial portion of our total assets under management is in six of our strategies, several of which are closed to most new investors and client relationships.

We depend on the skills and expertise of our portfolio managers and other investment professionals and our success depends on our ability to retain the key members of our investment teams, who possess substantial experience in investing and have been primarily responsible for the historically strong investment performance we have achieved. Mark L. Yockey is the sole portfolio manager for our largest strategy, the Non-U.S. Growth strategy, which represented $27.1 billion, or 23%, of our assets under management as of December 31, 2017. Charles-Henri Hamker and Andrew J. Euretig are associate portfolio managers of the Non-U.S. Growth strategy. Our Non-U.S. Value strategy, which represented $21.8 billion, or 19%, of our assets under management as of December 31, 2017, is managed by co-managers N. David Samra (lead manager) and Daniel J. O'Keefe. Mr. O'Keefe (lead manager) and Mr. Samra also co-manage our Global Value strategy, which represented $19.9 billion, or 17%, of our assets under management as of December 31, 2017. James D. Hamel, Matthew A. Kamm, Craigh A. Cepukenas and Jason White are portfolio co-managers of our U.S. Mid-Cap Growth (of which Mr. Kamm is lead manager) and Global Opportunities (of which Mr. Hamel is lead manager) strategies, which represented $12.8 billion, or 11%, and $15.5 billion, or 13%, respectively, of our assets under management as of December 31, 2017. The U.S. Mid-Cap Value strategy, of which James C. Kieffer, Thomas A. Reynolds, and Daniel L. Kane are co-managers, represented $6.5 billion, or 6%, of our assets under management as of December 31, 2017.

Because of the long tenure and stability of our portfolio managers, our clients generally attribute the investment performance we have achieved to these individuals. The departure of a portfolio manager, even for strategies with multiple portfolio managers, could cause clients to withdraw funds from the strategy which would reduce our assets under management, investment management fees and our net income, and these reductions could be material if our assets under management in that strategy and the related revenues were material. The departure of a portfolio manager also could cause consultants and intermediaries to stop recommending a strategy, and clients to refrain from allocating additional funds to a strategy or delay such additional funds until a sufficient new track record has been established.

We also depend on the contributions of our senior management team led by Eric R. Colson, and our senior marketing and client service personnel who have direct contact with our institutional clients and consultants and other key individuals within each of our distribution channels.

The loss of any of these key professionals could limit our ability to successfully execute our business strategy and may prevent us from sustaining the historically strong investment performance we have achieved or adversely affect our ability to retain existing and attract new client assets and related revenues.

Any of our investment or management professionals may resign at any time, join our competitors or form a competing company. Although many of our portfolio managers and each of our named executive officers are subject to post-employment non-compete obligations, these non-competition provisions may not be enforceable or may not be enforceable to their full extent. In addition, we may agree to waive non-competition provisions or other restrictive covenants applicable to former investment or management professionals in light of the circumstances surrounding their relationship with us. We do not carry "key man" insurance that would provide us with proceeds in the event of the death or disability of any of the key members of our investment or management teams.

Competition for qualified investment, management and marketing and client service professionals is intense and we may fail to successfully attract and retain qualified personnel in the future. Our ability to attract and retain these personnel will depend heavily on the amount and structure of compensation and opportunities for equity ownership we offer. Any cost-reduction initiative or adjustments or reductions to compensation or changes to our equity

ownership culture could negatively impact our ability to retain key personnel. As the amount of pre-IPO equity held by our key personnel decreases, our ability to retain these employees may be negatively impacted. Changes to our management structure, corporate culture and corporate governance arrangements could also negatively impact our ability to retain key personnel.

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If we are unable to maintain or evolve our investment environment or compensation structures in a way that attracts, develops and retains talented investment professionals, there could be a negative impact to the performance of our investment strategies, our financial results and our ability to grow. In addition, our efforts to maintain and evolve our investment environment and compensation structures could themselves cause instability within our existing investment teams and/or negatively impact our financial results and ability to grow.

Attracting, developing and retaining talented investment professionals is an essential component of our business strategy. To do so, it is critical that we continue to foster an environment and provide compensation that is attractive for our existing investment professionals and for prospective investment professionals. If we are unsuccessful in maintaining such an environment (for instance, because of changes in management structure, corporate culture, corporate governance arrangements, or applicable laws and regulations) or compensation levels or structures for any reason, our existing investment professionals may leave our firm or fail to produce their best work on a consistent, long-term basis and/or we may be unsuccessful in attracting talented new investment professionals, any of which could negatively impact the performance of our investment strategies, our financial results and our ability to grow.

Over our firm's history we have sought to successfully design and implement compensation structures that align our investment professionals' economic interests with those of our clients, investors, partners, and shareholders. We believe our historical structures have been important to our long-term growth and that objective, predictable, and transparent structures work best to incentivize investment professionals to perform over the long-term.

With respect to cash compensation, we use a single revenue share arrangement across all of our investment teams. Under the revenue share, each team shares a bonus pool consisting of 25% of the asset-based revenues earned by the strategies managed by the respective team. The revenue share directly links the majority of the investment teams' cash compensation to long-term growth in revenues, which, over the long-term, we believe is primarily linked to investment performance. The revenue share is objective, predictable, transparent, and the same for all teams.

In the future, we expect that performance fees will represent a higher proportion of our total revenues, as some of our new products will use performance fees, while only a few of our separate accounts use performance fees today. We expect to design and implement new or modified compensation arrangements with respect to performance fee revenues. We do not expect that these new or modified compensation arrangements will have a significant impact on any of our existing arrangements, including the revenue share described above. However, the design and implementation of these new arrangements could cause instability within our existing investment teams and/or impact our ability to attract and retain new investment talent. These arrangements could also negatively impact the amount of profits that we recognize with respect to performance fee revenues, as compared to the asset-based revenues we earn today.

Over our firm's history we have used a variety of equity incentives to align the long-term interests of our investment professionals and other senior personnel with the interests of clients, investors, partners and shareholders. Until our IPO in 2013, firm equity awards were in the form of partnership profits interests, which entitled recipients to a percentage of future profits and future appreciation in the value of the firm. Award recipients had the right to cash out their profits interests only after the end of their careers, and 50% of the awards were subject to forfeiture if the recipient left Artisan without notice or was terminated. Prior to the IPO Reorganization, the profits interests were converted into partnership units and, as part of the IPO Reorganization, the 50% forfeiture feature was eliminated and employee-partners were given the right to liquidate a portion of their partnership units during each year that they remained employed with Artisan. At the time of our IPO, the partnership units held by employee-partners represented 53% of the ownership interests in our firm. At the time of this report, the partnership units held by employee-partners represented approximately 16% of the ownership interests in our firm.

After our IPO, our equity incentives have been in the form of APAM restricted stock awards. Initially, 100% of the restricted stock awards were Standard Restricted Shares vesting pro rata over five years from the date of grant. In 2014, as we continued to evolve our equity incentives, we introduced Career Shares, which are restricted stock awards that, in general, remain subject to forfeiture until the recipient's qualifying retirement from Artisan. In general, since 2014, excluding sign-on or walk away awards, approximately 50% of the awards we have made to our senior employees have been Career Shares, and the other 50% Standard Restricted Shares. Unlike our pre-IPO profits interests, the APAM restricted stock awards are "full value" awards (as opposed to "option-style" awards) and the

Standard Restricted Shares provide recipients with liquidity prior to the end of their careers. The percentage ownership in our firm represented by the newly granted restricted stock each year is less than the percentage ownership represented by the partnership units that employee-partners may exchange and sell each year. Therefore, the amount of our firm owned by employees, including our portfolio managers, is expected to continue to decline. As we have since our founding, we continue to assess the effectiveness of our compensation arrangements and equity structures in aligning the long-term interests of our investment professionals, clients, investors, partners, and shareholders and whether different types of, or modified, awards or structures would enhance incentives for long-term growth and succession planning. The design and implementation of new or modified compensation arrangements and equity structures is complicated. We will only pursue changes that we believe will improve the alignment between our most important investment talent and our clients, investors, partners, and shareholders.

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Nevertheless, the implementation of new or modified compensation arrangements or equity structures could cause instability within our existing investment teams and/or impact our ability to attract and retain new investment talent. As with our historical and current equity compensation programs, any future or modified equity structure could materially impact our financial performance and financial results (or expectations about our future financial performance and financial results) and result in dilution to other shareholders.

If our investment strategies perform poorly, clients could withdraw their funds and we could suffer a decline in our assets under management and/or become subject to litigation, which would reduce our earnings.

The performance of our investment strategies is critical in retaining existing client assets as well as attracting new client assets. If our investment strategies perform poorly for any reason, our earnings could decline because:

- Our existing clients may withdraw funds from our investment strategies or terminate their relationships with us.
- Third-party financial intermediaries, advisors or consultants may remove our investment products from recommended lists due to poor performance or for other reasons, which may lead our existing clients to withdraw funds from our investment strategies or reduce asset inflows from these third parties or their clients.
- The Morningstar and Lipper ratings and rankings of mutual funds we manage may decline, which may adversely affect the ability of those funds to attract new or retain existing assets.

Our investment strategies can perform poorly for a number of reasons, including general market conditions; investor sentiment about market and economic conditions; investment styles and philosophies; investment decisions; the performance of the companies in which our investment strategies invest and the currencies in which those investment are made; the liquidity of securities or instruments in which our investment strategies invest; and our inability to identify sufficient appropriate investment opportunities for existing and new client assets on a timely basis. In addition, while we seek to deliver long-term value to our clients, volatility may lead to under-performance in the near term, which could adversely affect our results of operations.

In contrast, when our strategies experience strong results relative to the market, clients' allocations to our strategies typically increase relative to their other investments and we sometimes experience withdrawals as our clients rebalance their investments to fit their asset allocation preferences despite our strong results.

While clients do not have legal recourse against us solely on the basis of poor investment results, if our investment strategies perform poorly, we are more likely to become subject to litigation brought by dissatisfied clients. In addition, to the extent clients are successful in claiming that their losses resulted from fraud, negligence, willful misconduct, breach of contract or other similar misconduct, these clients may have remedies against us, the mutual funds and other funds we advise and/or our investment professionals under various U.S. and non-U.S. laws.

The historical returns of our existing investment strategies may not be indicative of their future results or of the investment strategies we may develop in the future.

The historical returns of our strategies and the ratings and rankings we or the mutual funds that we advise have received in the past may not be indicative of the future results of these strategies or of any other strategies that we may develop in the future. The investment performance we achieve for our clients varies over time and the variance can be wide. The ratings and rankings we or the mutual funds we advise have received are typically revised monthly. Our strategies' returns have benefited during some periods from investment opportunities and positive economic and market conditions. In other periods, general economic and market conditions have negatively affected investment opportunities and our strategies' returns. These negative conditions may occur again, and in the future we may not be able to identify and invest in profitable investment opportunities within our current or future strategies.

Difficult market conditions can adversely affect our business in many ways, including by reducing the value of our assets under management and causing clients to withdraw funds, each of which could materially reduce our revenues and adversely affect our financial condition.

The fees we earn under our investment management agreements are typically based on the market value of our assets under management, and to a much lesser extent based directly on investment performance. Investors in the mutual funds we advise can redeem their investments in those funds at any time without prior notice and our clients may reduce the aggregate amount of assets under management with us with minimal or no notice for any reason, including financial market conditions and the absolute or relative investment performance we achieve for our clients. In addition, the prices of the securities held in the portfolios we manage may decline due to any number of factors

beyond our control, including, among others, a declining market, general economic downturn, political uncertainty or acts of terrorism. In connection with the severe market dislocations of 2008 and 2009, for example, the value of our assets under management declined substantially due primarily to the sizeable decline in stock prices worldwide. In the period from June 30, 2008 through March 31, 2009, our assets under management decreased by approximately 43%, primarily as a result of general market conditions.

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The growth of our assets under management since 2009 benefited from the prolonged bull market in equity securities around the world. That prolonged bull market may increase the likelihood of a severe or prolonged downturn in world-wide equity prices which would directly reduce the value of our assets under management and could also accelerate client redemptions or withdrawals. If any of these factors cause a decline in our assets under management, it would result in lower investment management fees. If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced.

The significant growth we have experienced over the past decade has been and may continue to be difficult to sustain.

Our assets under management increased from $55.5 billion as of December 31, 2007 to $115.5 billion as of December 31, 2017. The absolute measure of our assets under management represents a significant rate of growth that has been and may continue to be difficult to sustain. For instance, between June 30, 2014, and December 31, 2016, our assets under management declined from $112.0 billion to $96.8 billion. The continued long-term growth of our business will depend on, among other things, retaining key investment professionals, attracting and recruiting new investment professionals, maintaining existing investment strategies and selectively developing new, value-added investment strategies. Our business growth will also depend on our success in achieving superior investment performance from our investment strategies, as well as our ability to maintain and extend our distribution capabilities, to deal with changing market conditions, to maintain adequate financial and business controls and to comply with new legal and regulatory requirements arising in response to both the increased sophistication of the investment management industry and the significant market and economic events of the last decade. We may not be able to manage our growing business effectively or be able to sustain the level of long-term growth we have achieved historically.

Our efforts to establish and develop new teams and strategies may be unsuccessful, which would likely negatively impact our results of operations and could negatively impact our reputation and culture.

We seek to add new investment teams that invest in a way that is consistent with our philosophy of offering high value-added investment strategies and would allow us to grow strategically. We also look to offer new strategies managed by our existing teams. We expect the costs associated with establishing a new team and/or strategy initially to exceed the revenues generated, which will likely negatively impact our results of operations. New strategies, whether managed by a new team or by an existing team may invest in instruments (such as certain types of derivatives) or present operational (including legal and regulatory) or distribution-related issues and risks with which we have little or no experience. Our lack of experience could strain our resources and increase the likelihood of an error or failure. The establishment of new teams and/or strategies (in particular, alternative investment teams or strategies) may also cause us to depart from our traditional compensation and economic model, which could reduce our profitability and harm our firm’s culture.

In addition, the historical returns of our existing investment strategies may not be indicative of the investment performance of any new strategy and new strategies may have higher performance expectations that are more difficult to meet. Poor performance of any new strategy could negatively impact our reputation and the reputation of our other investment strategies.

We generally support the development of new strategies by making one or more seed investments using capital that would otherwise be available for our general corporate purposes. Making such seed investments exposes us to capital losses.

Failure to properly address conflicts of interest could harm our reputation or cause clients to withdraw funds, each of which could adversely affect our business and results of operations.

The SEC and other regulators have increased their scrutiny of potential conflicts of interest, and we have implemented procedures and controls that we believe are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputational damage, litigation or regulatory proceedings or penalties, any of which may adversely affect our results of operations.

In addition, as we expand the scope of our business and our client base, we must continue to monitor and address any conflicts between the interests of our stockholders and those of our clients. Our clients may withdraw funds if they perceive conflicts of interest between the investment decisions we make for strategies in which they have invested and

our obligations to our stockholders. For example, we may limit the growth of assets in or close strategies or otherwise take action to slow the flow of assets when we believe it is in the best interest of our clients even though our aggregate assets under management and investment management fees may be negatively impacted in the short term. Similarly, we may establish new investment teams or strategies or expand operations into other geographic areas or jurisdictions if we believe such actions are in the best interest of our clients, even though our profitability may be adversely affected in the short term. Although we believe such actions enable us to retain client assets and maintain our profitability, which benefits both our clients and stockholders, if clients perceive a change in our investment or operations decisions in favor of a strategy to maximize short term results, they may withdraw funds, which could adversely affect our investment management fees.

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Several of our investment strategies invest principally in the securities of non-U.S. companies, which involve foreign currency exchange, tax, political, social and economic uncertainties and risks.

As of December 31, 2017, approximately 54% of our assets under management were invested in strategies that primarily invest in securities of non-U.S. companies. In addition, some of our other strategies also invest on a more limited basis in securities of non-U.S. companies. Approximately 47% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. Fluctuations in foreign currency exchange rates could negatively affect the returns of our clients who are invested in these strategies. In addition, an increase in the value of the U.S. dollar relative to non-U.S. currencies is likely to result in a decrease in the U.S. dollar value of our assets under management, which, in turn, would likely result in lower revenue and profits. See “Qualitative and Quantitative Disclosures Regarding Market Risk-Exchange Rate Risk” in Item 7A of this report for more information about exchange rate risk.

Investments in non-U.S. issuers may also be affected by tax positions taken in countries or regions in which we are invested as well as political, social and economic uncertainty. Declining tax revenues may cause governments to assert their ability to tax the local gains and/or income of foreign investors (including our clients), which could adversely affect clients’ interests in investing outside their home markets. Many financial markets are not as developed, or as efficient, as the U.S. financial markets, and, as a result, those markets may have limited liquidity and higher price volatility, and may lack established regulations. Liquidity may also be adversely affected by political or economic events, government policies, and social or civil unrest within a particular country, and our ability to dispose of an investment may also be adversely affected if we increase the size of our investments in smaller non-U.S. issuers. Non-U.S. legal and regulatory environments, including financial accounting standards and practices, may also be different, and there may be less publicly available information about such companies. These risks could adversely affect the performance of our strategies that are invested in securities of non-U.S. issuers and may be particularly acute in the emerging or less developed markets in which we invest. In addition to our Emerging Markets and Developing World strategies, a number of our other investment strategies are permitted to invest, and do invest, in emerging or less developed markets.

We may not be able to maintain our current fee rates as a result of poor investment performance, competitive pressures, as a result of changes in our business mix or for other reasons, which could have a material adverse effect on our profit margins and results of operations.

We may not be able to maintain our current fee rates for any number of reasons, including as a result of poor investment performance, competitive pressures, changes in global markets and asset classes, or as a result of changes in our business mix. Although our investment management fees vary by client and investment strategy, we historically have been successful in maintaining an attractive overall rate of fee and profit margin due to the strength of our investment performance and our focus on high value-added investment strategies. In recent years, however, there has been a general trend toward lower fees in the investment management industry as a result of competition and regulatory and legal pressures. Some of our investment strategies that tend to invest in larger-capitalization companies and were designed to have larger capacity have lower fee schedules. In order to maintain our fee structure in a competitive environment, we must retain the ability to decline additional assets to manage from potential clients who demand lower fees even though our revenues may be adversely affected in the short term. In addition, we must be able to continue to provide clients with investment returns and service that our clients believe justify our fees.

If our investment strategies perform poorly, we may be forced to lower our fees in order to retain current, and attract additional, assets to manage. We may not succeed in providing the investment returns and service that will allow us to maintain our current fee rates. We may also make fee concessions in order to attract early investors in a strategy or increase marketing momentum in a strategy. Downward pressure on fees may also result from the growth and evolution of the universe of potential investments in a market or asset class. Changes in how clients choose to access asset management services may also exert downward pressure on fees. Some investment consultants, for example, have implemented programs in which the consultant provides a range of services, including selection, in a fiduciary capacity, of asset managers to serve as sub-adviser at lower fee rates than the manager’s otherwise applicable rates, with the expectation of a larger amount of assets under management through that consultant. The expansion of those and similar programs could, over time, make it more difficult for us to maintain our fee rates. Over time, a larger part

of our assets under management could be invested in our larger capacity, lower fee strategies, which could adversely affect our profitability. In addition, plan sponsors of 401(k) and other defined contribution assets that we manage may choose to invest plan assets in vehicles with lower cost structures than mutual funds (such as a collective investment trust, if one is available) or may choose to access our services through a separate account. We provide a lesser array of services to collective investment trusts and separate accounts than we provide to Artisan Funds and we receive fees at lower rates.

The investment management agreements pursuant to which we advise mutual funds are terminable on short notice and, after an initial term, are subject to an annual process of review and renewal by the funds' boards. As part of that annual review process, the fund board considers, among other things, the level of compensation that the fund has been paying us for our services. That process may result in the renegotiation of our fee structure or increase the cost of our performance of our obligations. Any fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

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We derive substantially all of our revenues from contracts and relationships that may be terminated upon short or no notice.

We derive substantially all of our revenues from investment advisory and sub-advisory agreements, all of which are terminable by clients upon short notice or no notice. Our investment management agreements with mutual funds, as required by law, are generally terminable by the funds' boards or a vote of a majority of the funds' outstanding voting securities on not more than 60 days' written notice. After an initial term, each fund's investment management agreement must be approved and renewed annually by that fund's board, including by its independent members. In addition, all of our separate account clients and some of the mutual funds that we sub-advise have the ability to re-allocate all or any portion of the assets that we manage away from us at any time with little or no notice. These investment management agreements and client relationships may be terminated or not renewed for any number of reasons. The decrease in revenues that could result from the termination of a material client relationship or group of client relationships could have a material adverse effect on our business.

Investors in the pooled vehicles that we advise can redeem their investments in those funds at any time without prior notice, which could adversely affect our earnings.

Investors in the mutual funds and some other pooled investment vehicles that we advise or sub-advise may redeem their investments in those funds at any time without prior notice and investors in other types of pooled vehicles we advise or sub-advise may typically redeem their investments on fairly limited or no prior notice, thereby reducing our assets under management. These investors may redeem for any number of reasons, including general financial market conditions, the absolute or relative investment performance we have achieved, or their own financial condition and requirements. In a declining stock market, the pace of redemptions could accelerate. Poor investment performance relative to other funds tends to result in decreased purchases and increased redemptions of fund shares. For the year ended December 31, 2017, we generated approximately 80% of our revenues from advising mutual funds and other pooled vehicles (including Artisan Funds, Artisan Global Funds, and other entities for which we are adviser or sub-adviser), and the redemption of investments in those funds would adversely affect our revenues and could have a material adverse effect on our earnings.

We depend on third parties to market our investment strategies.

Our ability to attract additional assets to manage is highly dependent on our access to third-party intermediaries. We gain access to investors in Artisan Funds primarily through consultants, 401(k) platforms, mutual fund platforms, broker-dealers and financial advisors through which shares of the funds are sold. We have relationships with some third-party intermediaries through which we access clients in multiple distribution channels. Our two largest relationships across multiple distribution channels represented approximately 9% and 8% of our total assets under management as of December 31, 2017.

We compensate most of the intermediaries through which we gain access to investors in Artisan Funds by paying fees, most of which are a percentage of assets invested in Artisan Funds through that intermediary and with respect to which that intermediary provides shareholder and administrative services. The allocation of such fees between us and Artisan Funds is determined by the board of Artisan Funds, based on information and a recommendation from us, with the goal of allocating to us all costs attributable to marketing and distribution of shares of Artisan Funds.

In the future, our expenses in connection with those intermediary relationships could increase if the portion of those fees determined to be in connection with marketing and distribution, or otherwise allocated to us, increased. Clients of these intermediaries may not continue to be accessible to us on terms we consider commercially reasonable, or at all. The absence of such access could have a material adverse effect on our results of operations.

We access institutional clients primarily through consultants. Our institutional business is highly dependent upon referrals from consultants. Many of these consultants review and evaluate our products and our firm from time to time. As of December 31, 2017, the investment consultant advising the largest portion of our assets under management represented approximately 9% of our total assets under management. Poor reviews or evaluations of either a particular strategy or us as an investment management firm may result in client withdrawals or may impair our ability to attract new assets through these intermediaries.

Substantially all of our existing assets under management are managed in long-only, equity investment strategies, which exposes us to greater risk than certain of our competitors who may manage significant amounts of assets in

non-long only or non-equity strategies.

Fifteen of our 17 existing investment strategies invest primarily in publicly-traded equity securities. Our Credit team, which primarily invests in fixed income securities, manages the High Income strategy and a privately offered strategy. Together, these strategies accounted for only $2.6 billion of our $115.5 billion in total assets under management as of December 31, 2017. Under market conditions in which there is a general decline in the value of equity securities, the assets under management in each of our 15 equity strategies is likely to decline. The amount of assets that we manage in strategies that can take short positions in equity securities, which could offset some of the poor performance of our long-only, equity strategies under such market conditions, accounted for less than $1.0 billion of our total assets under management as of December 31, 2017. Even if our investment performance remains strong during such market conditions relative to other long-only, equity strategies, investors may choose to withdraw assets from our management or allocate a larger portion of their assets to non-long-only or non-equity strategies. In addition, the prices of equity securities may fluctuate more widely than the prices of other types of securities, making the level of our assets under management and related revenues more volatile.

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Our failure to comply with investment guidelines set by our clients, including the boards of funds, and limitations imposed by applicable law, could result in damage awards against us and a loss of our assets under management, either of which could adversely affect our results of operations or financial condition.

When clients retain us to manage assets on their behalf, they generally specify certain guidelines regarding investment allocation and strategy that we are required to follow in managing their portfolios. The boards of funds we manage generally establish similar guidelines regarding the investment of assets in those funds. In general, over the long-term, we have experienced an increase in client-imposed guidelines. We are also required to invest U.S. mutual funds' assets in accordance with limitations under the 1940 Act and applicable provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Other clients, such as plans subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, or non-U.S. clients, require us to invest their assets in accordance with applicable law. Our failure to comply with any of these guidelines and other limitations could result in losses to clients or investors in a fund which, depending on the circumstances, could result in our obligation to reimburse clients or fund investors for such losses. If we believed that the circumstances did not justify a reimbursement, or clients and investors believed the reimbursement we offered was insufficient, they could seek to recover damages from us or could withdraw assets from our management or terminate their investment management agreement with us. Any of these events could harm our reputation and adversely affect our business.

Operational risks may disrupt our business, result in losses or limit our growth.

We are heavily dependent on the capacity and reliability of the communications, information and technology systems supporting our operations, whether developed, owned and operated by us or by third parties. We also rely on manual workflows and a variety of manual user controls. Operational risks such as trading or other operational errors or interruption of our financial, accounting, trading, compliance and other data processing systems, whether caused by human error, fire, other natural disaster or pandemic, power or telecommunications failure, cyber-attack or viruses, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially adversely affect our business. The potential for some types of operational risks, including, for example, trading errors, may be increased in periods of increased volatility, which can magnify the cost of an error. Although we have not suffered material operational errors, including material trading errors, in the past, we may experience such errors in the future, the losses related to which we would absorb. Insurance and other safeguards might not be available or might only partially reimburse us for our losses.

Although we have back-up systems in place, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate, and the fact that we operate our business out of multiple physical locations may make such failures and interruptions difficult to address on a timely and adequate basis. As our client base, number and complexity of investment strategies, client relationships and/or physical locations increase, and as our employees become increasingly mobile, developing and maintaining our operational systems and infrastructure may become increasingly challenging.

Any changes, upgrades or expansions to our operations and/or technology or implementation of new technology systems to replace manual workflows or to accommodate increased volumes or complexity of transactions or otherwise may require significant expenditures and may increase the probability that we will experience operational errors or suffer system degradations and failures. If we are unsuccessful in executing upgrades, expansions or implementations, we may instead have to hire additional employees, which could increase operational risk due to human error.

We depend substantially on our Milwaukee, Wisconsin offices, where a majority of our employees, administration and technology resources are located, for the continued operation of our business. Any significant disruption to those offices could have a material adverse effect on us. We also depend on a number of key vendors for various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure of any key vendor to fulfill its obligations could result in financial losses for us and/or our clients.

Our operational systems and networks are subject to evolving cybersecurity or other technological risks, which could result in the disclosure of confidential client information, loss of our proprietary information, business interruptions, damage to our reputation, additional costs to us, regulatory penalties and other adverse impacts.

We are heavily reliant upon internal and third party technology systems and networks to view, process, transmit and store information, including sensitive client and proprietary information, and to conduct many of our business activities and transactions with our clients, vendors/service providers (collectively, “vendors”) and other third parties. Maintaining the integrity of these systems and networks is critical to the success of our business operations. We take measures to protect our proprietary information and our clients’ information pursuant to our internal policies and data protection regulations to which we’re subject. We rely on our (and our vendors’) information and cybersecurity infrastructure, policies, procedures and capabilities to protect those systems and the data that reside on or are transmitted through them. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data is either prevented or detected in a timely manner.

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We also strive to understand the protective measures of our vendors and ensure that we have complementary user controls in place to mitigate risk. To date, we have not experienced any known material breaches of or interference with our systems and networks; however, we routinely encounter and address such threats. Our experiences with and preparation for cybersecurity and technology threats have included phishing scams, introductions of malware, attempts at electronic break-ins, and unauthorized payment requests. Any such breaches or interference that may occur in the future could have a material adverse impact on our business, financial condition or results of operations.

We are subject to international, federal and state regulations, and in some cases contractual obligations, that require us to establish and maintain policies and procedures designed to protect sensitive client, employee, contractor and vendor information. The increasing reliance on technology systems and networks and the occurrence and potential adverse impact of attacks on such systems and networks, both generally and in the financial services industry in particular, have enhanced government and regulatory scrutiny of the measures taken by companies to protect against cybersecurity threats. As these threats, and government and regulatory oversight of associated risks, continue to evolve, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain.

Despite the measures we have taken and may in the future take to address and mitigate cybersecurity and technology risks, we cannot guarantee that our systems and networks will not be subject to breaches or interference. In particular, although we take precautions to password protect and encrypt our mobile electronic devices, if such devices are stolen or misplaced, they may become vulnerable to hacking or other unauthorized use, creating a possible security risk. Any such event may result in operational disruptions as well as unauthorized access to or the disclosure, corruption or loss of our proprietary information or our clients' or employees' information, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, or the loss of clients or other damage to our business. In addition, the trend toward broad consumer and general public notification of such incidents could exacerbate the harm to our business, financial condition or results of operations.

Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we may incur significant expenses in connection with our responses to any such attacks and the adoption and maintenance of additional appropriate security measures. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our or our vendors' systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems we use.

Our newest investment strategies and strategies we may establish in the future present certain investment, operational, distribution and other risks that are different in kind and/or degree from those presented by our earlier investment strategies, and we have less experience with those risks.

In order to establish our first fixed income strategy, the High Income strategy which was launched in 2014, we developed, and contracted with third parties for, the operational infrastructure and systems necessary to operate a fixed income strategy, including infrastructure and systems for trading and valuing fixed income securities and other credit instruments. Prior to the launch of the strategy, we had not operated a fixed income strategy. During 2017, we established our second fixed income strategy, a privately offered strategy. The fixed income strategies primarily invest in securities and instruments (such as high yield corporate bonds, secured and unsecured loans, revolving credit facilities and loan participations) and certain derivative securities (such as credit default swaps and futures) with which we previously had no or limited operational experience. The below-investment-grade instruments in which the strategies invest and the debtors to which the strategies are exposed present different risks and/or degrees of risk (including liquidity and legal risks) than our other strategies, which invest primarily in publicly-traded equity securities. In particular, the instruments in which the strategies invest may be less liquid than higher-rated bonds and are not as liquid as most of the publicly-traded equity securities in which our other strategies primarily invest. This potential lack of liquidity may make it more difficult for Artisan High Income Fund to accurately value these securities for purposes of determining the fund's net asset value per share and, under certain circumstances, may make it more difficult for the fund to manage redemption requests. In order to identify, monitor and mitigate our exposure to these new or increased risks, we have implemented or modified a number of policies, procedures and systems and hired new individuals with relevant experience. However, neither the measures we have taken, nor the Credit team's

investment decision-making and execution, can eliminate the risks associated with investing in the instruments described above. Any real or perceived problems with respect to our fixed income strategies (or any of our individual strategies) could negatively impact our reputation and business more generally.

During 2017 we established two strategies generally offered through private funds. Prior to the launch of those strategies, external investors had not invested in our strategies through private funds. Offering private funds presents new and different operational, regulatory and distribution-related risks. Establishing our private funds required that we engage new service providers for purposes of administration, operation and advice, with whom we had not previously had a relationship or with whom we only had a limited scope relationship, and build out new operational infrastructure and systems to support new processes, reporting and controls. Our private funds may invest in instruments (such as derivative securities) and engage in activities (such as shorting and the use of leverage) with which we previously had no or limited operational experience. These instruments and activities present different types and higher degrees of investment risk than our other investment strategies. In addition, our lack of experience with these instruments and activities could strain our resources and increase the likelihood of an error.

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Offering private funds also poses risks associated with side by side management and the potential for real or perceived conflicts of interest, which, if not managed correctly, could cause reputational damage, litigation or regulatory proceedings or penalties. We have created or modified a number of policies and procedures, brought in expertise from third party advisers, and implemented training programs in order to identify and mitigate exposure to these new risks. However, we are unable to eliminate the risks associated with offering private funds. New investment strategies and investment vehicles that we launch in the future will likely present new and different investment, regulatory, operational, distribution and other risks than those presented by our existing strategies. Any real or perceived problems with future strategies or vehicles could cause a disproportionate negative impact on our business and reputation.

Employee misconduct, or perceived misconduct, could expose us to significant legal liability and/or reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our clients are of critical importance. Our employees could engage in misconduct (such as fraud or unauthorized trading), or perceived misconduct, that adversely affects our business. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, client relationships and ability to attract new clients. Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, even if inadvertently we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct or perceived misconduct by our employees, or even unsubstantiated allegations of such conduct, could result in significant legal liability and/or an adverse effect on our reputation and our business.

If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and mitigate our exposure to operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design or implementation, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or operating results. Additionally, we could be subject to litigation, particularly from our clients or investors, and sanctions or fines from regulators.

Our techniques for managing operational, legal and reputational risks in client portfolios may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate. Because our clients invest in our strategies in order to gain exposure to the portfolio securities of the respective strategies, we have not adopted corporate-level risk management policies to manage market, interest rate, or exchange rate risks that would affect the value of our overall assets under management.

Our indebtedness may expose us to material risks.

In August 2012, we entered into a $100 million five-year revolving credit agreement and issued $200 million in unsecured notes consisting of $60 million Series A notes maturing in 2017, $50 million Series B notes maturing in 2019, and $90 million Series C notes maturing in 2022. In August 2017, we issued $60 million of Series D notes maturing in 2025, and used the proceeds to repay the $60 million Series A notes that matured on August 16, 2017. We also amended and extended the $100 million five-year revolving credit facility for an additional five-year period. As of December 31, 2017, no amounts were outstanding on the revolving credit facility. Nevertheless, we continue to have substantial indebtedness outstanding in the amount of $200 million in unsecured notes, which exposes us to risks associated with the use of leverage. Our substantial indebtedness may make it more difficult for us to withstand or respond to adverse or changing business, regulatory and economic conditions or to take advantage of new business opportunities or make necessary capital expenditures. In addition, our notes and revolving credit agreement contain financial and operating covenants that may limit our ability to conduct our business. To the extent we service our debt from our cash flow, such cash will not be available for our operations or other purposes. Because our debt service obligations are fixed, the portion of our cash flow used to service those obligations could be substantial if our revenues have declined, whether because of market declines or for other reasons. The Series B, Series C and Series D

notes bear interest at a rate equal to 5.32%, 5.82% and 4.29% per annum, respectively, and each rate is subject to a 100 basis point increase in the event Artisan Partners Holdings receives a below-investment grade rating. Each series requires a balloon payment at maturity. Any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations. Our ability to repay the principal amount of our notes or any outstanding loans under our revolving credit agreement, to refinance our debt or to obtain additional financing through debt or the sale of additional equity securities will depend on our performance, as well as financial, business and other general economic factors affecting the credit and equity markets generally or our business in particular, many of which are beyond our control. Any such alternatives may not be available to us on satisfactory terms or at all.

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Our note purchase agreements and revolving credit agreement contain, and our future indebtedness may contain, various covenants that may limit our business activities.

Our note purchase agreements and revolving credit agreement contain financial and operating covenants that limit our business activities, including restrictions on our ability to incur additional indebtedness and pay dividends to our stockholders. For example, the agreements include financial covenants requiring Artisan Partners Holdings not to exceed specified ratios of indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (as defined in the agreements), or EBITDA, and interest expense to consolidated EBITDA. The agreements also restrict Artisan Partners Holdings from making distributions to its partners (including us), other than tax distributions or distributions to fund our ordinary expenses, if a default (as defined in the respective agreements) has occurred and is continuing or would result from such a distribution. In addition, if Artisan's average assets under management for a fiscal quarter is below $45 billion, Holdings is generally required to offer to pre-pay the unsecured notes. The failure to comply with any of these restrictions could result in an event of default, giving our lenders the ability to accelerate repayment of our obligations. As of December 31, 2017, we believe we are in compliance with all of the covenants and other requirements set forth in the agreements.

We provide a range of services to Artisan Funds, Artisan Global Funds, Artisan sponsored private funds and sub-advised funds which may expose us to liability.

We provide a broad range of administrative services to Artisan Funds, including providing personnel to Artisan Funds to serve as a director and as officers of Artisan Funds and to serve on the valuation committee of Artisan Funds, the preparation or supervision of the preparation of Artisan Funds' regulatory filings, maintenance of board calendars and preparation or supervision of the preparation of board meeting materials, management of compliance and regulatory matters, provision of shareholder services and communications, accounting services including the supervision of the activities of Artisan Funds' accounting services provider in the calculation of the funds' net asset values, supervision of the preparation of Artisan Funds' financial statements and coordination of the audits of those financial statements, tax services including calculation of dividend and distribution amounts and supervision of tax return preparation, and supervision of the work of Artisan Funds' other service providers. Although less extensive than the range of services we provide to Artisan Funds, we also provide a range of similar services, in addition to investment management services, to Artisan Global Funds and Artisan sponsored private funds, including personnel to serve as directors.

In addition, we from time to time provide information to the funds for which we act as sub-adviser (or to a person or entity providing administrative services to such a fund) which is used by those funds in their efforts to comply with various regulatory requirements. If we make a mistake in the provision of those services, Artisan Funds, Artisan Global Funds, Artisan sponsored private funds, or the sub-advised fund could incur costs for which we might be liable. In addition, if it were determined that Artisan Funds, Artisan Global Funds, Artisan sponsored private funds, or a sub-advised fund failed to comply with applicable regulatory requirements as a result of action or failure to act by our employees, we could be responsible for losses suffered or penalties imposed. In addition, we could have penalties imposed on us, be required to pay fines or be subject to private litigation, any of which could decrease our future income or negatively affect our current business or our future growth prospects.

The expansion of our business outside of the United States raises tax and regulatory risks, may adversely affect our profit margins and places additional demands on our resources and employees.

We have expanded and continue to expand our distribution efforts into non-U.S. markets, including the United Kingdom, other European countries, Canada, Australia and certain Asian countries, among others. We organized and serve as investment manager of Artisan Global Funds, a family of Ireland-based UCITS funds, that began operations during the first quarter of 2011. Our client relationships outside the United States have grown from 32 as of December 31, 2012 to 128 as of December 31, 2017. Clients outside the United States may be adversely affected by political, social and economic uncertainty in their respective home countries and regions, which could result in a decrease in the net client cash flows that come from such clients. These clients also may be less accepting of the U.S. practice of payment for certain research products and services through soft dollars or such practices may not be permissible in some jurisdictions. The Markets in Financial Instruments Directive II ("MiFID II"), effective on January 3, 2018, regulates the use of soft dollars to pay for research and other soft dollar services. MiFID II's soft dollar rules do not directly apply to our business because we currently conduct our investment management activities in the United

States. However, in response to MiFID II and the industry-wide changes it may prompt or a change in our operations, we may eventually bear a significant portion or all of the costs of research that are currently paid for using soft dollars, which would increase our operating expenses.

Our expansion outside of the United States has required and will continue to require us to incur a number of up-front expenses, including those associated with obtaining and maintaining regulatory approvals and office space, as well as additional ongoing expenses, including those associated with leases, the employment of additional support staff and regulatory compliance. Our U.S.-based employees routinely travel outside the United States as a part of our investment research process or to market our services and may spend extended periods of time in one or more non-U.S. jurisdictions. Their activities outside the United States on our behalf may raise both tax and regulatory issues. If and to the extent we are incorrect in our analysis of the applicability or impact of non-U.S. tax or regulatory requirements, we could incur costs, penalties or be the subject of an enforcement or other action. Operating our business in non-U.S. markets is generally more expensive than in the United States. Among other expenses, the effective tax rates applicable to our income allocated to some non-U.S. markets, which we are likely to earn through an entity

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that will pay corporate income tax, may be higher than the effective rates applicable to our income allocated to the United States, even though the effective tax rates are lower in many non-U.S. markets, because our U.S. operations are conducted through partnerships. In addition, costs related to our distribution and marketing efforts in non-U.S. markets generally have been more expensive than comparable costs in the United States. To the extent that our revenues do not increase to the same degree our expenses increase in connection with our continuing expansion outside the United States, our profitability could be adversely affected. Expanding our business into non-U.S. markets may also place significant demands on our existing infrastructure and employees.

The U.K.'s exit from the European Union could affect our future operations in the U.K. and in the other countries of the European Union. Although the negotiations between the U.K. and the European Union regarding the U.K.'s exit have begun, it is still unclear what terms will ultimately be agreed to for the long term and for any transition period. The effects of Brexit will depend on the outcome of the exit negotiations. Brexit may add complexity to our global operations and impose additional risks. Moreover, it could lead to regulatory changes and uncertainty and result in additional legal and compliance costs.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business and stock price.

As a public company, we are subject to a variety of reporting requirements under the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley requires, among other things, that we maintain effective internal control over financial reporting. In accordance with Section 404 of Sarbanes-Oxley, our management is required to conduct an annual assessment of the effectiveness of our internal control over financial reporting and include a report on these internal controls in the annual reports we file with the SEC on Form 10-K. If we are not able to continue to comply with the requirements of Section 404 in a capable manner, we may be subject to adverse regulatory consequences and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on us.

A change of control could result in termination of our investment advisory agreements with SEC-registered mutual funds and could trigger consent requirements in our other investment advisory agreements.

Under the U.S. Investment Company Act of 1940, as amended, or the 1940 Act, each of the investment advisory agreements between SEC-registered mutual funds and our subsidiary, Artisan Partners Limited Partnership, will terminate automatically in the event of its assignment, as defined in the 1940 Act.

Upon the occurrence of such an assignment, our subsidiary could continue to act as adviser to any such fund only if that fund's board and shareholders approved a new investment advisory agreement, except in the case of certain of the funds that we sub-advise for which only board approval would be necessary. In addition, as required by the U.S. Investment Advisers Act of 1940, as amended, or the Advisers Act, each of the investment advisory agreements for the separate accounts we manage provides that it may not be assigned, as defined in the Advisers Act, without the consent of the client. An assignment occurs under the 1940 Act and the Advisers Act if, among other things, Artisan Partners Limited Partnership undergoes a change of control as recognized under the 1940 Act and the Advisers Act. If such an assignment were to occur, we cannot be certain that we will be able to obtain the necessary approvals from the boards and shareholders of the mutual funds we advise or the necessary consents from our separate account clients.

Risks Related to our Industry

We are subject to extensive regulation.

We are subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the 1940 Act and the Advisers Act, by the U.S. Department of Labor under ERISA, and by the Financial Industry Regulatory Authority, Inc. The U.S. mutual funds we manage are registered with and regulated by the SEC as investment companies under the 1940 Act. We are also subject to regulation in the United Kingdom by the Financial Conduct Authority. The U.K. Financial Conduct Authority imposes a comprehensive system of regulation that is primarily principles-based (compared to the primarily rules-based U.S. regulatory system). The Advisers Act imposes numerous obligations on investment advisers including record keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities. The 1940 Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies, which must be adhered to by their investment advisers. We have also expanded and continue to expand our distribution effort into

non-U.S. markets, including the United Kingdom, other European countries, Canada, Australia and certain Asian countries, among others. The Central Bank of Ireland imposes requirements on UCITS funds subject to regulation by it, as do the regulators in certain other markets in which shares of Artisan Global Funds are offered for sale, and with which we are required to comply with respect to Artisan Global Funds. Certain Artisan sponsored private funds are regulated as mutual funds under the Mutual Funds Law (as amended) of the Cayman Islands, and the Cayman Islands Monetary Authority has supervisory and enforcement powers to ensure the funds' compliance with the Mutual Funds Law. In the future, we may further expand our business outside of the United States in such a way or to such an extent that we may be required to register with additional foreign regulatory agencies or otherwise comply with additional non-U.S. laws and regulations that do not currently apply to us and with respect to which we do not have compliance experience. Our lack of experience in complying with any such non-U.S. laws and regulations may increase our risk of becoming party to litigation and subject to regulatory actions.

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Accordingly, we face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements. See “Regulatory Environment and Compliance”.

In addition to the extensive regulation to which we are subject in the United States, the United Kingdom and Ireland, we are also subject to regulation by the Australian Securities and Investments Commission, where we operate pursuant to an order of exemption, and by Canadian regulatory authorities in the Canadian provinces where we operate pursuant to exemptions from registration. Our business is also subject to the rules and regulations of the countries in which we conduct investment management activities. Failure to comply with applicable laws and regulations in the foreign countries where we invest and/or where our clients or prospective clients reside could result in fines, suspensions of personnel or other sanctions. See “Regulatory Environment and Compliance”.

The regulatory environment in which we operate is subject to continual change, and regulatory developments may adversely affect our business.

We operate in a legislative and regulatory environment that is subject to continual change, the nature of which we cannot predict. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations, as well as by courts. It is impossible to determine the extent of the impact of any new U.S. or non-U.S. laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive and affect the manner in which we conduct business.

The requirements imposed by our regulators (including both U.S. and non-U.S. regulators) are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities and/or increase our costs, including through customer protection and market conduct requirements. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and our clients may adversely affect our business. Our ability to function in this environment will depend on our ability to constantly monitor and promptly react to legislative and regulatory changes. There have been a number of highly publicized regulatory inquiries that have focused on the investment management industry. These inquiries already have resulted in increased scrutiny of the industry and new rules and regulations for mutual funds and investment managers. This regulatory scrutiny may limit our ability to engage in certain activities that might be beneficial to our stockholders. See “Regulatory Environment and Compliance”.

The investment management industry is intensely competitive.

The investment management industry is intensely competitive, with competition based on a variety of factors, including investment performance, investment management fee rates, continuity of investment professionals and client relationships, the quality of services provided to clients, corporate positioning and business reputation, continuity of selling arrangements with intermediaries and differentiated products. A number of factors, including the following, serve to increase our competitive risks:

- Unlike some of our competitors, we do not currently offer passive investment strategies or “solutions” products like target-date funds.
- A number of our competitors have greater financial, technical, marketing and other resources, more comprehensive name recognition and more personnel than we do.
- Potential competitors have a relatively low cost of entering the investment management industry.
- Some investors may prefer to invest with an investment manager that is not publicly traded based on the perception that a publicly-traded asset manager may focus on the manager’s own growth to the detriment of investment performance for clients.

- Other industry participants may seek to recruit our investment professionals.
- Many competitors charge lower fees for their investment management services than we do.

For example, the trend in favor of low-fee passive products such as index and certain exchange-traded funds will favor those of our competitors who provide passive investment strategies. In recent years, across the investment management industry, passive products have experienced inflows and traditional actively managed products have experienced outflows, in each case, in the aggregate. That trend has presented, and will continue to present, a headwind to our business. Separately, intermediaries through which we distribute our mutual funds may also sell their own proprietary funds and investment products, which could limit the distribution of our investment strategies. If we are unable to compete effectively, our earnings would be reduced and our business could be materially adversely affected.

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The investment management industry faces substantial litigation risks which could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

We depend to a large extent on our network of relationships and on our reputation in order to attract and retain client assets. If a client is not satisfied with our services, its dissatisfaction may be more damaging to our business than client dissatisfaction would be to other types of businesses. We make investment decisions on behalf of our clients that could result in substantial losses to them. If our clients suffer significant losses, or are otherwise dissatisfied with our services, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, breach of contract, unjust enrichment and/or fraud. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time, even after an action has been commenced.

We may incur significant legal expenses in defending against litigation whether or not we engaged in conduct as a result of which we might be subject to legal liability. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us.

Risks Related to Our Structure

Control by our stockholders committee of approximately 23% of the combined voting power of our capital stock and the rights of holders of limited partnership units of Artisan Partners Holdings may give rise to conflicts of interest.

At the time of this filing, our employees to whom we have granted equity (including our employee-partners) held approximately 23% of the combined voting power of our capital stock and have entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future to a stockholders committee. Any additional shares of our common stock that we issue to our employee-partners or other employees, including shares of common stock issued under our Omnibus Incentive Compensation Plan, will be subject to the stockholders agreement so long as the agreement has not been terminated. Shares held by an employee cease to be subject to the stockholders agreement upon termination of employment.

The stockholders committee currently consists of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). All shares subject to the stockholders agreement are voted in accordance with the majority decision of those three members. The stockholders committee's control of approximately 23% of the combined voting power gives the committee considerable influence in determining the outcome of any shareholder vote, including the election of directors and the approval of transactions.

Our employee-partners (through their ownership of Class B common units), AIC (through its ownership of Class D common units) and the holders of Class A common units have the right, each voting as a single and separate class, to approve or disapprove certain transactions and matters, including material corporate transactions, such as a merger, consolidation, dissolution or sale of greater than 25% of the fair market value of Artisan Partners Holdings' assets. These voting and class approval rights may enable our employee-partners, AIC or the holders of Class A common units to prevent the consummation of transactions that may be in the best interests of holders of our Class A common stock.

In addition, because our pre-IPO owners (including members of our board of directors) hold all or a portion of their ownership interests in our business through Artisan Partners Holdings, rather than through Artisan Partners Asset Management, these pre-IPO owners may have conflicting interests with holders of our Class A common stock. For example, our pre-IPO owners may have different tax positions from us which could influence their decisions regarding whether and when we should dispose of assets, whether and when we should incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreements, and whether and when Artisan Partners Asset Management should terminate the tax receivable agreements and accelerate its obligations thereunder. In addition, the structuring of future transactions may take into consideration these pre-IPO owners' tax or other considerations even where no similar benefit would accrue to us.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our structure and applicable provisions of Delaware law.

We intend to pay dividends to holders of our Class A common stock as described in “Dividend Policy”. Our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, as a holding company, we are dependent upon the ability of our subsidiaries to generate earnings and cash flows and distribute them to us so that we may pay dividends to our stockholders. We expect to cause Artisan Partners Holdings, which is a Delaware limited partnership, to make distributions to its partners, including us, in an amount sufficient for us to pay dividends. However, its ability to make such distributions will be subject to its and its subsidiaries’ operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution to its partners, its compliance with covenants and financial ratios related to existing or future indebtedness, including under our notes and our revolving credit agreement, its other agreements with third parties, as well as its obligation to make tax distributions under its partnership agreement (which distributions would reduce the cash available for distributions by Artisan Partners Holdings to us).

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In addition, each of the companies in our corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our Class A common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our Class A common stock.

Our ability to pay taxes and expenses, including payments under the tax receivable agreements, may be limited by our holding company structure.

As a holding company, our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash and we have no independent means of generating revenue. Artisan Partners Holdings is a partnership for U.S. federal income tax purposes and, as such, is not subject to U.S. federal income tax. Instead, Artisan Partners Holdings' taxable income is allocated to holders of its partnership units, including us. Accordingly, we incur income taxes on our proportionate share of Artisan Partners Holdings' taxable income and also may incur expenses related to our operations. Under the terms of its amended and restated limited partnership agreement, Artisan Partners Holdings is obligated to make tax distributions to holders of its partnership units, including us. In addition to tax expenses, we are also required to make payments under the tax receivable agreements, which will be significant, and we incur other expenses related to the tax receivable agreements and our operations. 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. We also intend to cause Artisan Partners Holdings to make distributions in an amount sufficient to allow us to pay our taxes and pay any additional operating expenses. However, its ability to make such distributions will be subject to various limitations and restrictions as set forth in the preceding risk factor. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds and thus our liquidity and financial condition could be materially adversely affected. To the extent that we are unable to make payments when due under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 300 basis points until paid.

We will be required to pay the tax receivable agreement beneficiaries for certain tax benefits we claim, and we expect that the payments we will be required to make will be substantial.

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

The second tax receivable agreement generally provides for the payment by APAM to current or former limited partners of Artisan Partners Holdings 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 us 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.

The payment obligation under the tax receivable agreements is an obligation of APAM, not Artisan Partners Holdings, and we expect that the payments we will be required to make under the tax receivable agreements will be substantial. Assuming no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with (i) the merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2017; and (iii) projected future purchases or exchanges of partnership units would aggregate to approximately $728 million over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of $39.50 per share of our Class A common stock, the closing price of our Class A common stock on December 29, 2017. Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately $655 million, over generally a minimum of 15

years. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock at the time of purchase or exchange and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit. As of December 31, 2017, we recorded a $385.4 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expected to realize from the H&F Corp merger described above, our purchase of partnership units from limited partners of Holdings and the exchange of partnership units from March 2013 through December 31, 2017, assuming no material changes in the related tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the tax receivable agreements. The liability will increase upon future purchases or exchanges of limited partnership units with the increase representing amounts payable under the tax receivable agreements equal to 85% of the estimated future tax benefits, if any, resulting from such purchases or exchanges. Payments under the tax receivable agreements are not conditioned on the counterparties' continued ownership of us.

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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 tax receivable agreements constituting imputed interest or depreciable basis or amortizable basis. Payments under the tax receivable agreements are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest, depending on the tax receivable agreement and the circumstances. Any such benefits are covered by the tax receivable agreements and will increase the amounts due thereunder. In addition, the tax receivable agreements provide for interest, at a rate equal to one-year LIBOR plus 100 basis points, accrued from the due date (without extensions) of the corresponding APAM tax return to the actual payment date, provided that the actual payment date is on or before the payment due date, as specified in the tax receivable agreements. In addition, to the extent that we are unable to make payments when due under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 300 basis points until paid.

Payments under the tax receivable agreements will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the IRS or other taxing authority to challenge a tax basis increase or other tax attributes subject to the tax receivable agreements, we will not be reimbursed for any payments previously made under the tax receivable agreements if such basis increases or other benefits are subsequently disallowed (however, any such additional payments may be netted against future payments (if any) that are made under the tax receivable agreements). As a result, in certain circumstances, payments could be made under the tax receivable agreements in excess of the benefits that we actually realize in respect of the attributes to which the tax receivable agreements relate.

In certain cases, payments under the tax receivable agreements may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreements.

The tax receivable agreements provide that (i) upon certain mergers, asset sales, other forms of business combinations or other changes of control, (ii) in the event that we materially breach any of our material obligations under the agreements, whether as a result of failure to make any payment within six months of when due (provided we have sufficient funds to make such payment), failure to honor any other material obligation required thereunder or by operation of law as a result of the rejection of the agreements in a bankruptcy or otherwise, or (iii) if, at any time, we elect an early termination of the agreements, our (or our successor's) obligations under the agreements (with respect to all units, whether or not units have been exchanged or acquired before or after such transaction) would be based on certain assumptions. In the case of a material breach or if we elect early termination, those assumptions include that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreements. In the case of a change of control, the assumptions include that in each taxable year ending on or after the closing date of the change of control, our taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) will equal the greater of (i) the actual taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) for the taxable year and (ii) the highest taxable income (calculated without taking into account extraordinary items of income or deduction and prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) in any of the four fiscal quarters ended prior to the closing date of the change of control, annualized and increased by 10% for each taxable year beginning with the second taxable year following the closing date of the change of control. In the event we elect to terminate the agreements early or we materially breach a material obligation, our obligations under the agreements will accelerate. As a result, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual benefits we realize in respect of the tax attributes subject to the agreements and (ii) if we materially breach a material obligation under the agreements or if we elect to terminate the agreements early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits, which payment may be made significantly in advance of the actual realization of such future benefits. In these situations, our obligations under the

tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements. If we were to elect to terminate the tax receivable agreements associated with (i) the merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2017; and (iii) projected future purchases or exchanges of partnership units, as of December 31, 2017, based on an assumed discount rate equal to one-year LIBOR plus 100 basis points, we estimate that we would be required to pay approximately $523 million in the aggregate under the tax receivable agreements.

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If we were deemed an investment company under the 1940 Act as a result of our ownership of Artisan Partners Holdings, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and, absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company", as such term is defined in either of those sections of the 1940 Act.

As the sole general partner of Artisan Partners Holdings, we control and operate Artisan Partners Holdings. On that basis, we believe that our interest in Artisan Partners Holdings is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of Artisan Partners Holdings, our interest in Artisan Partners Holdings could be deemed an "investment security" for purposes of the 1940 Act.

We and Artisan Partners Holdings intend to continue to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Risks Related to Our Class A Common Stock

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, investors may be unable to sell shares of Class A common stock at or above their purchase price, if at all. The market price of our Class A common stock may fluctuate or decline significantly in the future.

Some of the factors that could negatively affect the price of our Class A common stock, or result in fluctuations in the price or trading volume of our Class A common stock, include:

- Departures of our portfolio managers or members of our management team or additions or departures of other key personnel.
- Actual or anticipated poor performance in one or more of the investment strategies we offer.
- Variations in our quarterly operating results.
- Litigation and governmental investigations.
- Adverse market reaction to any plans we may announce, indebtedness we may incur or securities we may issue in the future.
- Failure to meet analysts' earnings or other expectations.
- Publication of research reports about us or the investment management industry.
- Actions by stockholders.
- Changes in market valuations of similar companies.
- Changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our business, or enforcement of these laws and regulations, or announcements relating to these matters.
- Adverse publicity about the investment management industry generally, or particular scandals, specifically.
- The relatively low trading volume and public float of our Class A common stock.
- Sales of a large number of shares of our Class A common stock or the perception that such sales could occur.
- General market and economic conditions.

Future sales of our Class A common stock in the public market could lower our stock price, and any future grant or sale of equity or convertible securities may dilute existing stockholders' ownership in us.

The market price of our Class A common stock could decline as a result of future sales of a large number of shares of our Class A common stock, or the perception that such sales could occur.

These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

We are party to a resale and registration rights agreement pursuant to which the shares of our Class A common stock issued upon exchange of limited partnership units are eligible for resale. Such shares of Class A common stock may be transferred only in accordance with the terms and conditions of the resale and registration rights agreement. The common units of Artisan Partners Holdings discussed below are exchangeable for shares of our Class A common stock on a one-for-one basis.

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There is no limit on the number of shares of our Class A common stock that our Class A limited partners or AIC are permitted to sell. As of December 31, 2017, our Class A limited partners owned approximately 7.7 million Class A common units and AIC owned approximately 3.5 million Class D common units.

For an employee-partner, in each one-year period, the first of which began in the first quarter of 2014, the partner is generally permitted to sell up to (i) a number of vested shares of our Class A common stock representing 15% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units (in each case, whether vested or unvested) he or she held as of the first day of that period or, (ii) if greater, vested shares of our Class A common stock having a market value as of the time of sale of $250,000, as well as, in either case, the number of shares such holder could have sold in any previous period or periods but did not sell in such period or periods. In February 2018, our Board approved the sale of additional shares by certain employee-partners. Those employee-partners may sell 20% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units in 2018, and we expect to permit them to sell the same amount in each of the following four years, subject to maintaining a minimum dollar amount of firm equity. As of December 31, 2017, our employee-partners owned 11.9 million Class B common units. Approximately 3.7 million of those units are eligible for exchange and sale in the first quarter of 2018. An additional 1.8 million units are eligible for exchange and sale by retired employee-partners in the first quarter of 2018. We may waive or modify these restrictions.

In addition, we have filed a registration statement registering 15,000,000 shares of our Class A common stock for issuance pursuant to our 2013 Omnibus Incentive Compensation Plan and 2013 Non-Employee Director Plan. Including the February 2018 grant, we have awarded 7,589,157 restricted stock units or restricted shares of Class A common stock to our employees and employees of our subsidiaries. 4,811,816 of these awards vest pro rata over the five years from the date of issuance and may be sold upon vesting. 2,777,341 of these awards are career shares or restricted stock units, which generally will only vest upon the grantee's qualifying retirement. We may increase the number of shares registered for this purpose from time to time. Once these shares have been issued and have vested, they will be able to be sold in the public market.

We may also purchase limited partnerships units of Holdings at any time and may issue and sell additional shares of our Class A common stock to fund such purchases. We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock may have on the market price of our Class A common stock. Sales or distributions of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our Class A common stock to decline.

Anti-takeover provisions in our restated certificate of incorporation and amended and restated bylaws and in the Delaware General Corporation Law could discourage a change of control that our stockholders may favor, which could negatively affect the market price of our Class A common stock.

Provisions in our restated certificate of incorporation, amended and restated bylaws and in the Delaware General Corporation Law, or the DGCL, may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. Those provisions include:

- The right of the various classes of our capital stock to vote, as separate classes, on certain amendments to our restated certificate of incorporation and certain fundamental transactions.
- The ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, which could be used to thwart a takeover attempt.
- Advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.
- A limitation that, generally, stockholder action may only be taken at an annual or special meeting or by unanimous written consent.
- A requirement that a special meeting of stockholders may be called only by our board of directors or our Chairman and Chief Executive Officer, which may delay the ability of our stockholders to force consideration of a proposal or to

take action, including the removal of directors.

- The ability of our board of directors to adopt, amend and repeal our amended and restated bylaws by majority vote, while such action by stockholders would require a super majority vote, which makes it more difficult for stockholders to change certain provisions described above.

The market price of our Class A common stock could be adversely affected to the extent that the provisions of our restated certificate of incorporation and amended and restated bylaws discourage potential takeover attempts that our stockholders may favor.

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Our restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our restated certificate of incorporation or our amended and restated bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents. Alternatively, if a court were to find this provision of our restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Our indemnification obligations may pose substantial risks to our financial condition.

Pursuant to our restated certificate of incorporation, we will indemnify our directors and officers to the fullest extent permitted by Delaware law against all liability and expense incurred by them in their capacities as directors or officers of us. We also are obligated to pay their expenses in connection with the defense of claims. Our bylaws provide for similar indemnification of, and advancement of expenses to, our directors, officers, employees and agents and members of our stockholders committee. We have also entered into indemnification agreements with each of our directors and executive officers and each member of our stockholders committee, pursuant to which we will indemnify them to the fullest extent permitted by Delaware law in connection with their service in such capacities. Artisan Partners Holdings will indemnify and advance expenses to AIC, as its former general partner, the former members of its pre-IPO Advisory Committee, the members of our stockholders committee, our directors and officers and its officers and employees against any liability and expenses incurred by them and arising as a result of the capacities in which they serve or served Artisan Partners Holdings.

We have obtained liability insurance insuring our directors, officers and members of our stockholders committee against liability for acts or omissions in their capacities as directors, officers or committee members subject to certain exclusions. These indemnification obligations may pose substantial risks to our financial condition, as we may not be able to maintain our insurance or, even if we are able to maintain our insurance, claims in excess of our insurance coverage could be material. In addition, these indemnification obligations and other provisions of our restated certificate of incorporation, and the amended and restated partnership agreement of Artisan Partners Holdings, may have the effect of reducing the likelihood of derivative litigation against indemnified persons, and may discourage or deter stockholders or management from bringing a lawsuit against such persons, even though such an action, if successful, might otherwise have benefited us and our stockholders.

Our restated certificate of incorporation provides that certain of our investors do not have an obligation to offer us business opportunities.

Our restated certificate of incorporation provides that, to the fullest extent permitted by applicable law, certain of our investors and their respective affiliates (including affiliates who serve on our board of directors) have no obligation to offer us an opportunity to participate in the business opportunities presented to them, even if the opportunity is one that we might reasonably have pursued (and therefore they may be free to compete with us in the same business or

similar business). Furthermore, we renounce and waive and agree not to assert any claim for breach of any fiduciary or other duty relating to any such opportunity against those investors and their affiliates by reason of any such activities unless, in the case of any person who is our director or officer, such opportunity is expressly offered to such director or officer in writing solely in his or her capacity as an officer or director of us. This may create actual and potential conflicts of interest between us and certain of our investors and their affiliates (including certain of our directors).

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business or our industry, our stock price and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, or about the investment management industry generally. If one or more of the analysts who cover us downgrades our stock or publishes unfavorable research about our business or about the investment management industry, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

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Item 1B. Unresolved Staff Comments

None

Item 2. Properties

We operate our business from offices in Milwaukee, Wisconsin; San Francisco, California; Atlanta, Georgia; New York, New York; Wilmington, Delaware; Mission Woods, Kansas; Chicago, Illinois; Sydney; London; Singapore and Toronto. Most of our business operations are based in Milwaukee. Our Chief Executive Officer and Chief Financial Officer, along with other employees, are based in San Francisco. We lease office space in each location and believe our existing and contracted-for facilities are adequate to meet our requirements.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Shares of our Class A common stock have been listed and traded on the NYSE under the symbol "APAM" since March 7, 2013. The following table sets forth, for the periods indicated, the high and low intra-day sale prices in dollars on the NYSE for our Class A common stock and the dividends per share of Class A common stock we declared during the periods indicated.

	High	Low	Dividends Declared
For the quarter ended March 31, 2016	$35.54	$23.65	$ 1.00
For the quarter ended June 30, 2016	$35.00	$26.14	$ 0.60
For the quarter ended September 30, 2016	$29.45	$25.41	$ 0.60
For the quarter ended December 31, 2016	$32.20	$24.48	$ 0.60
For the quarter ended March 31, 2017	$30.85	$26.30	$ 0.96
For the quarter ended June 30, 2017	$31.55	$26.70	$ 0.60
For the quarter ended September 30, 2017	$33.85	$29.00	$ 0.60
For the quarter ended December 31, 2017	$40.65	$32.45	$ 0.60

There is no trading market for shares of our Class B common stock or Class C common stock.

On December 29, 2017, the last reported sale price for our Class A common stock on the NYSE was $39.50 per share. As of February 16, 2018, there were approximately 116 stockholders of record of our Class A common stock, 37 stockholders of record of our Class B common stock, and 33 stockholders of record of our Class C common stock. These figures do not reflect the beneficial ownership or shares held in nominee name, nor do they include holders of any restricted stock units.

Performance Graph

The following graph compares the year-end cumulative total stockholder return on our Class A common stock from the date the shares began trading on the NYSE on March 7, 2013 to December 31, 2017, with the year-end cumulative total return of the S&P 500® and the Dow Jones U.S. Asset Managers Index. The graph assumes the investment of $100 in our common stock and in the market indices on March 7, 2013 and the reinvestment of all dividends.

	3/7/2013	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Artisan Partners Asset Management, Inc.	$100.00	$188.06	$141.46	$108.85	$99.63	$144.54
S&P 500 Index	$100.00	$121.75	$138.42	$140.33	$157.11	$191.42
Dow Jones U.S. Asset Managers Index	$100.00	$124.20	$133.86	$117.85	$127.98	$162.43

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The information contained in the performance graph and table shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, except to the extent that the company specifically incorporates the information by reference into a document filed under the Securities Act or the Exchange Act.

Dividend Policy

During the first quarter of 2018, our board of directors declared a quarterly dividend of $0.60 per share of Class A common stock and a special annual dividend of $0.79 per share. Subject to board approval each quarter, we expect to pay a quarterly dividend during 2018. After the end of the year, our board will consider paying a special dividend that will take into consideration our annual adjusted earnings, business conditions and the amount of cash we want to retain at that time. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy or at all. We expect that management and our board will consider changes to our dividend policy, including consideration of a variable quarterly dividend, during the course of 2018. We intend to fund dividends from our portion of distributions made by Artisan Partners Holdings from its available cash generated from operations. The holders of our Class B common stock and Class C common stock are not entitled to any cash dividends in their capacity as stockholders, but, in their capacity as holders of limited partnership units of Artisan Partners Holdings, they generally participate on a pro rata basis in distributions by Artisan Partners Holdings.

The declaration and payment of all future dividends, if any, will be at the sole discretion of our board of directors. In determining the amount of any future dividends, our board of directors will take into account: (i) our financial results, (ii) our available cash, as well as anticipated cash requirements (including debt servicing), (iii) our capital requirements and the capital requirements of our subsidiaries (including Artisan Partners Holdings), (iv) contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our stockholders or by our subsidiaries (including Artisan Partners Holdings) to us, including the obligation of Artisan Partners Holdings to make tax distributions to the holders of partnership units (including us), (v) general economic and business conditions and (vi) any other factors that our board of directors may deem relevant.

As a holding company, our assets principally consist of our ownership of partnership units of Artisan Partners Holdings, deferred tax assets and cash. Accordingly, we depend on distributions from Artisan Partners Holdings to fund any dividends we may pay. We intend to cause Artisan Partners Holdings to distribute cash to its partners, including us, in an amount sufficient to cover dividends, if any, declared by us. If we do cause Artisan Partners Holdings to make such distributions, holders of Artisan Partners Holdings limited partnership units will be entitled to receive equivalent distributions on a pro rata basis.

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, Artisan Partners Holdings is unable to make distributions to us as a result of its operating results, cash requirements and financial condition, the applicable laws of the State of Delaware (which may limit the amount of funds available for distribution), its compliance with covenants and financial ratios related to indebtedness (including the notes and the revolving credit agreement) and its other agreements with third parties. Our note purchase and revolving credit agreements contain covenants limiting Artisan Partners Holdings' ability to make distributions if a default has occurred and is continuing or would result from such a distribution. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

Under the Delaware General Corporation Law, we may only pay dividends from legally available surplus or, if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess of the fair value of our total assets over the sum of the fair value of our total liabilities plus the par value of our outstanding capital stock. Capital stock is defined as the aggregate of the par value of all issued capital stock. To the extent we do not have sufficient cash to pay dividends, we may decide not to pay dividends.

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Artisan Partners Holdings' Distributions

Artisan Partners Holdings has made the following distributions to holders of its partnership units, including APAM, during the periods indicated:

	For the Years Ended December 31,	
	2017	2016
	(in millions)	
For the quarter ended March 31	$ 38.2	$ 41.7
For the quarter ended June 30	$ 100.1	$ 93.9
For the quarter ended September 30	$ 77.2	$ 72.5
For the quarter ending December 31	$ 97.4	$ 86.3

Unregistered Sales of Equity Securities

As described in Note 8, "Stockholders' Equity", to the Consolidated Financial Statements included in Item 8 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 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. There were no such issuances during the three months ended December 31, 2017.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the total shares of our Class A common stock authorized and issued (or to be issued) under our equity compensation plans as of December 31, 2017:

	As of December 31, 2017		
	Issued (or to be issued) upon settlement of restricted stock units[1]	Number of Securities remaining available for future issuance under equity compensation plans	Equity Type
2013 Omnibus Incentive Compensation Plan	6,001,282	7,998,718	Restricted Share Awards Restricted Stock Units
2013 Non-Employee Director Plan	120,942	879,058	Restricted Stock Units

[1] Excludes securities forfeited by grantees and available for future issuance.

These plans were approved by our sole stockholder prior to our IPO in March 2013. For restricted stock units issued to employees, the shares of Class A common stock underlying the restricted stock units will generally be issued and delivered promptly following the vesting of the awards. For restricted stock units issued to non-employee directors, the shares of Class A common stock underlying the restricted stock units will generally be issued and delivered on or promptly following the termination of the non-employee director's service on the Board.

Item 6. Selected Financial Data

The following tables set forth selected historical consolidated financial data of Artisan Partners Asset Management as of the dates and for the periods indicated. The selected consolidated statements of operations data for the years ended December 31, 2017, 2016 and 2015 and the selected consolidated statements of financial condition data as of December 31, 2017 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this document. The selected consolidated statements of operations data for the years ended December 31, 2014 and 2013 and the consolidated statement of financial condition as of December 31, 2015, 2014 and 2013 have been derived from consolidated financial statements not included elsewhere in this document.

The Company adopted revised consolidation accounting guidance (ASU 2015-02) as of January 1, 2016. Upon adoption, Artisan Partners Launch Equity LP ("Launch Equity"), a private investment partnership liquidated in 2014,

was deconsolidated and all periods presented in the audited consolidated financial statements were restated to reflect the deconsolidation. Launch Equity was previously accounted for as a consolidated variable interest entity until its operations were dissolved in 2014. For consistency, the selected consolidated statements of operations data for the year ended December 31, 2013 and the consolidated statement of financial condition as of December 31, 2014 and 2013 were restated to reflect the deconsolidation to be presented on the same basis as the annual financial statements.

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You should read the following selected historical consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes.

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in millions, except per-share data)				
Statements of Operations Data:					
Revenues					
Management fees					
Mutual funds	$502.6	$470.6	$543.3	$575.4	$464.3
Separate accounts	292.7	249.2	260.4	252.3	219.0
Performance fees	0.3	1.1	1.8	1.0	2.5
Total revenues	$795.6	$720.9	$805.5	$828.7	$685.8
Operating Expenses					
Salaries, incentive compensation and benefits	390.2	355.8	372.2	350.3	309.2
Pre-offering related compensation-share-based awards	12.7	28.1	42.1	64.7	404.2
Pre-offering related compensation-other	—	—	—	—	143.0
Total compensation and benefits	402.9	383.9	414.3	415.0	856.4
Distribution, servicing and marketing	29.6	32.5	43.6	49.1	38.4
Occupancy	14.5	13.1	12.5	11.3	10.5
Communication and technology	34.1	32.2	25.5	21.0	14.4
General and administrative	28.1	25.0	27.2	25.4	27.3
Total operating expenses	509.2	486.7	523.1	521.8	947.0
Operating income (loss)	286.4	234.2	282.4	306.9	(261.2)
Non-operating income (loss)					
Interest expense	(11.4)	(11.7)	(11.7)	(11.6)	(11.9)
Net gain on the valuation of contingent value rights	—	—	—	—	49.6
Net investment income (loss) and other	1.1	1.3	0.4	0.4	5.1
Net investment gain (loss) of consolidated investment products	4.2	—	—	—	—
Net gain (loss) on the tax receivable agreements	290.9	0.7	(12.2)	(4.2)	—
Total non-operating income (loss)	284.8	(9.7)	(23.5)	(15.4)	42.8
Income (loss) before income taxes	571.2	224.5	258.9	291.5	(218.4)
Provision for income taxes	420.5	51.5	46.8	48.8	26.4
Net income (loss) before noncontrolling interests	150.7	173.0	212.1	242.7	(244.8)
Less: Net income (loss) attributable to noncontrolling interests-Artisan Partners Holdings LP	99.0	100.0	130.3	173.1	(269.6)
Less: Net income attributable to noncontrolling interests - consolidated investment products	2.1	—	—	—	—
Net income attributable to Artisan Partners Asset Management Inc.	$49.6	$73.0	$81.8	$69.6	$24.8
Earnings (loss) per basic and diluted common share	$0.75	$1.57	$1.86	$(0.37)	$(2.04)
Weighted average basic and diluted common shares outstanding	44.6	38.1	35.4	27.5	13.8
Dividends declared per Class A common share	$2.76	$2.80	$3.35	$3.83	$0.86

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	As of December 31,				
	2017	2016	2015	2014	2013
Statement of Financial Condition Data:	(in millions)				
Cash and cash equivalents	$137.3	$156.8	$166.2	$182.3	$211.8
Total assets	837.2	936.2	946.5	849.5	491.5
Borrowings[1]	200.0	200.0	200.0	200.0	200.0
Total liabilities	666.5	818.5	829.9	742.0	409.6
Redeemable noncontrolling interests	62.6	—	—	—	—
Total equity	$108.1	$117.7	$116.6	$107.5	$81.9

[1] In August 2012, we issued $200 million in unsecured notes and entered into a $100 million five-year revolving credit agreement. In August 2017, we issued $60 million in unsecured notes and used the proceeds to repay $60 million of the 2012 unsecured notes that matured in August 2017. On the same date, we amended and extended the $100 million revolving credit facility for an additional five-year period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources”.

The following table sets forth certain of our selected operating data as of the dates and for the periods indicated:

	As of and for the Years Ended December 31,				
	2017	2016	2015	2014	2013
Selected Unaudited Operating Data:	(in millions)				
Assets under management[1]	$115,494	$96,845	$99,848	$107,915	$105,477
Net client cash flows[2]	(5,408)	(4,824)	(5,848)	788	7,178
Market appreciation (depreciation)[3]	$24,057	$1,821	$(2,219)	$1,650	$23,965

[1] Reflects the dollar value of assets we managed for our clients in our investment strategies as of the last day of the period.

[2] Reflects the dollar value of assets our clients placed with us for management, and withdrew from our management, during the period, excluding appreciation (depreciation) due to market performance and fluctuations in exchange rates.

[3] Represents the appreciation (depreciation) of the value of our assets under management during the period due to market performance and fluctuations in exchange rates, as well as income, such as dividends, earned on assets under management.

The following table shows net income, operating income, operating margin and the corresponding adjusted measures for Artisan Partners Asset Management for the periods indicated.

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(dollars in millions)				
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	$49.6	$73.0	$81.8	$69.6	$24.8
Adjusted net income (Non-GAAP)	$182.1	$158.7	$197.3	$228.9	$180.3
Operating income (loss) (GAAP)	$286.4	$234.2	$282.4	$306.9	$(261.2)
Adjusted operating income (Non-GAAP)	$299.1	$262.3	$324.5	$371.7	$288.9
Operating margin (GAAP)	36.0%	32.5%	35.1%	37.0%	(38.1)%
Adjusted operating margin (Non-GAAP)	37.6%	36.4%	40.3%	44.9%	42.1%

For a further discussion of our adjusted non-GAAP measures and a reconciliation from GAAP financial measures to non-GAAP measures, including adjusted net income per adjusted share and adjusted EBITDA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Non-GAAP Financial Information”.

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Item 7. 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 to sophisticated clients globally. As of December 31, 2017, our eight autonomous investment teams managed a total of 17 investment strategies across multiple asset classes and investment styles. Over our firm's history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk. During 2017, we launched the Thematic and Global Discovery strategies and two privately offered strategies managed by our Credit team and Thematic team, each of which provides our investment talent with significant degrees of freedom with which to add value and manage risk.

We focus our distribution efforts on sophisticated investors and asset allocators, including institutions and intermediaries that operate with institutional-like decision-making processes. We offer our investment strategies to clients and investors through multiple investment vehicles, including separate accounts and different types of pooled vehicles. As of December 31, 2017, approximately 80% and 20% of our assets under management were managed for clients and investors domiciled in and outside of the U.S., respectively. Over the last five years we have grown our assets under management from clients and investors domiciled outside of the U.S. from $7.9 billion as of December 31, 2012, to $22.7 billion as of December 31, 2017.

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 are confident 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. During the year ended December 31, 2017, our assets under management increased to $115.5 billion, an increase of $18.6 billion, or 19.3%, compared to $96.8 billion at December 31, 2016, as a result of $24.1 billion in market appreciation, partially offset by $5.4 billion of net client cash outflows. Average assets under management for the year ended December 31, 2017 was $108.8 billion, an increase of 13.0% from the average of $96.3 billion for the year ended December 31, 2016.

We strive to maintain a financial model that is transparent and predictable. We derive essentially all of our revenues from investment management fees, nearly all 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 shareholders and partners a majority of the cash that we generate from operations through dividends and distributions. Revenues were $796 million for the year ended December 31, 2017, a 10% increase from revenues of $721 million in the prior year. GAAP operating margin was 36.0% for the year ended December 31, 2017, compared to 32.5% for the year ended December 31, 2016. Adjusted operating margin was 37.6% for the year ended December 31, 2017, compared to 36.4% for the year ended December 31, 2016.

The Tax Cuts and Jobs Act ("Tax Reform") was enacted in December 2017. Based on available information, the Company recorded a non-cash charge in the December quarter of 2017 of $62 million for the re-measurement of deferred tax assets, net of related adjustments to the amounts payable under the tax receivable agreements. Adjusted net income excludes the impact of the non-cash net charge. As a result of the reduced corporate tax rate under Tax Reform, the Company estimates its GAAP effective tax rate will be in the range of 14% to 17% and its adjusted effective tax rate will be 23.5% in 2018. Based on our current estimates, we anticipate the corporate tax rate reduction will result in an additional $0.55 of adjusted net income per adjusted share in 2018.

Business highlights for 2017 included:

- Our assets under management as of December 31, 2017 were $115.5 billion, our highest year-end assets under management.
- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Of our 13 strategies launched prior to 2017, ten have outperformed their broad-based benchmarks since inception,

with average annual out-performance ranging from 1.61% to 5.23% points, after fees.

- We furthered the franchise development, in terms of leadership, resources, economic alignment, and culture, of our eight investment teams.
- During the year, we launched four new investment strategies, the most strategies we have established in a single year.
- We refinanced $60 million of senior notes and extended our $100 million revolving credit facility through August 2022.
- We declared and distributed dividends of $2.76 per share of Class A common stock during 2017, and have declared a total of $3.19 of dividends with respect to 2017.
- We successfully completed our February 2017 follow-on offering and continued to evolve our capital structure.

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Organizational Structure

Organizational Structure

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

Our employees and other limited partners of Holdings held approximately 33% of the equity interests in Holdings as of December 31, 2017. As a result, our post-IPO results reflect that significant noncontrolling interest.

We operate our business in a single segment.

2017 Follow-On Offering and Holdings Unit Exchanges

On February 28, 2017, APAM completed an offering of 5,626,517 shares of Class A common stock and utilized all of the proceeds to purchase an aggregate of 5,626,517 common units from certain limited partners of Holdings. In connection with the offering, APAM received 5,626,517 GP units of Holdings.

During the year ended December 31, 2017, certain limited partners of Holdings exchanged 1,472,197 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 1,472,197 shares of Class A common stock. In connection with the exchanges, APAM received 1,472,197 GP units of Holdings.

APAM's equity ownership interest in Holdings increased from 57% at December 31, 2016 to 67% at December 31, 2017, as a result of these transactions and other equity transactions during the period.

Tax Impact of IPO Reorganization

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") of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) the tax attributes of the preferred units APAM acquired in the merger of a wholly-owned subsidiary of the Pre-H&F Corp Merger Shareholder into APAM in March 2013, (ii) net operating losses available as a result of the merger and (iii) tax benefits related to imputed interest.

The second TRA generally provides for the payment by APAM to current or former limited partners of Holdings 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 us 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.

Tax Cuts and Jobs Act

As a result of the Tax Cuts and Jobs Act, deferred tax assets were re-measured in the December quarter of 2017 to reflect the reduced U.S. federal corporate tax rate. The lower tax rate reduced deferred tax assets by $352 million with a corresponding increase to the provision for income taxes. The reduction in deferred tax assets reduced the amounts payable under the tax receivable agreements by $290 million. The net impact of Tax Reform in the December quarter of 2017 was a $62 million reduction in net income.

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The change in the Company's deferred tax assets related to the tax rate change and the other tax benefits described above and the change in corresponding amounts payable under the TRAs for the year ended December 31, 2017 is summarized as follows:

	Deferred Tax Asset - Amortizable Basis	Amounts Payable Under Tax Receivable Agreements
	(in millions)	
December 31, 2016	$653.9	$ 586.2
2017 Follow-On Offering and Exchanges	141.6	120.3
Amortization	(42.9)	—
Payments under TRA	—	(30.2)
Tax Reform - change in federal corporate tax rate	(341.7)	(290.4)
Change in estimate	(0.2)	(0.5)
December 31, 2017	$410.7	$ 385.4

Financial Overview

Economic Environment

Global equity and debt market conditions can materially affect our financial performance. During the year ended December 31, 2017, market appreciation increased our assets under management by 24.8%. The following table presents the total returns of relevant market indices:

	For the Years Ended December 31,		
	2017	2016	2015
S&P 500 total returns	21.8%	12.0%	1.4%
MSCI All Country World total returns	24.0%	7.9%	(2.4)%
MSCI EAFE total returns	25.0%	1.0%	(0.8)%
Russell Midcap® total returns	18.5%	13.8%	(2.4)%
MSCI Emerging Markets Index	37.3%	11.2%	(14.9)%
ICE BofA Merrill Lynch U.S. High Yield Master II Total Return Index	7.5%	17.5%	(4.6)%

Key Performance Indicators

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

	For the Years Ended December 31,		
	2017	2016	2015
	(dollars in millions)		
Assets under management at period end	$115,494	$96,845	$99,848
Average assets under management[1]	$108,754	$96,281	$106,484
Net client cash flows	$(5,408)	$(4,824)	$(5,848)
Total revenues	$796	$721	$806
Weighted average fee[2]	73.1 bps	74.8 bps	75.6 bps

Operating Margin	36.0	%	32.5	%	35.1	%
Adjusted operating margin[3]	37.6	%	36.4	%	40.3	%

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

[2] We compute our weighted average fee by dividing annualized investment management fees by average assets under management for the applicable period.

[3] Adjusted measures are non-GAAP measures and are explained and reconciled to the comparable GAAP measures in "-Supplemental Non-GAAP Financial Information" below.

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The period-over-period changes in these metrics are discussed below. The decrease in the weighted average fee rate is primarily a result of the shift in the mix of our assets under management between our investment strategies and vehicles, primarily the increase in the proportion of total assets managed in separate accounts.

Management fees and assets under management within our consolidated investment products are excluded from the weighted average fee calculations and from total revenues, since any such revenues are eliminated upon consolidation. Assets under management within our privately offered strategies are included in the reported firm-wide, separate account, 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 or strategies 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 Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Beginning assets under management	$96,845	$99,848	$107,915
Gross client cash inflows	16,380	18,489	18,577
Gross client cash outflows	(21,788)	(23,313)	(24,425)
Net client cash flows	(5,408)	(4,824)	(5,848)
Market appreciation (depreciation) [1]	24,057	1,821	(2,219)
Ending assets under management	$115,494	$96,845	$99,848
Average assets under management	$108,754	$96,281	$106,484

[1] Includes the impact of translating the value of assets under management denominated in non-USD currencies into US dollars. The impact was immaterial for the periods presented.

Net client cash flows for the years ended December 31, 2017, 2016 and 2015 included net outflows of approximately $510 million, $294 million, and $616 million, respectively, from Artisan Funds annual income and capital gains distributions, net of reinvestments.

Across the firm, we experienced total net outflows of $5.4 billion during the year ended December 31, 2017. Our Non-U.S. Growth, Mid-Cap Growth, and Mid-Cap Value strategies experienced net outflows of $3.4 billion, $2.9 billion, and $1.0 billion, respectively. We expect these strategies will continue to experience net outflows. During the year ended December 31, 2017, our Global Opportunities, Developing World, and High Income strategies experienced net inflows of $1.4 billion, $0.8 billion, and $0.5 billion, respectively. We expect all three strategies to continue to experience net inflows.

We monitor the availability of attractive investment opportunities relative to the amount of assets we manage in each of our investment strategies. When appropriate, we will close a strategy to new investors or otherwise take action to slow or restrict its growth, even though our aggregate assets under management may be negatively impacted in the

short term. We may also re-open a strategy, widely or selectively, to fill available capacity or manage the diversification of our client base in that strategy. We believe that management of our investment capacity protects our ability to manage assets successfully, which protects the interests of our clients and, in the long term, protects our ability to retain client assets and maintain our profit margins.

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As of the date of this filing, our Non-U.S. Growth, Non-U.S. Small-Cap Growth, Non-U.S. Value, U.S. Mid-Cap Growth and U.S. Small-Cap Growth strategies are closed to most new investors and client relationships. Our Global Value and Global Opportunities strategies are open across pooled vehicles, but closed to most new separate account clients. We may selectively accept additional separate account clients in those strategies, but we are managing asset flows into those strategies with a bias towards assets from pooled vehicles.

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 at 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.

The table below sets forth the total assets under management for our investment teams and strategies as of December 31, 2017, the inception date for each investment composite, and 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 December 31, 2017. Returns for periods less than one year are not annualized. Performance information for Artisan sponsored privately offered strategies has been intentionally omitted.

We measure investment performance based upon the results of our “composites”, which represent the aggregate performance of all discretionary client accounts, including mutual funds, invested in the same strategy except those accounts with respect to which we believe client-imposed 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 12% of our assets under management at December 31, 2017, are maintained in separate composites the results of which are not included below.

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Investment Team and Strategy	Inception Date	Strategy AUM (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	$15,469	32.73%	15.18%	14.87%	10.46%	11.00%	579
MSCI All Country World Index			23.97%	9.29%	10.79%	4.65%	5.21%	
Global Discovery	9/1/2017	16	N/A	N/A	N/A	N/A	5.99%	(178)
MSCI All Country World Index			N/A	N/A	N/A	N/A	7.77%	
U.S. Mid-Cap Growth Strategy	4/1/1997	12,798	21.96%	8.14%	13.46%	9.95%	15.06%	453
Russell® Midcap Index			18.52%	9.57%	14.95%	9.10%	10.54%	
Russell® Midcap Growth Index			25.27%	10.29%	15.30%	9.09%	9.28%	
U.S. Small-Cap Growth Strategy	4/1/1995	2,345	28.38%	11.71%	15.15%	10.30%	10.56%	99
Russell® 2000 Index			14.65%	9.95%	14.11%	8.70%	9.56%	
Russell® 2000 Growth Index			22.17%	10.27%	15.20%	9.18%	7.98%	
Global Equity Team								
Global Equity Strategy	4/1/2010	1,439	33.31%	10.66%	13.20%	N/A	13.14%	406
MSCI All Country World Index			23.97%	9.29%	10.79%	N/A	9.08%	
Non-U.S. Growth Strategy	1/1/1996	27,101	32.55%	5.48%	8.57%	3.87%	10.54%	542
MSCI EAFE Index			25.03%	7.79%	7.89%	1.94%	5.12%	
Non-U.S. Small-Cap Growth Strategy	1/1/2002	695	35.54%	10.39%	9.67%	5.51%	13.87%	302
MSCI EAFE Small Cap Index			33.01%	14.19%	12.85%	5.77%	10.86%	
U.S. Value Team								
Value Equity Strategy	7/1/2005	2,269	16.99%	11.78%	13.41%	8.44%	9.00%	(5)
Russell® 1000 Index			21.69%	11.22%	15.70%	8.59%	9.05%	
Russell® 1000 Value Index			13.66%	8.64%	14.03%	7.10%	7.77%	
U.S. Mid-Cap Value Strategy	4/1/1999	6,496	13.69%	8.70%	12.64%	10.17%	13.51%	388
Russell® Midcap Index			18.52%	9.57%	14.95%	9.10%	9.63%	
Russell® Midcap Value Index			13.34%	8.99%	14.67%	9.09%	10.20%	
Global Value Team								
Global Value Strategy	7/1/2007	19,930	23.47%	10.49%	13.88%	10.45%	9.40%	482
MSCI All Country World Index			23.97%	9.29%	10.79%	4.65%	4.58%	
Non-U.S. Value Strategy	7/1/2002	21,757	25.34%	9.84%	12.14%	9.04%	13.03%	628

MSCI EAFE Index			25.03%	7.79%	7.89%	1.94%	6.74%	
Emerging Markets Team								
Emerging Markets Strategy	7/1/2006	282	41.19%	13.72%	6.83%	2.28%	6.89%	54
MSCI Emerging Markets Index			37.28%	9.09%	4.35%	1.68%	6.35%	
Credit Team								
High Income Strategy[2]	4/1/2014	2,517	9.90%	9.07%	N/A	N/A	7.90%	296
ICE BofAML US High Yield Master II Total Return Index			7.48%	6.38%	N/A	N/A	4.94%	
Developing World Team								
Developing World Strategy	7/1/2015	2,253	36.87%	N/A	N/A	N/A	13.24%	353
MSCI Emerging Markets Index			37.28%	N/A	N/A	N/A	9.71%	
Thematic Team								
Thematic Strategy	5/1/2017	32	N/A	N/A	N/A	N/A	29.81%	1,612
S&P 500 Index			N/A	N/A	N/A	N/A	13.7%	
Privately Offered Strategies[3]		95						
Total Assets Under Management		$115,494						

(1) Value-added is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed the broad-based market index most commonly used by our clients to compare the performance of the relevant strategy. Value-added for periods less than one year is not annualized.

(2) The Artisan High Income strategy may hold loans and other security types, including securities with lower credit ratings, that may not be included in the ICE BofA Merrill Lynch High Yield Master II Index. At times, this causes material differences in relative performance.

(3) Total Assets Under Management includes $37 million and $58 million of assets managed in privately offered strategies managed by the Credit Team and the Thematic Team, respectively. Performance information for these strategies has been intentionally omitted.

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

	By Investment Team							
Year Ended	Growth	Global Equity	U.S. Value	Global Value	Emerging Markets	Credit	Developing World	Thematic	Total
	(in millions)								
December 31, 2017									
Beginning assets under management	$25,714	$25,510	$8,588	$33,940	$ 228	$1,878	$ 987	$ —	$96,845
Gross client cash inflows	4,399	2,942	1,592	5,099	14	1,168	1,080	86	16,380
Gross client cash outflows	(6,153)	(6,818)	(2,517)	(5,321)	(53)	(672)	(253)	(1)	(21,788)
Net client cash flows	(1,754)	(3,876)	(925)	(222)	(39)	496	827	85	(5,408)
Market appreciation (depreciation)	6,668	7,601	1,102	7,969	93	180	439	5	24,057
Net transfers[1]	—	—	—	—	—	—	—	—	—
Ending assets under management	$30,628	$29,235	$8,765	$41,687	$ 282	$2,554	$ 2,253	$ 90	$115,494
Average assets under management[2]	$29,366	$28,060	$8,719	$38,383	$ 280	$2,294	$ 1,632	$ 28	$108,754
December 31, 2016									
Beginning assets under management	$24,929	$32,434	$10,369	$30,182	$ 571	$989	$ 374	$ —	$99,848
Gross client cash inflows	5,803	3,897	1,650	5,383	10	1,094	652	—	18,489
Gross client cash outflows	(5,353)	(7,885)	(5,264)	(3,878)	(401)	(424)	(108)	—	(23,313)
Net client cash flows	450	(3,988)	(3,614)	1,505	(391)	670	544	—	(4,824)
Market appreciation (depreciation)	335	(2,936)	1,833	2,253	48	219	69	—	1,821
Net transfers[1]	—	—	—	—	—	—	—	—	—
Ending assets under management	$25,714	$25,510	$8,588	$33,940	$ 228	$1,878	$ 987	$ —	96,845
Average assets under management	$24,535	$29,216	$8,733	$31,282	$ 293	$1,527	$ 694	$ —	96,281
December 31, 2015									
Beginning assets under management	$24,499	$31,452	$18,112	$32,481	$ 806	$565	$ —	$ —	$107,915
Gross client cash inflows	4,809	7,697	2,117	2,760	42	764	388	—	18,577
Gross client cash outflows	(5,294)	(5,630)	(8,574)	(4,379)	(205)	(335)	(8)	—	(24,425)
Net client cash flows	(485)	2,067	(6,457)	(1,619)	(163)	429	380	—	(5,848)
Market appreciation (depreciation)	915	(1,085)	(1,286)	(680)	(72)	(5)	(6)	—	(2,219)
Net transfers[1]	—	—	—	—	—	—	—	—	—
Ending assets under management	$24,929	$32,434	$10,369	$30,182	$ 571	$989	$ 374	$ —	$99,848
Average assets under management[3]	$25,204	$33,262	$14,511	$32,015	$ 641	$775	$ 153	$ —	106,484

[1]Net transfers represent certain amounts that we have identified as having been transferred out of one investment strategy or investment vehicle into another strategy or vehicle.

[2]For the Thematic team, average assets under management is for the period between April 24, 2017, when the Thematic strategy began investment operations, and December 31, 2017.

[3]For the Developing World team, average assets under management is for the period between June 29, 2015, when the team's investment strategy began operations, and December 31, 2015.

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

	As of December 31, 2017		As of December 31, 2016		As of December 31, 2015	
	$ in millions	% of total	$ in millions	% of total	$ in millions	% of total
Institutional	$76,176	66.0 %	$64,113	66.2 %	$64,352	64.5 %
Intermediary	34,172	29.6 %	27,925	28.8 %	30,161	30.2 %
Retail	5,146	4.4 %	4,807	5.0 %	5,335	5.3 %
Ending Assets Under Management[(1)]	$115,494	100.0%	$96,845	100.0%	$99,848	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 makes up approximately 14% of our total assets under management as of December 31, 2017.

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The following tables set forth the changes in our assets under management for Artisan Funds, Artisan Global Funds and separate accounts:

Year Ended	Artisan Funds & Artisan Global Funds	Separate Accounts[2]	Total
December 31, 2017	(in millions)		
Beginning assets under management	$49,367	$ 47,478	$96,845
Gross client cash inflows	12,448	3,932	16,380
Gross client cash outflows	(15,584)	(6,204)	(21,788)
Net client cash flows	(3,136)	(2,272)	(5,408)
Market appreciation (depreciation)	11,674	12,383	24,057
Net transfers[1]	(556)	556	—
Ending assets under management	$57,349	$ 58,145	$115,494
Average assets under management	$54,552	$ 54,225	$108,754
December 31, 2016			
Beginning assets under management	$53,526	$ 46,322	$99,848
Gross client cash inflows	13,101	5,388	18,489
Gross client cash outflows	(17,715)	(5,598)	(23,313)
Net client cash flows	(4,614)	(210)	(4,824)
Market appreciation (depreciation)	604	1,217	1,821
Net transfers[1]	(149)	149	—
Ending assets under management	$49,367	$ 47,478	$96,845
Average assets under management	$50,908	$ 45,373	$96,281
December 31, 2015			
Beginning assets under management	$60,257	$ 47,658	$107,915
Gross client cash inflows	13,942	4,635	18,577
Gross client cash outflows	(18,864)	(5,561)	(24,425)
Net client cash flows	(4,922)	(926)	(5,848)
Market appreciation (depreciation)	(1,494)	(725)	(2,219)
Net transfers[1]	(315)	315	—
Ending assets under management	$53,526	$ 46,322	$99,848
Average assets under management	$58,671	$ 47,813	106,484

[1]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.

[2]Separate account AUM consists of the assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds. Separate account AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in our own privately offered funds.

Artisan Funds and Artisan Global Funds

As of December 31, 2017, Artisan Funds comprised $53.7 billion, or 47%, of our assets under management. For the year ended December 31, 2017, fees from Artisan Funds represented $472.5 million, or 59%, of our revenues. Our contractual tiered fee rates for the series of Artisan Funds range from 0.625% to 1.25% of fund assets, depending on the strategy, the amount invested and other factors.

As of December 31, 2017, Artisan Global Funds comprised $3.6 billion, or 3%, of our assets under management. In UCITS funds, it is permissible and in some circumstances customary for a portion of the management fee to be rebated to investors with accounts of a certain type or asset size to encourage investment at an early stage or for other reasons or for a portion of the management fee to be paid to intermediaries for distribution services. We have entered into such rebate and distribution arrangements, and will continue to do so, in circumstances we consider appropriate. Our contractual fee rates for Artisan Global Funds range from 0.75% to 1.75% of assets under management. For the year ended December 31, 2017, fees from Artisan Global Funds represented $30.1 million, or 4%, of our revenues.

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The weighted average rate of fee paid by our Artisan Funds and Artisan Global Funds clients in the aggregate was 0.921%, 0.924%, and 0.926%, for the years ended December 31, 2017, 2016 and 2015, respectively.

Separate Accounts

Separate accounts comprised $58.1 billion, or 50%, of our assets under management as of December 31, 2017. For the year ended December 31, 2017, fees from separate accounts represented $293.0 million, or 37%, of our revenues. Separate account assets under management consist of the assets we manage in or through vehicles other than Artisan Funds or Artisan Global Funds, including assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in our own privately offered funds.

For traditional separate account clients, we generally impose standard fee schedules that vary by investment strategy and, through the application of standard breakpoints, reflect the size of the account and client relationship, with tiered rates of fee currently ranging from 0.40% of assets under management to 1.05% of assets under management. There are a number of exceptions to our standard fee schedules, including exceptions based on the nature of our relationship with the client and the value of the assets under our management in that relationship. In general, our effective rate of fee for a particular client relationship declines as the assets we manage for that client increase, which we believe is typical for the asset management industry.

The weighted average rate of fee paid by our separate account clients in the aggregate was 0.540%, 0.550%, and 0.547% for the years ended December 31, 2017, 2016 and 2015, respectively. Because, as is typical in the asset management industry, our rates of fee decline as the assets under our management in a relationship increase, and because of differences in our fees by investment strategy, a change in the composition of our assets under management, in particular a shift to strategies, clients or relationships with lower effective rates of fees, could have a material impact on our overall weighted average rate of fee. See “—Qualitative and Quantitative Disclosures Regarding Market Risk—Market Risk” for a sensitivity analysis that demonstrates the impact that certain changes in the composition of our assets under management could have on our revenues.

Revenues

Essentially all of our revenues consist of investment management fees earned from managing clients’ assets. Our investment management 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-based fees, the investment performance of those accounts relative to their designated benchmarks.

The different fee structures associated with Artisan Funds, Artisan Global Funds and separate accounts and the different fee schedules 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 our separate accounts, reflecting, among other things, the different 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 schedules than strategies with more limited capacity.

A small number of our separate account clients pay us fees according to the performance of their accounts relative to certain 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 an agreed-upon benchmark. Artisan sponsored privately offered funds also pay performance-based fees in the form of incentive allocations. Management fees and performance-based fees earned from consolidated investment products are eliminated from revenue upon consolidation.

The following table sets forth revenues we earned under our investment management agreements with Artisan Funds and Artisan Global Funds and on the separate accounts that we managed as well as average assets under management for the years ended December 31, 2017, 2016 and 2015:

	For the Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Revenues			
Management fees			
Artisan Funds & Artisan Global Funds	$502.6	$470.6	$543.3
Separate accounts	292.7	249.2	260.4
Performance fees	0.3	1.1	1.8
Total revenues	$795.6	$720.9	$805.5
Average assets under management for period	$108,754	$96,281	$106,484

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For the years ended December 31, 2017, 2016 and 2015, approximately 85%, 89% and 90%, respectively, of our investment management fees were earned from clients located in the United States.

Operating Expenses

Our operating expenses consist primarily of compensation and benefits, distribution and marketing, occupancy, communication and technology, and general and administrative.

Our expenses may fluctuate due to a number of factors, including the following:

- variations in the level of total compensation expense due to, among other things, incentive compensation, equity awards, changes in our employee count (including the addition of new investment teams) and product mix and competitive factors; and
- expenses, such as distribution fees, rent, professional service fees, technology and data-related costs, incurred, as necessary, to operate and grow our business.

A significant portion of our operating expenses are variable and fluctuate in direct relation to our assets under management and revenues. Even if we experience declining revenues, we expect to continue to make the expenditures necessary for us to manage our business. As a result, our profits may decline.

Compensation and Benefits

Compensation and benefits includes (i) salaries, incentive compensation and benefits costs, (ii) compensation expense related to post-IPO equity awards granted to employees and (iii) pre-offering related compensation, which consists of amortization expense on unvested Class B awards.

Incentive compensation is one of the most significant parts of the total compensation of our senior employees. The aggregate amount of cash incentive compensation paid to members of our investment teams and senior members of our marketing and client service teams is based on formulas that are tied directly to revenues. For each of our investment teams, incentive compensation generally represents 25% of the asset-based management fees generated by assets under management in the team's strategy or strategies. Incentive compensation paid to other employees is discretionary and subjectively determined based on individual performance and our overall results during the applicable year.

Certain compensation and benefits expenses are seasonal, such as employer funded retirement and health care contributions and payroll taxes. Historically these costs have added approximately $3 million to our costs in the first quarter of each calendar year.

We grant equity awards to our employees pursuant to the Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan. The awards consist of standard restricted awards that generally vest on a pro rata basis over 5 years and career awards that vest when both of the following conditions are met (1) pro-rata annual time vesting over 5 years and (2) qualifying retirement (as defined in the award agreements).

Compensation expense related to the equity awards is recognized based on the estimated grant date fair value, for only those awards that vest, on a straight-line basis over the requisite service period of the award. The initial requisite service period is generally five years for awards that have been granted to date.

Our board of directors approved the grant of 1,268,500 restricted share-based awards to certain of our employees during 2017 and 1,518,970 restricted share-based awards in February 2018. The grants consisted of both standard restricted awards and career awards, as described above.

Total compensation expense, which will be recognized on a straight-line basis over the requisite service period, is expected to be approximately $35.9 million and approximately $59.8 million, for the 2017 and February 2018 awards, respectively. Our first annual post-IPO equity grant, which was made in July 2013, will become fully vested in August 2018. Including the February 2018 grant, we expect the expense related to post-IPO equity compensation to be approximately $14 million, $15 million, $13 million, and $11 million in the March, June, September, and December quarters of 2018, respectively.

Since the IPO and including the February 2018 grant, our board of directors has approved the grant of 7,589,157 restricted share-based awards. The unrecognized non-cash compensation expense for these awards as of December 31, 2017 was $157 million. We expect to continue to make equity grants each year, though the form and structure of equity awards may change as we seek to maximize alignment between our employees and our clients, investors, partners, and shareholders. The actual size of the expense over time will depend primarily on the number of awards

granted and our stock price at the time the grants are made. The amount of equity granted will vary from year to year and will be influenced by our results and other factors. From time to time, we may make individual equity grants to people we hire.

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A significant portion of our historical compensation and benefits expense related to Holdings' Class B limited partnership interests. Prior to the IPO Reorganization, Class B limited partnership interests were granted to certain employees. The Class B limited partnership interests provided both an interest in future profits of Holdings as well as an interest in the overall value of Holdings. Class B limited partnership interests generally vested ratably over a five-year period from the date of grant. Holders of Class B limited partnership interests were entitled to fully participate in profits from and after the date of grant.

As part of the IPO Reorganization, Class B grant agreements were amended, which eliminated the cash redemption feature and resulted in equity award accounting since such modification. Compensation expense for these awards following the IPO Reorganization represents the amortization of the fair value of unvested awards on the date of the IPO Reorganization over the remaining vesting period. All Class B awards were fully vested and expensed as of July 1, 2017.

Distribution, Servicing and Marketing

Distribution, servicing and marketing expenses primarily represent payments we make to broker-dealers, financial advisors, defined contribution plan providers, mutual fund supermarkets and other intermediaries for selling, servicing and administering accounts invested in shares of Artisan Funds. Artisan Funds authorizes intermediaries to accept purchase, exchange, and redemption orders for shares of Artisan Funds on behalf of Artisan Funds. Many intermediaries charge a fee for those services. Artisan Funds pays a portion of such fees, which are intended to compensate the intermediary for its provision of services of the type that would be provided by Artisan Funds' transfer agent or other service providers if the shares were registered directly on the books of Artisan Funds' transfer agent. Like the investment management fees we earn as adviser to Artisan Funds, distribution fees typically vary with the value of the assets invested in shares of Artisan Funds. The allocation of such fees between us and Artisan Funds is determined by the board of Artisan Funds, based on information and a recommendation from us, with the goal of allocating to us all costs attributable to the marketing and distribution of shares of Artisan Funds. A significant portion of Artisan Funds' shares are held by investors through intermediaries to which we pay distribution, servicing and marketing expenses.

Total distribution fees will increase if we increase our assets under management sourced through intermediaries that charge these fees. The amount we pay to intermediaries for distribution and administrative services varies by share class. If assets transfer from the Investor share class to the Advisor or the Institutional share classes, the amount of fees we pay will decrease. In contrast to some mutual funds, investors in Artisan Funds pay no 12b-1 fees, which are fees charged to investors to pay for marketing, advertising and distribution services.

Occupancy

Occupancy expenses include operating leases for facilities, furniture and office equipment, miscellaneous facility related costs and depreciation expense associated with furniture purchases and leasehold improvements.

We expect three of our investment teams to relocate to new office space during 2018, which will increase occupancy expense by approximately $2 million per year. Additionally, we currently estimate that these relocations will result in approximately $4 million of one-time expenses in 2018.

Communication and technology

Communication and technology expenses include information and print subscriptions, telephone costs, information systems consulting fees, equipment and software maintenance expenses, operating leases for information technology equipment and depreciation and amortization expenses associated with computer hardware and software. Information and print subscriptions represent the costs we pay to obtain investment research and other data we need to operate our business, and such expenses generally increase or decrease in relative proportion to the number of our employees and the overall size and scale of our business operations. We expect to continue our measured investments in technology to support our investment teams, distribution efforts, and scalable operations.

On behalf of our mutual fund and separate account clients, we make decisions to buy and sell securities for each portfolio, select broker-dealers to execute trades and negotiate brokerage commission rates. In connection with these transactions, we may receive research products and services from broker-dealers in exchange for the business we conduct with such firms. Some of those research products and services could be acquired for cash and our receipt of those products and services through the use of client commissions, or soft dollars, reduces cash expenses we would

otherwise incur. Our operating expenses will increase to the extent that we decide to bear a portion or all of the costs of research directly, rather than relying on the use of soft dollars. We believe that all research products and services we acquire through soft dollars are within the safe harbor provided by Section 28(e) of the Exchange Act.

In addition to our other communication and technology expenses, we expect to incur approximately $4 million of additional costs in 2018 relating to risk management, regulatory initiatives, and a new client reporting system.

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General and Administrative

General and administrative expenses include professional fees, travel and entertainment, state and local taxes, directors' and officers' liability insurance, director fees, and other miscellaneous expenses we incur in operating our business.

Non-Operating Income (Loss)

Interest Expense

Interest expense primarily relates to the interest we pay on our debt. In August 2012, we issued $200 million in fixed interest rate senior unsecured notes and entered into a $100 million five-year revolving credit agreement. The proceeds were used to repay the entire outstanding principal of an existing term loan. In August 2017, we issued $60 million of Series D notes and used the proceeds to repay the $60 million Series A senior notes that matured on August 16, 2017. We also amended and extended the $100 million revolving credit facility for an additional five-year period. The revolving credit facility has been undrawn since our March 2013 IPO. For a description of the terms of the notes and our revolving credit facility, see "—Liquidity and Capital Resources". Interest expense also includes interest on TRA payments, which is incurred between the due date (without extension) for our federal income tax return and the date on which we make TRA payments.

Net Investment Gain (Loss) of Consolidated Investment Products

Net investment gain (loss) of consolidated investment products represents the realized and unrealized investment gains (losses) related to investment products that are included in our consolidated financial statements because Artisan holds a controlling financial interest in the respective investment entities.

Net Investment Income and Other

Net investment income and other items included in total non-operating income (loss) relate to income earned on excess cash balances, dividends earned on available-for-sale securities, and gains or losses we recognize upon the sale of available-for-sale securities.

Net Gain (Loss) on the Tax Receivable Agreements

Non-operating income (loss) also includes gains or losses related to the changes in our estimate of the payment obligation under the tax receivable agreements, including the impact of Tax Reform. The effect of changes in our estimate of amounts payable under the tax receivable agreements, including the effect of changes in enacted tax rates and in applicable tax laws, is included in net income.

Net Income (Loss) Attributable to Noncontrolling Interests

Net Income (Loss) Attributable to Noncontrolling Interests-Holdings

Net income (loss) attributable to noncontrolling interests-Holdings represents the portion of earnings or loss attributable to the ownership interest in Artisan Partners Holdings held by the limited partners of Artisan Partners Holdings.

Net Income (Loss) Attributable to Noncontrolling Interests - Consolidated Investment Products

Net income (loss) attributable to noncontrolling interests - consolidated investment products represents the portion of earnings or loss attributable to third-party investors' ownership interest in consolidated investment products.

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. Our effective income tax rate is dependent on many factors, including a rate benefit attributable to the fact that a portion of Holdings' taxable earnings are not subject to corporate level taxes. 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. This favorable impact is partially offset by the impact of certain permanent items, including pre-IPO share-based compensation expenses, that are not deductible for tax purposes. These factors are expected to continue to impact the effective tax rate for future years, although pre-IPO share based compensation awards became fully vested on July 1, 2017 and therefore the related impact to the effective tax rate will no longer exist after July 1, 2017.

In addition, 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.

Beginning in 2016, the effective tax rate is also affected by the discrete tax impact of dividends on unvested share-based awards and vesting of restricted share-based awards; however, those items did not have a significant impact on our effective tax rate for the years ended December 31, 2017 and 2016.

As discussed above, the change in enacted U.S. federal corporate tax rates as a result of Tax Reform resulted in a discrete income tax expense, which significantly increased our effective tax rate for the year ended December 31, 2017.

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Results of Operations

Year Ended December 31, 2017, Compared to Year Ended December 31, 2016

	For the Years Ended December 31,		Period-to-Period	
	2017	2016	$	%
Statements of operations data:	(in millions, except share and per-share data)			
Revenues	$795.6	$ 720.9	$74.7	10 %
Operating Expenses				
Total compensation and benefits	402.9	383.9	19.0	5 %
Other operating expenses	106.3	102.8	3.5	3 %
Total operating expenses	509.2	486.7	22.5	5 %
Total operating income	286.4	234.2	52.2	22 %
Non-operating income (loss)				
Interest expense	(11.4)	(11.7)	0.3	3 %
Other non-operating income (loss)	296.2	2.0	294.2	14,710 %
Total non-operating income (loss)	284.8	(9.7)	294.5	3,036 %
Income before income taxes	571.2	224.5	346.7	154 %
Provision for income taxes	420.5	51.5	369.0	717 %
Net income before noncontrolling interests	150.7	173.0	(22.3)	(13)%
Less: Noncontrolling interests - Artisan Partners Holdings	99.0	100.0	(1.0)	(1)%
Less: Noncontrolling interests - consolidated investment products	2.1	—	2.1	100 %
Net income attributable to Artisan Partners Asset Management Inc.	$49.6	$ 73.0	$(23.4)	(32)%
Per Share Data				
Basic and diluted earnings per share	$0.75	$ 1.57		
Basic and diluted weighted average number of common shares outstanding	44,647,318	38,137,810		

Revenues

The increase in revenues of $74.7 million, or 10%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven primarily by a $12.5 billion, or 13%, increase in our average assets under management, partially offset by a decline in the weighted average investment management fee. The weighted average investment management fee of 73.1 basis points for the year ended December 31, 2017 decreased from 74.8 basis points for the year ended December 31, 2016 primarily due to the increase in the proportion of total assets managed in separate accounts.

The following table sets forth the weighted average fee and composition of revenue and assets under management by investment vehicle:

	Separate Accounts		Artisan Funds and Artisan Global Funds	
For the Years Ended December 31,	2017	2016	2017	2016
	(dollars in millions)			
Investment management fees	$293.0	$250.3	$502.6	$470.6
Weighted average fee	54.0 basis points	55.0 basis points	92.1 basis points	92.4 basis points
Percentage of ending AUM	50 %	49 %	50 %	51 %

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Operating Expenses

The increase in total operating expenses of $22.5 million, or 5%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, was primarily a result of higher compensation expense due to increased revenues, additional post-IPO equity grants, and an increase in the number of employees, including costs incurred related to our eighth investment team founded in the fourth quarter of 2016. These increases were partially offset by decreases in third-party intermediary and pre-offering related equity compensation expenses.

Compensation and Benefits

	For the Years Ended December 31,		Period-to-Period	
	2017	2016	$	%
	(in millions)			
Salaries, incentive compensation and benefits [1]	$341.1	$312.6	$ 28.5	9 %
Restricted share-based award compensation expense	49.1	43.2	5.9	14 %
Total salaries, incentive compensation and benefits	390.2	355.8	34.4	10 %
Pre-offering related compensation - share-based awards	12.7	28.1	(15.4)	(55)%
Total compensation and benefits	$402.9	$383.9	$ 19.0	5 %

[1] Excluding restricted share-based award compensation expense

The increase in salaries, incentive compensation and benefits was driven primarily by a $21.5 million increase in incentive compensation paid to our investment and marketing professionals as a result of the increase in revenue. The remaining increase is primarily due to costs associated with an increase in the number of employees, including employees on our eighth investment team.

Restricted share-based award compensation expense increased $5.9 million primarily as a result of our January 2017 grant of 1,267,250 restricted stock awards and 1,250 restricted stock units of Class A common stock to certain of our employees.

Pre-offering related compensation expense, which consists of the amortization expense on pre-offering Class B awards, decreased $15.4 million, as the remaining awards became fully vested during 2017. As of July 1, 2017, all Class B awards were fully vested.

Total salaries, incentive compensation and benefits was 49% of our revenues for the years ended December 31, 2017 and 2016.

Other operating expenses

Other operating expenses increased $3.5 million for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to a $3.1 million increase in general and administrative expenses, and a $1.9 million increase in communication and technology expense as a result of increased information subscriptions and market data costs.

The increases were partially offset by a $2.9 million decrease in distribution, servicing and marketing expenses as a result of a decrease in third-party intermediary expenses due to lower assets under management sourced through third-party intermediaries (across all channels) that charge a fee for administrative and distribution services, a portion of which is borne by Artisan.

Non-Operating Income (Loss)

Non-operating income (loss) for the year ended December 31, 2017 includes $290.9 million of income relating to changes in the estimate of the payment obligation under the tax receivable agreements, including changes relating to Tax Reform, compared to $0.7 million of income for year ended December 31, 2016. The effect of changes in that estimate after the date of an exchange or sale is included in net income.

Non-operating income (loss) for the year ended December 31, 2017 also includes $4.2 million of income related to investments gains of consolidated investment products.

Provision for Income Taxes

APAM's effective income tax rate for the years ended December 31, 2017 and 2016 was 73.6% and 22.9%, respectively. The rate increase was primarily due to Tax Reform as the tax rate used to measure our deferred tax assets decreased from 37.0% to 23.5%, which resulted in a reduction to our deferred tax assets of $352 million with a corresponding increase to the provision for income taxes for the year ended December 31, 2017. The increase in APAM's equity ownership in Holdings also increased the effective income tax rate. For the year ended December 31, 2017, approximately 38% of Holdings' earnings were not subject to corporate-level taxes compared to approximately 47% for the year ended December 31, 2016.

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Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the year ended December 31, 2017, compared to the year ended December 31, 2016, as a result of stock offerings, unit exchanges, and equity award grants. See Note 12, “Earnings Per Share” in the Notes to the Consolidated Financial Statements in Item 8 of this report for further discussion of earnings per share.

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

	For the Years Ended December 31,		For the Period-to-Period	
	2016	2015	$	%
Statements of operations data:	(in millions, except share and per-share data)			
Revenues	$720.9	$ 805.5	$(84.6)	(11)%
Operating Expenses				
Total compensation and benefits	383.9	414.3	(30.4)	(7)%
Other operating expenses	102.8	108.8	(6.0)	(6)%
Total operating expenses	486.7	523.1	(36.4)	(7)%
Total operating income	234.2	282.4	(48.2)	(17)%
Non-operating income (loss)				
Interest expense	(11.7)	(11.7)	—	— %
Other non-operating income (loss)	2.0	(11.8)	13.8	117 %
Total non-operating income (loss)	(9.7)	(23.5)	13.8	59 %
Income before income taxes	224.5	258.9	(34.4)	(13)%
Provision for income taxes	51.5	46.8	4.7	10 %
Net income before noncontrolling interests	173.0	212.1	(39.1)	(18)%
Less: Noncontrolling interests - Artisan Partners Holdings	100.0	130.3	(30.3)	(23)%
Net income attributable to Artisan Partners Asset Management Inc.	$73.0	$ 81.8	$(8.8)	(11)%
Per Share Data				
Basic and diluted earnings per share	$1.57	$ 1.86		
Basic and diluted weighted average number of common shares outstanding	38,137,813	35,448,550		

Revenues

The decrease in revenues of $84.6 million, or 11%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven primarily by a $10.2 billion or, 10% decrease in our average assets under management, and a decrease in our weighted average investment management fee from 75.6 basis points for the year ended December 31, 2015 to 74.8 basis points for the year ended December 31, 2016. The decrease in the weighted average fee rate is primarily the result of a shift in the mix of our assets under management between our investment strategies and vehicles, mainly an increase in the proportion of our total assets managed through separate accounts.

The following table sets forth the weighted average fee and composition of revenue and assets under management by investment vehicle:

	Separate Accounts		Artisan Funds and Artisan Global Funds	
For the Years Ended December 31,	2016	2015	2016	2015
	(dollars in millions)			
Investment management fees	$250.3	$262.2	$470.6	$543.3
Weighted average fee	55.0 basis points	54.7 basis points	92.4 basis points	92.6 basis points
Percentage of ending AUM	49 %	46 %	51 %	54 %

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Operating Expenses

The decrease in total operating expenses of $36.4 million, or 7%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, was primarily a result of lower incentive compensation and third-party distribution expenses in 2016, which fluctuate with revenue, and a decrease in pre-offering related equity compensation expense. We incurred approximately $3.5 million of operating expenses in 2016 related to the establishment of the Thematic team and the addition of a Chief Operating Officer of Investments.

Compensation and Benefits

	For the Years Ended December 31,		Period-to-Period	
	2016	2015	$	%
	(in millions)			
Salaries, incentive compensation and benefits [1]	$312.6	$335.7	$(23.1)	(7)%
Restricted share-based award compensation expense	43.2	36.5	6.7	18 %
Total salaries, incentive compensation and benefits	355.8	372.2	(16.4)	(4)%
Pre-offering related compensation - share-based awards	28.1	42.1	(14.0)	(33)%
Total compensation and benefits	$383.9	$414.3	$(30.4)	(7)%

[1] Excluding restricted share-based award compensation expense

The decrease in salaries, incentive compensation and benefits was driven primarily by a $23.9 million decrease in incentive compensation paid to our investment and marketing professionals as a result of lower investment management fee revenue and $6.0 million of start-up costs related to the Developing World team incurred in 2015. The decreases were partially offset by increased costs related to an increase in the number of employees, including those on the Thematic team and the addition of a Chief Operating Officer of Investments, as described above.

The $6.7 million increase in restricted share-based compensation expense resulted primarily from grants of awards in 2016 and 2015.

Pre-offering related compensation expense, which consists of the amortization expense on pre-offering Class B awards decreased $14.0 million, as certain awards became fully vested during 2016 and 2015.

Total salaries, incentive compensation and benefits was 49% and 46% of our revenues for the years ended December 31, 2016 and 2015, respectively.

Other operating expenses

Other operating expenses decreased $6.0 million for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to a $10.7 million reduction in distribution expenses. Distribution expenses decreased as a result of a decrease in our assets under management sourced from third-party intermediaries and the launch of the Advisor Share class for certain series of Artisan Funds. The amount we and Artisan Funds pay to intermediaries for distribution and administrative services with respect to Advisor Shares is less than the amount paid with respect to Investor Shares. The transfer of assets from Investor Shares to Advisor Shares reduced our intermediary fees by approximately $2.9 million for the year ended December 31, 2016, as compared to the year ended December 31, 2015.

Other operating expenses includes a $6.7 million increase in communication and technology expenses as a result of an increase in information subscriptions and consulting expense related to firm initiatives.

Non-Operating Income (Loss)

Non-operating income (loss) for the year ended December 31, 2016 includes $0.7 million of income resulting from changes in the estimate of the payment obligation under the tax receivable agreements, compared to $12.2 million of expense for the year ended December 31, 2015. The effect of changes in that estimate after the date of an exchange or sale is included in net income. Similarly, the effect on the estimate of changes in enacted tax rates and in applicable tax laws are included in net income.

Provision for Income Taxes

APAM's effective income tax rate for the years ended December 31, 2016 and 2015 was 22.9% and 18.1%, respectively. The rate increase was partially due to an increase in APAM's equity ownership in Holdings. For the year

ended December 31, 2016, approximately 47% of Holdings' earnings were not subject to corporate-level taxes compared to approximately 50% for the year ended December 31, 2015. The rate increase was also due to the fact that the tax provision for the year ended December 31, 2015 included a discrete tax benefit of $8.3 million related to changes in estimates associated with our deferred tax assets.

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Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the year ended December 31, 2016, as a result of unit exchanges, and equity award grants. See Note 12, “Earnings Per Share” in the Notes to the Consolidated Financial Statements in Item 8 of this report 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 and operating 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) pre-offering related compensation, (2) net gain (loss) on the tax receivable agreements (if any), (3) net investment gain (loss) of consolidated investment products, and (4) the adjustment to deferred taxes as a result of Tax Reform. These adjustments also remove the non-operational complexities of our structure by adding back non-controlling 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) pre-offering related compensation, (2) net gain (loss) on the tax receivable agreements (if any), (3) net investment gain (loss) of consolidated investment products, and (4) the adjustment to deferred taxes as a result of Tax Reform. 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 assumed federal, state, and local income taxes. The estimated adjusted effective tax rate was 37.0% for the periods presented. We estimate our adjusted effective tax rate will be 23.5% in 2018 as a result of Tax Reform.
- 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 pre-offering related compensation.
- 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.

Pre-offering related compensation includes the amortization of unvested Class B common units of Artisan Partners Holdings that were granted before and were unvested at our IPO, which closed on March 12, 2013. As of July 1, 2017, all Class B common units of Artisan Partners Holdings were fully vested and expensed.

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.

Net investment gain (loss) of consolidated investment products represents the investment income (loss) related to investment products that are included in the Company’s consolidated financial statements because Artisan holds a controlling financial interest in the respective investment entities. The investment income (loss), including the Company’s proportionate share, is removed from the adjusted measures to provide greater transparency of the underlying operations of the business.

The adjustment to deferred taxes as a result of Tax Reform represents the non-cash increase in the provision for income taxes resulting from the change in federal corporate tax rates enacted during the December quarter of 2017.

The tax rate used to measure deferred tax assets decreased from 37.0% to 23.5%, which resulted in a reduction to deferred tax assets of $352 million with a corresponding increase to the provision for income taxes. The reduction in certain deferred tax assets also resulted in a $290 million decrease in the amounts payable under the tax receivable agreements, which resulted in a corresponding increase to non-operating income.

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

	For the Years Ended December 31,		
	2017	2016	2015
	(in millions, except per share data)		
Reconciliation of non-GAAP financial measures:			
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	$49.6	$73.0	$81.8
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	99.0	100.0	130.3
Add back: Provision for income taxes	420.5	51.5	46.8
Add back: Pre-offering related compensation - share-based awards	12.7	28.1	42.1
Add back: Net (gain) loss on the tax receivable agreements	(290.9)	(0.7)	12.2
Add back: Net investment (gain) loss of consolidated investment products attributable to APAM	(1.9)	—	—
Less: Adjusted provision for income taxes	106.9	93.2	115.9
Adjusted net income (Non-GAAP)	$182.1	$158.7	$197.3
Average shares outstanding			
Class A common shares	44.6	38.1	35.4
Assumed vesting or exchange of:			
Unvested Class A restricted share-based awards	4.2	3.6	3.1
Artisan Partners Holdings units outstanding (noncontrolling interest)	26.8	32.8	35.0
Adjusted shares	75.6	74.5	73.5
Basic and diluted earnings per share (GAAP)	$0.75	$1.57	$1.86
Adjusted net income per adjusted share (Non-GAAP)	$2.41	$2.13	$2.69
Operating income (GAAP)	$286.4	$234.2	$282.4
Add back: Pre-offering related compensation - share-based awards	12.7	28.1	42.1
Adjusted operating income (Non-GAAP)	$299.1	$262.3	$324.5
Operating margin (GAAP)	36.0 %	32.5 %	35.1 %
Adjusted operating margin (Non-GAAP)	37.6 %	36.4 %	40.3 %
Net income attributable to Artisan Partners Asset Management Inc. (GAAP)	$49.6	$73.0	$81.8
Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings	99.0	100.0	130.3
Add back: Pre-offering related compensation - share-based awards	12.7	28.1	42.1
Add back: Net (gain) loss on the tax receivable agreements	(290.9)	(0.7)	12.2
Add back: Net investment (gain) loss of consolidated investment products attributable to APAM	(1.9)	—	—
Add back: Interest expense	11.4	11.7	11.7
Add back: Provision for income taxes	420.5	51.5	46.8
Add back: Depreciation and amortization	5.3	5.2	4.5
Adjusted EBITDA (Non-GAAP)	$305.7	$268.8	$329.4

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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 management fees and incentive allocations 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 December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
	(in millions)	
Cash and cash equivalents	$137.3	$ 156.8
Accounts receivable	$76.7	$ 59.7
Seed investments[(1)]	$40.3	$ 6.3
Undrawn commitment on revolving credit facility	$100.0	$ 100.0

(1) Seed investments includes available-for-sale investments in unconsolidated sponsored investment entities, as well as Artisan's direct equity investments in consolidated investment products.

We manage our cash balances in order to fund our day-to-day operations. Accounts receivable primarily represent investment management 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 December 31, 2017, none of our receivables were considered uncollectable. We also maintain a $100 million revolving credit facility, which was unused as of and for the year ended December 31, 2017.

We utilize capital to make seed investments in Artisan-sponsored funds to support the development of new strategies. As of December 31, 2017, the balance of all seed investments, including investments in consolidated investment products, was $40.3 million. The seed investments are generally redeemable at our discretion.

In August 2012, we issued $200 million in unsecured notes and entered into a $100 million five-year revolving credit facility. The notes were comprised of three series, Series A, Series B, and Series C, each with a balloon payment at maturity.

In August 2017, we issued $60 million of Series D notes and used the proceeds to repay the $60 million Series A senior notes that matured on August 16, 2017. We also amended and extended the $100 million revolving credit facility for an additional five-year period. The $100 million revolving credit facility was unused as of and for the year ended December 31, 2017.

In September 2017, we amended the 2012 Note Purchase Agreement with respect to the Series B and Series C notes that remain outstanding. Among other things, the amendment conformed certain terms and conditions applicable to the Series B and Series C notes to those applicable to the Series D notes. 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. Holdings maintained an investment grade rating for the year ended December 31, 2017.

These borrowings contain certain customary covenants including limitations on Artisan Partners Holdings' ability to: (i) incur additional indebtedness or liens, (ii) engage in mergers or other fundamental changes, (iii) sell or otherwise dispose of assets including equity interests, and (iv) make dividend payments or other distributions to Artisan Partners Holdings' partners (other than, among others, tax distributions paid to partners for the purpose of funding tax liabilities attributable to their interests) when a default occurred and is continuing or would result from such a distribution. In addition, in the event of a Change of Control (as defined in the Note Purchase Agreement) or if Artisan's average assets under management for a fiscal quarter is below $45 billion, Holdings is generally required to offer to pre-pay the notes. Artisan Partners Limited Partnership, a wholly-owned subsidiary of Holdings, has guaranteed Holdings'

obligations under the terms of the Note Purchase Agreement.

In addition, covenants in the note purchase and revolving credit agreements require Artisan Partners Holdings to maintain the following financial ratios:

- leverage ratio (calculated as the ratio of consolidated total indebtedness on any date to consolidated EBITDA for the period of four consecutive fiscal quarters ended on or prior to such date) cannot exceed 3.00 to 1.00 (Artisan Partners Holdings' leverage ratio for the year ended December 31, 2017 was 0.6 to 1.00); and
- interest coverage ratio (calculated as the ratio of consolidated EBITDA for any period of four consecutive fiscal quarters to consolidated interest expense for such period) cannot be less than 4.00 to 1.00 for such period (Artisan Partners Holdings' interest coverage ratio for the year ended December 31, 2017 was 32.9 to 1.00).

Our failure to comply with any of the covenants or restrictions described above 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 December 31, 2017.

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Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM, for the years ended December 31, 2017 and 2016 were as follows:

	For the Years Ended December 31,	
	2017	2016
	(in millions)	
Holdings Partnership Distributions to Limited Partners	$115.8	$133.9
Holdings Partnership Distributions to APAM	$197.1	$160.5
Total Holdings Partnership Distributions	$312.9	$294.4

On February 1, 2018, we, acting as the general partner of Artisan Partners Holdings, declared a distribution of $68.3 million payable by Artisan Partners Holdings on February 21, 2018 to holders of its partnership units, including APAM, of record on February 14, 2018.

APAM declared and paid the following dividends per share during the years ended December 31, 2017 and 2016:

Type of Dividend	Class of Stock	For the Years Ended December 31,	
		2017	2016
Quarterly	Common Class A	$2.40	$2.40
Special Annual	Common Class A	$0.36	$0.40

On February 1, 2018, our board declared a quarterly dividend of $0.60 per share of Class A common stock and a special annual dividend of $0.79 per share of Class A common stock, both payable on February 28, 2018 to shareholders of record as of February 14, 2018. We have historically distributed the majority of the cash we generate in the form of regular and special annual dividends. The $3.19 of quarterly and special annual dividends declared with respect to 2017, represents the adjusted earnings per share of $2.41, adding back non-cash expenses and deferred taxes, plus approximately $0.25 of cash retained from prior year earnings and tax savings realized in 2017 after payments under our tax receivable agreements.

Subject to board approval each quarter, we currently expect to pay a quarterly dividend of $0.60 per share of Class A common stock. After the end of the year, our board will consider paying a special dividend that will take into consideration our annual adjusted earnings, business conditions and the amount of cash we want to retain at that time. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy or at all. We expect that our management and board will consider changes to our dividend policy during the course of 2018, including consideration of a variable quarterly dividend.

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 $385.4 million liability as of December 31, 2017. 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. As previously discussed, the TRA liability was reduced as a result of Tax Reform enacted in December 2017. Future increases or decreases in 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.

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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 year ended December 31, 2017, payments of $30.3 million, including interest, were made in accordance with the TRA agreements. We expect to make payments of approximately $36 million in 2018 related to the TRAs.

Cash Flows

	For the Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Cash as of January 1	$156.8	$166.2	$182.3
Net cash provided by operating activities	204.1	270.4	321.2
Net cash used in investing activities	(4.7)	(2.1)	(11.3)
Net cash used in financing activities	(218.9)	(277.7)	(326.0)
Cash as of December 31,	$137.3	$156.8	$166.2

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net cash provided by operating activities decreased $66.3 million during the year ended December 31, 2017 primarily due to $92.5 million of net operating cash used by consolidated investment products, partially offset by increased revenues and operating income resulting from an increase in average assets under management. For the year ended December 31, 2017 compared to the year ended December 31, 2016, our operating income, excluding share-based and pre-offering related compensation expenses, increased $42.8 million. Timing differences in working capital accounts reduced operating cash flows by $14.5 million in 2017, compared to 2016.

Investing activities consist primarily of acquiring and selling property and equipment, leasehold improvements and the purchase and sale of available-for-sale securities. Net cash used in investing activities increased $2.6 million during the year ended December 31, 2017 primarily due to a $3.8 million decrease in net proceeds from the sale of investment securities, partially offset by a $1.4 million decrease in acquisition of property and equipment and leasehold improvements.

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 by financing activities decreased $58.8 million during the year ended December 31, 2017 primarily due to $60.5 million of net subscriptions in consolidated investment products. Distributions to limited partners decreased $18.1 million and dividends paid increased $15.6 million due to the increase in APAM's equity ownership interest in Holdings during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net cash provided by operating activities decreased $50.8 million for the year ended December 31, 2016 primarily due to decreased revenues and operating income resulting from the decrease in average assets under management. For the year ended December 31, 2016, compared to the year ended December 31, 2015, our operating income, excluding share-based and pre-offering related compensation expenses, decreased $55.5 million.

Net cash used in investing activities decreased $9.2 million for the year ended December 31, 2016 primarily due to a $9.0 million decrease in net purchases of investment securities.

Net cash used by financing activities decreased $48.3 million for the year ended December 31, 2016 due to a $48.3 million decrease in distributions to limited partners and an $8.6 million decrease in dividends paid, partially offset by a $7.6 million increase in payments under the tax receivable agreements.

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Certain Contractual Obligations

The following table sets forth our contractual obligations under certain contracts as of December 31, 2017.

	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
	(in millions)				
Principal payments on borrowings	$200.0	$ —	$ 50.0	$ 90.0	$60.0
TRAs [1]	385.4	—	—	—	—
Interest payable	52.9	10.7	18.6	15.9	7.7
Lease obligations	77.0	11.4	20.3	18.6	26.7
Total Contractual Obligations	$715.3	$ 22.1	$ 88.9	$ 124.5	$94.4

(1) The estimated payments under the TRAs as of December 31, 2017 are described above under “Liquidity and Capital Resources”. However, 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 the exchanges or sales. The actual amount and timing of payments associated with our existing payable under our tax receivable agreements 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. We expect to pay approximately $36 million in 2018 related to the TRAs.

Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity or capital resources.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements were prepared in accordance with GAAP, and related rules and regulations of the SEC. The preparation of financial statements in conformity with GAAP requires management to make estimates or assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates or assumptions and may have a material effect on the consolidated financial statements. Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial condition. Management believes that the critical accounting policies and estimates discussed below involve additional management judgment due to the sensitivity of the methods and assumptions used.

Consolidation

We consolidate all subsidiaries or other entities in which we have a controlling financial interest. We assess each legal entity in which we hold a variable interest on a quarterly basis to determine whether consolidation is appropriate. We determine whether we have a controlling financial interest in the entity by evaluating whether the entity is a voting interest entity (“VOE”) or a variable interest entity (“VIE”) under GAAP. Assessing whether an entity is a VIE or VOE and if it requires consolidation involves judgment and analysis. Factors considered in this assessment include the legal organization of the entity, our equity ownership and contractual involvement with the entity and any related party or de facto agent implications of our involvement with the entity.

Voting Interest Entities-A VOE is an entity in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity’s economic performance, whereby the equity investment has all the characteristics of a controlling financial interest. As a result, voting rights are a key driver of determining which party, if any, should consolidate the entity.

Under the VOE model, controlling financial interest is generally defined as a majority ownership of voting interests. Variable Interest Entities-A VIE is an entity that lacks one or more of the characteristics of a VOE. In accordance with GAAP, an enterprise must consolidate all VIEs of which it is the primary beneficiary. We determine if a legal entity meets the definition of a VIE by considering whether the fund's equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the fund's at-risk equity holders absorb any losses, have the right to receive residual returns and have the right to direct the activities of the entity most responsible for the entity's economic performance.

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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. We will generally consolidate VIEs in which we meet the power criteria and hold an equity ownership interest of greater than 10%.

We serve as the investment adviser for Artisan Funds, a family of mutual funds registered with the SEC under the Investment Company Act of 1940, and investment manager of Artisan Global Funds, a family of Ireland-based UCITS. 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 the right 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, Artisan Global Funds is evaluated for consolidation under the VIE model. Artisan sponsored privately offered funds are also evaluated for consolidation under the VIE model because third-party equity holders of the funds lack the ability to remove Artisan as the general partner, or otherwise divest Artisan of its control of the funds.

Seed Investments - We generally make seed investments in sponsored investment portfolios at the portfolio's formation. If the seed investment results in a controlling financial interest, we will consolidate the investment, and the underlying individual securities will be accounted for as trading securities. If the seed investment results in significant influence, but not control, the investment will be accounted for as an equity method investment. Significant influence is generally considered to exist with equity ownership levels between 20% and 50%, although other factors are considered. Seed investments in which we do not have a controlling financial interest or significant influence are classified as available-for-sale investments. These investments are measured at fair value in the Consolidated Statement of Financial Condition. Unrealized gains and losses for available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized. Realized gains are recognized in non-operating income (loss). As of December 31, 2017, all of our unconsolidated seed investments were accounted for as available-for-sale securities. Effective January 1, 2018, unrealized gains (losses) on all of our seed investments will be recognized through net income.

Revenue Recognition

Investment management fees are generally computed as a percentage of assets under management and recognized as services are rendered. Fees for providing investment management services are computed and billed in accordance with the provisions of the applicable investment management agreements, generally on a monthly or quarterly basis. Investment management fees are presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

The investment management agreements for a small number of accounts provide for performance-based fees or incentive allocations. Performance-based fees and incentive allocations, if earned, are recognized upon completion of the contractually determined measurement period, which is generally quarterly or annually. Performance fees and incentive allocations generally are not subject to clawback as a result of performance declines subsequent to the most recent measurement date.

The investment management fees that we receive are calculated based on the values of the securities held in the accounts that we manage for our clients. For our U.S.-registered mutual fund clients and UCITS, including Artisan Funds and Artisan Global Funds, and for our own sponsored private funds, our fees are based on the values of the funds' assets as determined for purposes of calculating their net asset values.

Securities held by U.S.-registered mutual funds, including Artisan Funds, are generally valued at closing market prices, or if closing market prices are not readily available or are not considered reliable, at a fair value determined under procedures established by the fund's board (fair value pricing). A U.S.-registered mutual fund typically considers a closing market price not to be readily available, and therefore uses fair value pricing, if, among other things, the value of the security might have been materially affected by events occurring after the close of the market in which the security was principally traded but before the time for determination of the fund's net asset value. A subsequent event might be a company-specific development, a development affecting an entire market or region, or a development that might be expected to have global implications. A significant change in securities prices in U.S.

markets may be deemed to be such a subsequent event with respect to non-U.S. securities.

Values of securities determined using fair value pricing are likely to be different than they would be if only closing market prices were used. As a result, over short periods of time, the revenues we generate from U.S.-registered mutual funds, including Artisan Funds, may be different than they would be if only closing prices were used in valuing portfolio securities. Over longer time periods, the differences in our fees resulting from fair value pricing are not material.

For our separate account clients other than U.S.-registered mutual funds, our fees may be based, at the client's option, on the values of the securities in the portfolios we manage as determined by the client (or its custodian or other service provider) or by us in accordance with valuation procedures we have adopted. The valuation procedures we have adopted generally use closing market prices in the markets in which the securities trade, without adjustment for subsequent events except in unusual circumstances. We believe that our fees based on valuations determined under our procedures are not materially different from the fees we receive that are based on valuations determined by clients, their custodians or other service providers.

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With the exception of the assets managed by our Credit team (which represented approximately 2.2% of our assets under management at December 31, 2017), the portfolios of Artisan Funds and Artisan Global Funds, as well as the portfolios we manage for our separate account clients, are invested principally in publicly-traded equity securities for which public market values are readily available, with a portion of each portfolio held in cash or cash-like instruments.

Income Taxes

We operate in numerous states and countries and must allocate our income, expenses, and earnings under the various laws and regulations of each of these taxing jurisdictions. Accordingly, our provision for income taxes represents our total estimate of the liability for income taxes that we have incurred in doing business each year in all of our locations. Annually, we file tax returns that represent our filing positions with each jurisdiction and settle our tax return liabilities. Each jurisdiction has the right to audit those tax returns and may take different positions with respect to income and expense allocations and taxable earnings determinations. Because the determination of our annual income tax provision is subject to judgments and estimates, actual results may vary from those recorded in our financial statements. We recognize additions to and reductions in income tax expense during a reporting period that pertains to prior period provisions as our estimated liabilities are revised and our actual tax returns and tax audits are completed. Our management is required to exercise judgment in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowance that might be required against deferred tax assets. As of December 31, 2017, we have not recorded a valuation allowance on any deferred tax assets. In the event that sufficient taxable income of the same character does not result in future years, among other things, a valuation allowance for certain of our deferred tax assets may be required.

Payments pursuant to the Tax Receivable Agreements (“TRAs”)

We have recorded a liability of $385.4 million as of December 31, 2017, representing 85% of the estimated future tax benefits subject to the TRAs. The actual 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. The expected payment obligation assumes no additional uncertain tax positions that would impact the TRAs.

New or Revised Accounting Standards

See Note 2, “Summary of Significant Accounting Policies — Recent accounting pronouncements” to the Consolidated Financial Statements included in Item 8 of Part II of this Form 10-K.

Item 7A. Qualitative and Quantitative Disclosures Regarding Market Risk

Market Risk

Our exposure to market risk is directly related to the role of our operating company as an investment adviser for the pooled vehicles and separate accounts it manages. Essentially all of our revenues are derived from investment management agreements with these vehicles and accounts. Under these agreements, the investment management fees we receive are generally based on the value of our assets under management and our fee rates. Accordingly, if our assets under management decline as a result of market depreciation, our revenues and net income will also decline. In addition, such a decline could cause our clients to withdraw their funds in favor of investments believed to offer higher returns or lower risk, which would cause our revenues to decline further.

The value of our assets under management was $115.5 billion as of December 31, 2017. A 10% increase or decrease in the value of our assets under management, if proportionately distributed over all our investment strategies, products and client relationships, would cause an annualized increase or decrease in our revenues of approximately $84.4 million at our current weighted average fee rate of 73 basis points. Because of our declining rates of fee for larger relationships and differences in our rates of fee across investment strategies, a change in the composition of our assets under management, in particular an increase in the proportion of our total assets under management attributable to strategies, clients or relationships with lower effective rates of fees, could have a material negative impact on our overall weighted average rate of fee. The same 10% increase or decrease in the value of our total assets under

management, if attributed entirely to a proportionate increase or decrease in the assets of each of the Artisan Funds and Artisan Global Funds, to which we provide a range of services in addition to those provided to separate accounts, would cause an annualized increase or decrease in our revenues of approximately $106.4 million at the Artisan Funds and Artisan Global Funds aggregate weighted average fee of 92 basis points. If the same 10% increase or decrease in the value of our total assets under management was attributable entirely to a proportionate increase or decrease in the assets of each separate account we manage, it would cause an annualized increase or decrease in our revenues of approximately $62.4 million at the current weighted average fee rate across all of our separate accounts of 54 basis points.

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As is customary in the asset management industry, clients invest in particular strategies to gain exposure to certain asset classes, which exposes their investment to the benefits and risks of those asset classes. Because we believe that our clients invest in each of our strategies in order to gain exposure to the portfolio securities of the respective strategies and may implement their own risk management program or procedures, we have not adopted a corporate-level risk management policy regarding client assets, nor have we attempted to hedge at the corporate level or within individual strategies the market risks that would affect the value of our overall assets under management and related revenues. Some of these risks (e.g., sector risks and currency risks) are inherent in certain strategies, and clients may invest in particular strategies to gain exposure to particular risks. While negative returns in our investment strategies and net client cash outflows do not directly reduce the assets on our balance sheet (because the assets we manage are owned by our clients, not us), any reduction in the value of our assets under management would result in a reduction in our revenues.

We also are subject to market risk from a decline in the prices of marketable securities that we own. The total value of marketable securities we owned, including our direct equity investments in consolidated investment products, was $40.3 million as of December 31, 2017. We invested in certain of Artisan sponsored private funds, Artisan Funds and Artisan Global Funds in amounts sufficient to cover certain organizational expenses and to ensure that the funds had sufficient assets at the commencement of their operations to build a viable investment portfolio. Assuming a 10% increase or decrease in the values of our total marketable securities, the fair value would increase or decrease by $4.0 million at December 31, 2017. Management regularly monitors the value of these investments; however, given their nature and relative size, we have not adopted a specific risk management policy to manage the associated market risk. Due to the nature of our business, we believe that we do not face any material risk from inflation.

Exchange Rate Risk

A substantial portion of the accounts that we advise, or sub-advise, hold investments that are denominated in currencies other than the U.S. dollar. Movements in the rate of exchange between the U.S. dollar and the underlying foreign currency affect the values of assets held in accounts we manage, thereby affecting the amount of revenues we earn. The value of the assets we manage was $115.5 billion as of December 31, 2017. As of December 31, 2017, approximately 54% of our assets under management across our investment strategies were invested in strategies that primarily invest in securities of non-U.S. companies and approximately 47% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. To the extent our assets under management are denominated in currencies other than the U.S. dollar, the value of those assets under management will decrease with an increase in the value of the U.S. dollar, or increase with a decrease in the value of the U.S. dollar. Each investment team monitors its own exposure to exchange rate risk and makes decisions on how to manage that risk in the portfolios managed by that team.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming that 47% of our assets under management is invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangements, a 10% increase or decrease in the value of the U.S. dollar would decrease or increase the fair value of our assets under management by $5.4 billion, which would cause an annualized increase or decrease in revenues of approximately $39.5 million at our current weighted average fee rate of 73 basis points.

We operate in several foreign countries of which the United Kingdom is the most prominent. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, although our revenues are predominately realized in USD. We do not believe that foreign currency fluctuations materially affect our results of operations.

Interest Rate Risk

At certain times, we invest our available cash balances in money market mutual funds that invest primarily in U.S. Treasury or agency-backed money market instruments. These funds attempt to maintain a stable net asset value but interest rate changes or other market risks may affect the fair value of those funds' investments and, if significant, could result in a loss of investment principal. Interest rate changes affect the income we earn from our excess cash balances. As of December 31, 2017, we invested $26.7 million of our available cash in money market funds that invested solely in U.S. Treasuries. Given the current low yield on these funds, interest rate changes would not have a

material impact on the income we earn from these investments. The remaining portion of our cash was held in demand deposit accounts.

Interest rate changes may affect the amount of our interest payments in connection with our revolving credit agreement, and thereby affect future earnings and cash flows. As of December 31, 2017, there were no borrowings outstanding under the revolving credit agreement.

The strategies managed by our Credit Team, which had $2.6 billion of assets under management as of December 31, 2017, invest in fixed income securities. The values of debt instruments held by the strategy may fall in response to increases in interest rates, which would reduce our revenues.

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Item 8. Financial Information and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Artisan Partners Asset Management Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of Artisan Partners Asset Management Inc. and its subsidiaries (the “Company”) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity and cash flows, for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 9A “Controls and Procedures”. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide

a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Milwaukee, WI
February 21, 2018

We have served as the Company’s auditor since 1995.

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

	At December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	$137,286	$156,777
Accounts receivable	76,693	59,739
Investment securities	4,978	6,297
Prepaid expenses	8,969	8,654
Property and equipment, net	21,025	20,018
Restricted cash	629	629
Deferred tax assets	429,212	678,518
Other	4,395	5,534
Assets of consolidated investment products		
Cash and cash equivalents	21,881	—
Accounts receivable and other	16,768	—
Investment assets, at fair value	115,319	—
Total assets	$837,155	$936,166
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Accounts payable, accrued expenses, and other	$16,656	$15,609
Accrued incentive compensation	2,911	12,642
Deferred lease obligations	6,363	3,972
Borrowings	199,129	199,477
Class B redemptions payable	—	506
Amounts payable under tax receivable agreements	385,413	586,246
Liabilities of consolidated investment products		
Accounts payable, accrued expenses, and other	8,180	—
Investment liabilities, at fair value	47,857	—
Total liabilities	$666,509	$818,452
Commitments and contingencies		
Redeemable noncontrolling interests	62,581	—
Common stock		
Class A common stock ($0.01 par value per share, 500,000,000 shares authorized, 50,463,126 and 42,149,436 shares outstanding at December 31, 2017 and December 31, 2016, respectively)	505	421
Class B common stock ($0.01 par value per share, 200,000,000 shares authorized, 11,922,192 and 15,142,049 shares outstanding at December 31, 2017 and December 31, 2016, respectively)	119	151
Class C common stock ($0.01 par value per share, 400,000,000 shares authorized, 13,184,527 and 17,063,384 shares outstanding at December 31, 2017 and December 31, 2016, respectively)	132	171
Additional paid-in capital	147,910	119,221
Retained earnings (deficit)	(37,870)	13,395
Accumulated other comprehensive income (loss)	(873)	(1,648)
Total Artisan Partners Asset Management Inc. stockholders' equity	109,923	131,711
Noncontrolling interest - Artisan Partners Holdings	(1,858)	(13,997)
Total stockholders' equity	$108,065	$117,714
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	$837,155	$936,166

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

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

	For the Years Ended December 31,		
	2017	2016	2015
Revenues			
Management fees	$795,276	$719,778	$803,701
Performance fees	348	1,081	1,768
Total revenues	$795,624	$720,859	$805,469
Operating Expenses			
Compensation and benefits			
Salaries, incentive compensation and benefits	390,202	355,835	372,167
Pre-offering related compensation - share-based awards	12,678	28,080	42,071
Total compensation and benefits	402,880	383,915	414,238
Distribution, servicing and marketing	29,620	32,516	43,626
Occupancy	14,490	13,076	12,504
Communication and technology	34,073	32,125	25,487
General and administrative	28,150	24,993	27,229
Total operating expenses	509,213	486,625	523,084
Total operating income	286,411	234,234	282,385
Non-operating income (loss)			
Interest expense	(11,449)	(11,653)	(11,706)
Net investment gain (loss) of consolidated investment products	4,241	—	—
Net investment income and other	1,123	1,253	445
Net gain (loss) on the tax receivable agreements	290,919	650	(12,247)
Total non-operating income (loss)	284,834	(9,750)	(23,508)
Income before income taxes	571,245	224,484	258,877
Provision for income taxes	420,508	51,483	46,771
Net income before noncontrolling interests	150,737	173,001	212,106
Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings	99,038	99,971	130,305
Less: Net income attributable to noncontrolling interests - consolidated investment products	2,100	—	—
Net income attributable to Artisan Partners Asset Management Inc.	$49,599	$73,030	$81,801
Basic and diluted earnings per share	$0.75	$1.57	$1.86
Basic and diluted weighted average number of common shares outstanding	44,647,318	38,137,810	35,448,550
Dividends declared per Class A common share	$2.76	$2.80	$3.35

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

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

	For the Years Ended December 31,		
	2017	2016	2015
Net income before noncontrolling interests	$150,737	$173,001	$212,106
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on investment securities:			
Unrealized gain (loss) on investment securities, net of tax of $131, ($20) and ($146), respectively	542	974	(301)
Less: reclassification adjustment for net gains included in net income	159	1,073	424
Net unrealized gain (loss) on investment securities	383	(99)	(725)
Foreign currency translation gain (loss)	1,277	(2,130)	(586)
Total other comprehensive income (loss)	1,660	(2,229)	(1,311)
Comprehensive income	152,397	170,772	210,795
Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings	99,922	99,015	129,574
Comprehensive income attributable to noncontrolling interests - consolidated investment products	2,100	—	—
Comprehensive income attributable to Artisan Partners Asset Management Inc.	$50,375	$71,757	$81,221

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

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

	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest - Artisan Partners Holdings	Total stockholders' equity
Balance at January 1, 2015	$ 342	$ 215	$ 172	$93,524	$16,417	$ 206	$ (3,377)	$ 107,499
Net income	—	—	—	—	81,801	—	130,305	212,106
Other comprehensive income - foreign currency translation	—	—	—	—	—	(303)	(283)	(586)
Other comprehensive income - available for sale investments, net of tax	—	—	—	—	—	(307)	(383)	(690)
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(5,463)	—	29	5,399	(35)
Amortization of equity-based compensation	—	—	—	42,144	—	—	37,376	79,520
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	26,075	—	—	—	26,075
Issuance of Class A common stock, net of issuance costs	38	—	—	175,974	—	—	—	176,012
Forfeitures	—	(4)	3	1	—	—	—	—
Issuance of restricted stock awards	6	—	—	(6)	—	—	—	—
Employee net share settlement	—	—	—	(358)	—	—	(311)	(669)
Exchange of subsidiary equity	8	(4)	(4)	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(24)	(14)	(176,520)	—	—	—	(176,558)
Distributions	—	—	—	—	—	—	(182,175)	(182,175)
Dividends	—	—	—	(38,923)	(84,980)	—	(45)	(123,948)
Balance at December 31, 2015	$ 394	$ 183	$ 157	$116,448	$13,238	$ (375)	$ (13,494)	$ 116,551
Net income	—	—	—	—	73,030	—	99,971	173,001
Other comprehensive income - foreign currency translation	—	—	—	—	—	(1,192)	(938)	(2,130)
Other comprehensive income - available for sale investments, net of tax	—	—	—	—	—	(30)	(64)	(94)
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(3,332)	—	(51)	3,378	(5)
Amortization of equity-based compensation	—	—	—	40,923	(408)	—	31,481	71,996
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	8,439	—	—	—	8,439

Issuance of Class A common stock, net of issuance costs	—	—	—	(22)	—	—	—	(22)
Forfeitures	—	(17)	15	2	—	—	—	—
Issuance of restricted stock awards	11	—	—	(11)	—	—	—	—
Employee net share settlement	—	—	—	(422)	—	—	(340)	(762)
Exchange of subsidiary equity	16	(15)	(1)	—	—	—	—	—
Distributions	—	—	—	—	—	—	(133,876)	(133,876)
Dividends	—	—	—	(42,804)	(72,465)	—	(115)	(115,384)
Balance at December 31, 2016	$ 421	$ 151	$ 171	$ 119,221	$ 13,395	$ (1,648)	$ (13,997)	$ 117,714

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

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

	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest - Artisan Partners Holdings	Total stockholders' equity	Redeemable non-controlling interest
Balance at January 1, 2017	$ 421	$ 151	$ 171	$ 119,221	$ 13,395	$ (1,648)	$ (13,997)	$ 117,714	$ —
Net income (loss)	—	—	—	—	49,599	—	99,038	148,637	2,100
Other comprehensive income - foreign currency translation	—	—	—	—	—	830	447	1,277	—
Other comprehensive income - available for sale investments, net of tax	—	—	—	—	—	215	173	388	—
Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax	—	—	—	(5,994)	—	(270)	6,259	(5)	—
Amortization of equity-based compensation	—	—	—	40,177	—	—	22,715	62,892	—
Deferred tax assets, net of amounts payable under tax receivable agreements	—	—	—	25,922	—	—	—	25,922	—
Issuance of Class A common stock, net of issuance costs	56	—	—	161,980	—	—	—	162,036	—
Forfeitures	—	(1)	1	—	—	—	—	—	—
Issuance of restricted stock awards	13	—	—	(13)	—	—	—	—	—
Employee net share settlement	—	—	—	(891)	—	—	(586)	(1,477)	—
Exchange of subsidiary equity	15	(10)	(5)	—	—	—	—	—	—
Purchase of equity and subsidiary equity	—	(21)	(35)	(162,438)	—	—	—	(162,494)	—
Net contributions (redemptions) attributable to redeemable noncontrolling interest	—	—	—	—	—	—	—	—	60,481
Distributions	—	—	—	—	—	—	(115,804)	(115,804)	—

Dividends	—	—	—	(30,054)	(100,864)	—	(103)	(131,021)	—
Balance at December 31, 2017	$ 505	$ 119	$ 132	$ 147,910	$ (37,870)	$ (873)	$ (1,858)	$ 108,065	$ 62,581

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

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

	For the Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net income before noncontrolling interests	$150,737	$173,001	$212,106
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,297	5,272	4,519
Deferred income taxes	395,416	33,960	16,521
Net (gain) loss on investment securities	(519)	(1,073)	(424)
Net (gain) loss on the tax receivable agreements	(290,919)	(650)	12,247
Loss on disposal of property and equipment	69	108	40
Amortization of debt issuance costs	452	448	448
Share-based compensation	62,892	71,996	79,520
Excess tax benefit on share-based awards	—	—	(1,300)
Net investment (gain) loss of consolidated investment products	(4,241)	—	—
Purchase of investments by consolidated investment products	(252,047)	—	—
Proceeds from sale of investments by consolidated investment products	190,353	—	—
Change in assets and liabilities resulting in an increase (decrease) in cash:			
Accounts receivable	(16,955)	318	9,303
Prepaid expenses and other assets	1,629	(4,898)	(2,614)
Accounts payable and accrued expenses	(9,202)	(3,520)	(316)
Class B liability awards	(506)	(5,096)	(8,682)
Deferred lease obligations	2,391	494	(129)
Net change in operating assets and liabilities of consolidated investment products	(30,774)	—	—
Net cash provided by operating activities	204,073	270,360	321,239
Cash flows from investing activities			
Acquisition of property and equipment	(1,578)	(2,933)	(3,794)
Leasehold improvements	(4,257)	(4,343)	(3,541)
Proceeds from sale of investment securities	6,382	8,961	2,724
Purchase of investment securities	(5,250)	(4,014)	(6,750)
Change in restricted cash	—	260	36
Net cash used in investing activities	(4,703)	(2,069)	(11,325)

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

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

	For the Years Ended December 31,		
	2017	2016	2015
Cash flows from financing activities			
Partnership distributions	(115,804)	(133,876)	(182,175)
Dividends paid	(131,021)	(115,384)	(123,948)
Payment of debt issuance costs	(512)	—	—
Proceeds from issuance of notes payable	60,000	—	—
Principal payments on notes payable	(60,000)	—	—
Change in other liabilities	—	—	(46)
Payment under the tax receivable agreements	(30,234)	(27,685)	(20,040)
Net proceeds from issuance of common stock	162,494	—	176,558
Payment of costs directly associated with the issuance of Class A common stock	(294)	—	(427)
Purchase of equity and subsidiary equity	(162,494)	—	(176,558)
Taxes paid related to employee net share settlement	(1,477)	(762)	(669)
Net contributions (redemptions) attributable to redeemable noncontrolling interest	60,481	—	—
Excess tax benefit on share-based awards	—	—	1,300
Net cash used in financing activities	(218,861)	(277,707)	(326,005)
Net increase (decrease) in cash and cash equivalents	(19,491)	(9,416)	(16,091)
Cash and cash equivalents			
Beginning of period	156,777	166,193	182,284
End of period	$137,286	$156,777	$166,193
Supplementary information			
Noncash activity:			
Establishment of deferred tax assets	$146,241	$33,941	$132,516
Establishment of amounts payable under tax receivable agreements	120,320	25,480	107,740
Cash paid for:			
Interest on borrowings	$11,019	$11,108	$11,019
Income tax	25,296	18,621	29,316

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

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

Note 1. Nature of Business and Organization

Nature of Business

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

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

Organization

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

As the sole general partner, APAM controls the business and affairs of Holdings. As a result, APAM consolidates Holdings' financial statements and records a noncontrolling interest for the equity interests in Holdings held by the limited partners of Holdings. At December 31, 2017, APAM held approximately 67% of the equity ownership interest in Holdings.

Holdings, together with its wholly owned subsidiary, Artisan Investments GP LLC ("AIGP"), 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 separate accounts and pooled investment vehicles, including Artisan Partners Funds, Inc. ("Artisan Funds" or the "Funds") and Artisan Partners Global Funds plc ("Artisan Global Funds"). Artisan Funds are a series of open-end, diversified mutual funds registered under the Investment Company Act of 1940, as amended. Artisan Global Funds is a family of Ireland-domiciled UCITS.

2017 Follow-On Offering

On February 28, 2017, APAM completed a registered offering of 5,626,517 shares of Class A common stock (the "2017 Follow-On Offering") and utilized all of the proceeds to purchase an aggregate of 5,626,517 common units of Artisan Partners Holdings at a price per unit of $28.88. The offering and subsequent purchase of units had the following impact on the consolidated financial statements:

- APAM received 5,626,517 GP units of Holdings, which increased APAM's ownership interest in Holdings. See Note 7, "Noncontrolling Interest - Holdings" for the financial statement impact of changes in ownership.
- APAM's purchase of common units of Holdings with the proceeds resulted in an increase to deferred tax assets and amounts payable under the tax receivable agreements. See Note 10, "Income Taxes and Related Payments".

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Holdings Unit Exchanges

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 each quarter (the "Holdings Common Unit Exchanges"). The following partnership units were exchanged for APAM Class A common stock during the year ended December 31, 2017:

	Total Common Units Exchanged	Class A Common Units	Class B Common Units	Class E Common Units
Common units exchanged on March 6, 2017	206,770	—	206,770	—
Common units exchanged on May 5, 2017	474,127	50,000	404,127	20,000
Common units exchanged on August 8, 2017	317,281	133,073	45,238	138,970
Common units exchanged on November 8, 2017	293,049	—	211,812	81,237
Common units exchanged on December 29, 2017	180,970	—	180,970	—
Total Units Exchanged	1,472,197	183,073	1,048,917	240,207

The corresponding shares of APAM Class B and Class C common stock were immediately canceled upon exchange. The Holdings Common Unit Exchanges increased APAM's equity ownership interest in Holdings, and resulted in an increase to deferred tax assets and amounts payable under the tax receivable agreements. See Note 10, "Income Taxes and Related Payments".

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("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 other investment products, including Artisan sponsored 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, Artisan Global Funds is evaluated for consolidation under the VIE model. Artisan sponsored privately offered funds are also evaluated for consolidation under the VIE model because third-party equity holders of the funds lack the ability to remove Artisan as the general partner, or otherwise divest Artisan of its control of the funds.

From time to time, the Company makes investments in Artisan Funds, Artisan Global Funds and privately offered investment strategies, which are made on the same terms as are available to other investors. If the investment results in a controlling financial interest, APAM consolidates the fund, and the underlying individual securities are accounted

for as trading securities. Investments in which the Company does not have a controlling financial interest are classified as available-for-sale investments, as described below under “-Investment Securities”. As of December 31, 2017, Artisan has a controlling financial interest in two series of Artisan Global Funds and two privately offered investment funds and, as a result, these funds are included in Artisan’s Consolidated Financial Statements. Because the 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 its Consolidated Financial Statements. See Note 6, “Variable Interest Entities and Consolidated Investment Products” for additional details.

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Operating segments

Artisan operates in one segment, the investment management industry. Artisan provides investment management services to separate accounts, mutual funds and other pooled investment vehicles. Management assesses the financial performance of these vehicles on a combined basis.

Cash and cash equivalents

Artisan defines cash and cash equivalents as money market funds and other highly liquid investments with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates fair value due to the short-term nature and liquidity of these financial instruments. For disclosure purposes, cash equivalents are categorized as Level 1 in the fair value hierarchy. Cash and cash equivalents are subject to credit risk and were primarily maintained in demand deposit accounts with financial institutions or treasury money market funds.

Foreign currency translation

Assets and liabilities of foreign operations whose functional currency is not the U.S. dollar are translated at prevailing year-end exchange rates. Revenue and expenses of such foreign operations are translated at average exchange rates during the year. The net effect of the translation adjustment for foreign operations is included in other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income (Loss). The cumulative effect of translation adjustments is included in accumulated other comprehensive income (loss) and noncontrolling interest - Artisan Partners Holdings in the Consolidated Statements of Financial Condition, based on period-end ownership levels.

Accounts receivable

Accounts receivable are carried at invoiced amounts and consist primarily of investment management fees that have been earned, but not yet received from clients. Due to the short-term nature of the receivables, the carrying values of these assets approximate fair value. The accounts receivable balance does not include any allowance for doubtful accounts as Artisan believes all accounts receivable balances are fully collectible. There has not been any bad debt expense recorded for the years ended December 31, 2017, 2016 and 2015.

Investment securities

Investment securities consist of investments in unconsolidated sponsored investment entities and are classified as available-for-sale. Investments provide exposure to various risks, including price risk (the risk of a potential future decline in value of the investment) and foreign currency risk. Investments in registered mutual funds are carried at fair value at their respective net asset values as of the valuation date.

Unrealized gains (losses) on available-for-sale securities are recorded as a component of other comprehensive income (loss). Dividend income from these investments is recognized when earned and is included in net investment income in the Consolidated Statements of Operations. Realized gains (losses) are computed on a specific identification basis and are recorded in net investment income in the Consolidated Statements of Operations.

Investment securities are evaluated for other-than-temporary impairment on a quarterly basis when the cost of an investment exceeds its fair value.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation is generally recognized on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years. Depreciation for leasehold improvements is recognized over the applicable life of the asset class, typically the lesser of the economic useful life of the improvement or the remaining term of the lease. Property and equipment is tested for impairment when there is an indication that the carrying amount of an asset may not be recoverable. When an asset is determined to not be recoverable, the impairment loss is measured based on the excess, if any, of the carrying value of the asset over its fair value.

Restricted cash

Restricted cash represents cash that is restricted as collateral on a standby letter of credit related to a lease obligation.

Cash and cash equivalents of consolidated investment products

Cash and cash equivalents of consolidated investment products consist of highly liquid investments, including money market funds. See Note 6, “Variable Interest Entities and Consolidated Investment Products” for additional details.

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Investment assets and liabilities of consolidated investment products

Investment assets and liabilities of consolidated investment products primarily consist of equity and fixed income securities. The carrying value of the investment assets and liabilities is also their fair value. Changes in the fair value of the investments are recognized as gains and losses in earnings. Equity securities are generally valued based upon closing market prices of the security on the principal exchange on which the security is traded. Fixed income securities include corporate bonds, convertible bonds and bank loans. Fixed income securities are generally valued based on the judgment of pricing vendors. See Note 6, “Variable Interest Entities and Consolidated Investment Products” for additional details.

Redeemable noncontrolling interests

Redeemable noncontrolling interests represent third-party investors’ ownership interest in consolidated investment products. Third-party investors in consolidated investment products generally have the right to withdraw their capital, subject to certain conditions. Noncontrolling interests of consolidated investment products that are currently redeemable or convertible for cash or other assets at the option of the holder are classified as temporary equity.

Revenue recognition

Investment management fees are generally computed as a percentage of assets under management and recognized as services are rendered. Fees for providing investment advisory services are computed and billed in accordance with the provisions of the applicable investment management agreements, generally on a monthly or quarterly basis. Investment management fees are presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

The investment management agreements for a small number of accounts provide for performance-based fees or incentive allocations. Performance-based fees and incentive allocations, if earned, are recognized upon completion of the contractually determined measurement period, which is generally quarterly or annually.

Performance-based fees and incentive allocations generally are not subject to claw back as a result of performance declines subsequent to the most recent measurement date.

Pre-offering related compensation - share-based awards

Prior to the IPO Reorganization, Class B limited partnership interests were granted to certain employees. The Class B limited partnership interests provided both an interest in future profits of Holdings as well as an interest in the overall value of Holdings. Class B limited partnership interests generally vested ratably over a five-year period from the date of grant. Holders of Class B limited partnership interests were entitled to fully participate in profits from and after the date of grant. During 2013, the Class B awards were modified, which eliminated the cash redemption feature and resulted in equity classification since such modification. Compensation expense is recorded for unvested Class B awards on a straight-line basis over the remaining vesting period. As of July 1, 2017, all Class B awards were fully vested.

Share-based compensation

Share-based compensation expense is recognized based on grant-date fair value on a straight-line basis over the requisite service period of the awards. The Company’s accounting policy is to record the impact of forfeitures when they occur. The awards generally vest ratably over a five-year period from the date of grant. Certain awards vest upon the satisfaction of both (1) pro-rata annual time vesting over five years and (2) qualifying retirement (as defined in the award agreements).

Distribution fees

Artisan Funds has authorized certain financial services companies, broker-dealers, banks or other intermediaries, and in some cases, other organizations designated by an authorized intermediary to accept purchase, exchange, and redemption orders for shares of Artisan Funds on the funds’ behalf. Many intermediaries charge a fee for accounting and shareholder services provided to fund shareholders on the funds’ behalf. Those services typically include recordkeeping, transaction processing for shareholders’ accounts, and other services.

The fee is either based on the number of accounts to which the intermediary provides such services or a percentage of the average daily value of fund shares held in such accounts. The funds pay a portion of such fees directly to the intermediaries, which are intended to compensate the intermediary for its provision of services of the type that would be provided by the funds’ transfer agent or other service providers if the shares were registered directly on the books of

the funds' transfer agent. Artisan pays the balance of those fees which includes compensation to the intermediary for its distribution, servicing and marketing of Artisan Funds shares.

Artisan Global Funds also have distribution arrangements pursuant to which Artisan is required to pay a portion of its investment management fee for distribution, servicing and marketing of Artisan Global Funds shares.

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Distribution fees paid by Artisan are presented as an operating expense as Artisan is the principal in its role as the primary obligor related to distribution and marketing services. Distribution fees paid to intermediaries were as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Total intermediary fees incurred related to Artisan Funds	$78,398	$88,942	$120,402
Less: fees incurred by Artisan Funds	52,701	59,654	80,390
Fees incurred by Artisan	25,697	29,288	40,012
Global Funds distribution and other marketing expenses	3,923	3,228	3,614
Total distribution, servicing and marketing	$29,620	$32,516	$43,626

Accrued fees to intermediaries were $3.6 million as of December 31, 2017 and 2016, and are included in accounts payable, accrued expenses and other liabilities in the Consolidated Statements of Financial Condition.

Leases

Rent under non-cancelable operating leases with scheduled rent increases or decreases is accounted for on a straight-line basis over the lease term, beginning on the date of initial possession or the effective date of the lease agreement. Allowances and other lease incentives provided by Artisan's landlords are amortized on a straight-line basis as a reduction of rent expense. The difference between straight-line rent expense and rent paid and the unamortized deferred lease costs and build-out allowances are recorded as deferred lease obligations in the Consolidated Statements of Financial Condition.

Loss contingencies

Artisan considers the assessment of loss contingencies as a significant accounting policy because of the significant uncertainty relating to the outcome of any potential legal actions and other claims and the difficulty of predicting the likelihood and range of the potential liability involved, coupled with the material impact on Artisan's results of operations that could result from legal actions or other claims and assessments. Artisan recognizes estimated costs to defend as incurred. Potential loss contingencies are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Significant differences could exist between the actual cost required to investigate, litigate and/or settle a claim or the ultimate outcome of a suit and management's estimate. These differences could have a material impact on Artisan's results of operations, financial position, or cash flows. Recoveries of losses are recognized in the Consolidated Statements of Operations when receipt is deemed probable. No loss contingencies were recorded at December 31, 2017, 2016, and 2015. Currently, there are no legal or administrative proceedings that management believes may have a material effect on Artisan's consolidated financial position, cash flows or results of operations.

Income taxes

Artisan accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Artisan recognizes a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Artisan accounts for uncertain income tax positions by recognizing the impact of a tax position in its consolidated financial statements when Artisan believes it is more likely than not that the tax position would not be sustained upon examination by the appropriate tax authorities based on the technical merits of the position.

Comprehensive income (loss)

Total comprehensive income (loss) includes net income and other comprehensive income. Other comprehensive income (loss) consists of the change in unrealized gains (losses) on available-for-sale investments and foreign currency translation, net of related tax effects. The tax effects of components of other comprehensive income (loss) is calculated on the portion of comprehensive income (loss) attributable to APAM.

Partnership distributions

Artisan makes distributions to its partners for purposes of paying income taxes as required under the terms of Artisan Partners Holdings' partnership agreement. Tax distributions are calculated utilizing the highest combined individual federal, state and local income tax rate among the various locations in which the partners, as a result of owning their interests in the partnership, are subject to tax, assuming maximum applicability of the phase-out of itemized deductions contained in the Internal Revenue Code. Artisan also makes additional distributions under the terms of the partnership agreement. Distributions are recorded in the financial statements on the declaration date.

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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. 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 by increasing the denominator by the amount of additional Class A common shares that would have been outstanding if all potential Class A common shares had been issued. The numerator is also increased for the net income allocated to the potential Class A common shares. Potential dilutive Class A common shares consist of (1) the Class A common shares issuable upon exchange of Holdings limited partnership units for APAM Class A common stock and (2) unvested restricted share-based awards.

Recent accounting pronouncements

Accounting standards not yet adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes existing accounting standards for revenue recognition and creates a single framework. The guidance also changes the accounting for certain costs to obtain or fulfill a contract. The new guidance was effective on January 1, 2018 and allows for either a full retrospective or modified retrospective transition method. The Company will apply the modified retrospective transition method and the adoption will not have a material impact on the consolidated financial statements. The adoption will result in additional disclosures, including the disaggregation of revenue and information about performance obligations.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income. ASU 2016-01 was effective on January 1, 2018 and results in a cumulative-effect adjustment to the Company's Consolidated Statements of Financial Condition upon adoption. Upon adoption, the Company's unrealized gains (losses) on available-for-sale investment securities will be recognized through net income, which will be a change from the current treatment of recognition in other comprehensive income (loss).

In February 2016, the FASB issued ASU 2016-02, Leases, which introduces a lessee model that brings most leases on the balance sheet. The new guidance will be effective on January 1, 2019, and will require a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the impact of adoption on its consolidated financial statements. The standard is expected to result in a significant increase in total assets and total liabilities, but will not have a significant impact on the consolidated statement of operations.

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".

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2017				
Mutual funds	$4,361	$ 617	$ —	$ 4,978
December 31, 2016				
Mutual funds	$6,194	$ 103	$ —	$ 6,297

Artisan's investments in mutual funds consist of investments in shares of Artisan Funds and Artisan Global Funds and are considered to be available-for-sale securities. As a result, unrealized gains (losses) are recorded to other comprehensive income (loss).

During the years ended December 31, 2017, 2016 and 2015, Artisan redeemed seed investments for proceeds of $6.4 million, $9.0 million and $2.7 million, respectively, resulting in realized gains of $0.1 million, $1.1 million and $0.4 million, respectively.

As of December 31, 2017 and 2016, none of the Company's investment securities were in an unrealized loss position. No impairment losses were recorded on these available-for-sale securities.

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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 December 31, 2017 and 2016:

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
December 31, 2017				
Assets				
Cash equivalents	$26,727	$26,727	$ —	$ —
Mutual funds	4,978	4,978	—	—
December 31, 2016				
Assets				
Cash equivalents	$64,170	$64,170	$ —	$ —
Mutual funds	6,297	6,297	—	—

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. Cash maintained in demand deposit accounts is excluded from the table above.

Artisan's policy is to recognize transfers in and transfers out of the valuation levels as of the beginning of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 securities during the years ended December 31, 2017 and 2016.

Note 5. Borrowings

Artisan's borrowings consist of the following as of December 31, 2017 and 2016:

	Maturity	Outstanding Balance as of 12/31/2017	Outstanding Balance as of 12/31/2016	Interest Rate Per Annum
Revolving credit agreement	August 2022	—	—	NA
Senior notes				
Series A	August 2017	—	60,000	4.98 %
Series B	August 2019	50,000	50,000	5.32 %
Series C	August 2022	90,000	90,000	5.82 %
Series D	August 2025	60,000	—	4.29 %
Total borrowings		$ 200,000	$ 200,000	

The fair value of borrowings was approximately $209.3 million as of December 31, 2017. 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".

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Senior notes - On August 16, 2012, Holdings issued $200 million in senior unsecured notes and entered into a $100 million five-year revolving credit agreement. The proceeds were used to repay the entire outstanding principal of an existing term loan.

On August 16, 2017, Artisan Partners Holdings issued $60 million of 4.29% Series D senior notes and used the proceeds to repay the $60 million of 4.98% Series A senior notes that matured on August 16, 2017. In addition, Holdings amended and extended its $100 million revolving credit facility for an additional five-year period. The Company incurred debt issuance costs related to the notes and revolving credit facility of $0.5 million and $1.2 million respectively, which are amortized as interest expense over the life of the instruments.

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.

Revolving credit agreement - Any loans outstanding under the revolving credit agreement bear interest at a rate per annum equal to, at the Company's election, (i) LIBOR adjusted by a statutory reserve percentage plus an applicable margin ranging from 1.50% to 2.50%, depending on Holdings' leverage ratio (as defined in the revolving credit agreement) or (ii) an alternate base rate equal to the highest of (a) Citibank, N.A.'s prime rate, (b) the federal funds effective rate plus 0.50%, and (c) the daily one-month LIBOR adjusted by a statutory reserve percentage plus 1.00%, plus, in each case, an applicable margin ranging from 0.50% to 1.50%, depending on Holdings' leverage ratio. Unused commitments will bear interest at a rate that ranges from 0.175% to 0.500%, depending on Holdings' leverage ratio. As of and for the year-ended December 31, 2017, there were no borrowings outstanding under the revolving credit agreement and the interest rate on the unused commitment was 0.175%.

The unsecured notes and the revolving credit agreement contain certain restrictive financial covenants including a limitation on the leverage ratio of Holdings and a minimum interest coverage ratio.

Interest expense incurred on the unsecured notes and revolving credit agreement was $10.9 million for the year ended December 31, 2017, and $11.1 million for the years ended December 31, 2016 and 2015.

As of December 31, 2017, the aggregate maturities of debt obligations, based on their contractual terms, are as follows:

2018	$—
2019	50,000
2020	—
2021	—
2022	90,000
Thereafter	60,000
Total	$200,000

Note 6. Variable Interest Entities and Consolidated Investment Products

Artisan serves as the investment adviser for various types of investment products, consisting of both VIEs and 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 December 31, 2017, Artisan is considered to be the primary beneficiary of two series of Artisan Global Funds and the funds related to two privately offered investment strategies for which it serves as investment manager. Artisan made aggregate seed investments of $33.3 million in these CIPs during the year ended December 31, 2017.

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 fee and incentive allocation 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. As of December 31, 2017, Artisan's aggregate direct equity investment in consolidated investment products was $35.4 million.

Artisan earned management fees of $78 thousand and incentive allocation revenue of $50 thousand from CIPs during the year ended December 31, 2017, which are eliminated from revenue upon consolidation.

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Third-party investors' ownership interest in CIPs is presented as redeemable noncontrolling interest in the 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 attributable to noncontrolling interests - consolidated investment products in the Consolidated Statements of Operations.

Fair Value Measurements - Consolidated Investment Products

The carrying value of CIPs' investments is also their fair value. Short and long positions on equity securities are valued based upon closing prices of the security on the exchange or market designated by the accounting agent or pricing vendor as the principal exchange. The closing price may represent last sale price, official closing price, a closing auction or other information depending on market convention. Short and long positions on fixed income instruments are valued at market value. Market values are generally evaluations based on the judgment of pricing vendors, which may consider, among other factors, the prices at which securities actually trade, broker-dealer quotations, pricing formulas, estimates of market values obtained from yield data relating to investments or securities with similar characteristics and/or discounted cash flow models that might be applicable.

The following tables present the fair value hierarchy levels of assets and liabilities held by CIPs measured at fair value as of December 31, 2017. There were no CIP assets or liabilities as of December 31, 2016.

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
December 31, 2017				
Assets				
Cash equivalents	$21,881	$21,881	$ —	$ —
Equity securities - long position	69,044	69,044	—	—
Fixed income instruments - long position	45,758	—	45,758	—
Derivative assets	343	303	40	—
Liabilities				
Equity securities - short position	$29,199	$29,199	$ —	$ —
Fixed income instruments - short position	18,513	—	18,513	—
Derivative liabilities	145	45	100	—

CIP balances included in the Company's consolidated statements of financial condition were as follows:	2017
Net CIP assets included in the table above	$89,169
Net CIP assets not included in the table above	8,762
Net CIP assets	97,931
Less: redeemable noncontrolling interest	62,581
Artisan's direct equity investment in CIPs	$35,350

Cash equivalents consisted of money market funds. Artisan's policy is to recognize transfers in and transfers out of the valuation levels as of the beginning of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 securities during the year ended December 31, 2017.

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Note 7. Noncontrolling Interest - Holdings

Net income attributable to noncontrolling interests - Artisan Partners Holdings in the 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 December 31, 2017, APAM held approximately 67% of the equity ownership interests in Holdings.

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 years ended December 31, 2017, 2016 and 2015, APAM's equity ownership interest in Holdings has increased as a result of the following transactions:

	Holdings GP Units	Limited Partnership Units	Total	APAM Ownership %
Balance at January 1, 2015	34,238,131	38,689,412	72,927,543	47 %
Issuance of APAM Restricted Shares, Net	548,674	—	548,674	1 %
2015 Follow-On Offering	3,831,550	(3,831,550)	—	5 %
Holdings Common Unit Exchanges	826,809	(826,809)	—	1 %
Forfeitures from Employee Terminations [1]	(12,559)	(54,730)	(67,289)	— %
Balance at December 31, 2015	39,432,605	33,976,323	73,408,928	54 %
Issuance of APAM Restricted Shares, Net [1]	1,090,042	—	1,090,042	— %
Holdings Common Unit Exchanges	1,679,507	(1,679,507)	—	3 %
Forfeitures from Employee Terminations [1]	(52,718)	(91,383)	(144,101)	— %
Balance at December 31, 2016	42,149,436	32,205,433	74,354,869	57 %
Issuance of APAM Restricted Shares, Net	1,218,604	—	1,218,604	1 %
2017 Follow-On Offering	5,626,517	(5,626,517)	—	7 %
Holdings Common Unit Exchanges	1,472,197	(1,472,197)	—	2 %
Forfeitures from Employee Terminations [1]	(3,628)	—	(3,628)	— %
Balance at December 31, 2017	50,463,126	25,106,719	75,569,845	67 %

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

Since APAM continues to have a controlling interest in Holdings, changes in ownership of Holdings are accounted for as equity transactions. Additional paid-in capital and noncontrolling interest - Artisan Partners Holdings in the 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 Consolidated Statements of Financial Condition:

Statement of Financial Condition	For the Years Ended December 31,	
	2017	2016
Additional paid-in capital	$(5,994)	$(3,332)
Noncontrolling interest - Artisan Partners Holdings	6,259	3,378
Accumulated other comprehensive income (loss)	(265)	(46)
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 $4.7 million for the year ended December 31, 2017 and $3.9 million for the year ended December 31, 2016.

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Note 8. Stockholders' Equity

APAM - Stockholders' Equity

As of December 31, 2017 and 2016, APAM had the following authorized and outstanding equity:

	Authorized	Outstanding December 31, 2017	Outstanding December 31, 2016	Voting Rights [1]	Economic Rights
Common shares					
Class A, par value $0.01 per share	500,000,000	50,463,126	42,149,436	1 vote per share	Proportionate
Class B, par value $0.01 per share	200,000,000	11,922,192	15,142,049	5 votes per share	None
Class C, par value $0.01 per share	400,000,000	13,184,527	17,063,384	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 December 31, 2017, Artisan's employees held 3,912,111 restricted shares of Class A common stock subject to the agreement and all 11,922,192 outstanding shares of Class B common stock.

APAM is dependent on cash generated by Holdings to fund any dividends. Generally, Holdings will make distributions to all of its partners, including APAM, based on the proportionate ownership each holds in Holdings. APAM will fund dividends to its stockholders from its proportionate share of those distributions after provision for its taxes and other obligations. APAM declared and paid the following dividends per share during the years ended December 31, 2017, 2016 and 2015.

Type of Dividend	Class of Stock	For the Years Ended December 31, 2017	2016	2015
Quarterly	Common Class A	$2.40	$2.40	$2.40
Special Annual	Common Class A	$0.36	$0.40	$0.95

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The following table summarizes APAM's stock transactions for the years ended December 31, 2017, 2016 and 2015:

	Total Stock Outstanding	Class A Common Stock[1]	Class B Common Stock	Class C Common Stock
Balance at January 1, 2015	72,927,543	34,238,131	21,463,033	17,226,379
2015 Follow-On Offering	—	3,831,550	(2,415,253)	(1,416,297)
Holdings Common Unit Exchanges	—	826,809	(355,305)	(471,504)
Restricted Share Award Grants	562,950	562,950	—	—
Restricted Share Award Net Share Settlement	(14,276)	(14,276)	—	—
Employee/Partner Terminations	(67,289)	(12,559)	(365,253)	310,523
Balance at December 31, 2015	73,408,928	39,432,605	18,327,222	15,649,101
Holdings Common Unit Exchanges	—	1,679,507	(1,549,070)	(130,437)
Restricted Share Award Grants	1,118,267	1,118,267	—	—
Restricted Share Award Net Share Settlement	(28,225)	(28,225)	—	—
Employee/Partner Terminations	(144,101)	(52,718)	(1,636,103)	1,544,720
Balance at December 31, 2016	74,354,869	42,149,436	15,142,049	17,063,384
2017 Follow-On Offering	—	5,626,517	(2,104,517)	(3,522,000)
Holdings Common Unit Exchanges	—	1,472,197	(1,048,917)	(423,280)
Restricted Share Award Grants	1,267,250	1,267,250	—	—
Restricted Share Award Net Share Settlement	(48,646)	(48,646)	—	—
Employee/Partner Terminations	(3,628)	(3,628)	(66,423)	66,423
Balance at December 31, 2017	75,569,845	50,463,126	11,922,192	13,184,527

[1] There were 218,089, 178,401, and 122,990 restricted stock units outstanding at December 31, 2017, 2016, and 2015, respectively. Restricted stock units are not reflected in the table because they are not considered outstanding or issued stock.

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

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

Artisan Partners Holdings - Partners' Equity

Holdings makes distributions of its net income to the holders of its partnership units for income taxes as required under the terms of the partnership agreement and also makes additional distributions under the terms of the partnership agreement. The distributions are recorded in the financial statements on the declaration date, or on the payment date in lieu of a declaration date. Holdings' partnership distributions for the years ended December 31, 2017, 2016 and 2015 were as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Holdings Partnership Distributions to Limited Partners	$115,804	$133,876	$182,175
Holdings Partnership Distributions to APAM	$197,070	$160,532	$186,711
Total Holdings Partnership Distributions	$312,874	$294,408	$368,886

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

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Note 9. Compensation and Benefits

Total compensation and benefits consists of the following:

	For the Years Ended December 31,		
	2017	2016	2015
Salaries, incentive compensation and benefits [1]	$341,060	$312,676	$335,700
Restricted share-based award compensation expense	49,142	43,159	36,467
Total salaries, incentive compensation and benefits	390,202	355,835	372,167
Pre-offering related compensation - share-based awards	12,678	28,080	42,071
Total compensation and benefits	$402,880	$383,915	$414,238

[1] Excluding restricted share-based award compensation expense

Incentive compensation

Cash incentive compensation paid to members of Artisan's investment teams and members of its distribution teams is generally based on formulas that are tied directly to revenues. These payments are made in the quarter following the quarter in which the incentive was earned with the exception of fourth quarter payments which are paid in the fourth quarter of the year. Cash incentive compensation paid to most other employees is discretionary and subjectively determined based on individual performance and Artisan's overall results during the applicable year and has historically been paid in the fourth quarter of the year. The cash incentive compensation earned by executive officers for the years ended December 31, 2017 and 2016 were paid during 2017.

Restricted share-based awards

Artisan has registered 14,000,000 shares of Class A common stock for issuance under the 2013 Omnibus Incentive Compensation Plan (the "Plan"). Pursuant to the Plan, APAM has granted a combination of restricted stock awards and restricted stock units (collectively referred to as "restricted share-based awards") of Class A common stock to employees. The restricted share-based awards generally vest on a pro rata basis over five years. Certain share-based awards will vest upon a combination of both (1) pro-rata annual time vesting and (2) qualifying retirement (as defined in the award agreements). Unvested awards are subject to forfeiture upon termination of employment. Grantees receiving the awards are entitled to dividends on unvested and vested shares and units. 7,998,718 shares of Class A common stock were reserved and available for issuance under the Plan as of December 31, 2017

Compensation expense related to the restricted share-based awards 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 share-based awards.

The Company's accounting policy is to record the impact of forfeitures when they occur.

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The following table summarizes the restricted share-based award activity for the years ended December 31, 2017, 2016 and 2015:

	Weighted-Average Grant Date Fair Value	Number of Awards
Unvested at January 1, 2015	$ 52.59	2,700,634
Granted	48.17	642,950
Forfeited	52.71	(12,559)
Vested	52.69	(469,041)
Unvested at January 1, 2016	$ 51.58	2,861,984
Granted	30.42	1,138,892
Forfeited	50.44	(52,718)
Vested	51.76	(553,248)
Unvested at January 1, 2017	$ 44.47	3,394,910
Granted	28.30	1,268,500
Forfeited	39.56	(3,628)
Vested	48.06	(645,796)
Unvested at December 31, 2017	$ 38.79	4,013,986

Compensation expense recognized related to the restricted share-based awards was $49.1 million, $43.2 million and $36.5 million for the years ended December 31, 2017, 2016, and 2015, respectively. The aggregate vesting date fair value of awards that vested during the years ended December 31, 2017, 2016 and 2015 was approximately $19.8 million, $15.3 million, and $22.0 million, respectively. The unrecognized compensation expense for the unvested restricted share-based awards as of December 31, 2017 was $97.7 million with a weighted average recognition period of 2.9 years remaining.

During the years ended December 31, 2017 and 2016, the Company withheld a total of 48,646 and 28,225 restricted shares, respectively, as a result of net share settlements to satisfy employee tax withholding obligations. The Company paid $1.5 million and $0.8 million in employee tax withholding obligations related to these settlements during the years ended December 31, 2017 and 2016, respectively. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the number of shares outstanding.

Pre-offering related compensation - share-based awards

Holdings historically granted Class B share-based awards to certain employees. These awards vested over a period of five years. Prior to the IPO, all vested Class B awards were subject to mandatory redemption on termination of employment for any reason and were reflected as liabilities measured at fair value; unvested Class B awards were forfeited on termination of employment.

The vested Class B liability awards of a terminated employee were historically redeemed in cash in annual installments, generally over the five years following termination of employment. The remaining $0.5 million of redemption payments for Class B awards of partners whose services to Holdings terminated prior to the IPO was paid during the year ended December 31, 2017.

As a part of the IPO Reorganization, the Class B grant agreements were amended to eliminate the cash redemption feature. The amendment was considered a modification under ASC 718 and the Class B awards have been classified as equity awards since such modification. Compensation expense was recorded for unvested Class B awards on a straight-line basis over the remaining vesting period until the awards became fully vested on July 1, 2017.

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The following table summarizes the activity related to unvested Class B awards for the years ended December 31, 2017, 2016 and 2015:

	Weighted-Average Grant Date Fair Value	Number of Class B Awards
Unvested Class B awards at January 1, 2015	$ 30.00	4,045,016
Granted	—	—
Forfeited	30.00	(54,730)
Vested	30.00	(1,641,952)
Unvested Class B awards at January 1, 2016	$ 30.00	2,348,334
Granted	—	—
Forfeited	30.00	(91,383)
Vested	30.00	(1,411,731)
Unvested Class B awards at January 1, 2017	$ 30.00	845,220
Granted	—	—
Forfeited	—	—
Vested	30.00	(845,220)
Unvested Class B awards at December 31, 2017	$ —	—

Compensation expense recognized related to the unvested Class B awards was $12.7 million, $28.1 million and $42.1 million for the years ended December 31, 2017, 2016, and 2015, respectively. There is no remaining unrecognized compensation expense for the Class B awards as of December 31, 2017, as the Class B awards became fully vested on July 1, 2017.

Note 10. 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. Components of the provision for income taxes consist of the following:

	For the Years Ended December 31,		
	2017	2016	2015
Current:			
Federal	$21,960	$14,704	$26,090
State and local	2,663	2,180	3,560
Foreign	469	639	600
Total	25,092	17,523	30,250
Deferred:			
Federal	396,502	32,124	22,916
State and local	(1,086)	1,836	(6,395)
Total	395,416	33,960	16,521
Income tax expense	$420,508	$51,483	$46,771

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The provision for income taxes differs from the amount of income tax computed by applying the applicable U.S. statutory federal income tax rate to income before provision for income taxes as follows:

	Years Ended December 31,		
	2017	2016	2015
U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
Non-deductible share-based compensation	0.5	2.4	2.9
Rate benefit from the flow through entity	(6.2)	(15.7)	(17.7)
Tax Reform - change in federal corporate tax rate	43.9	—	—
Change in deferred state tax rate	—	—	(3.0)
Other	0.4	1.2	0.9
Effective tax rate	73.6 %	22.9 %	18.1 %

The effective tax rate includes a rate benefit attributable to the fact that, for the years ended December 31, 2017, 2016 and 2015, approximately 38%, 47% and 50%, respectively, of Artisan Partners Holdings' taxable earnings were attributable to other partners and not subject to corporate-level taxes. The Tax Cuts and Jobs Act ("Tax Reform") was enacted in December 2017. As a result of Tax Reform, existing deferred tax assets were remeasured to reflect the reduction in the enacted U.S. federal corporate tax rate. The tax rate used to measure deferred tax assets changed from 37.0% to 23.5%, which resulted in a reduction to our deferred tax assets of $352 million with a corresponding increase to the provision for income taxes for the year ended December 31, 2017. The actual impact of Tax Reform on effective tax rates and deferred tax assets may differ from these estimates due to changes in interpretations and assumptions made in determining these estimates, future guidance issued by the IRS, and the completion of the Company's U.S. tax return.

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") of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) the tax attributes of the preferred units APAM acquired in the merger of a wholly-owned subsidiary of the Pre-H&F Corp Merger Shareholder into APAM in March 2013, (ii) net operating losses available as a result of the merger and (iii) tax benefits related to imputed interest.

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

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

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

Payments under the TRAs, if any, will be made pro rata among all TRA counterparties entitled to payments on an annual basis to the extent APAM has sufficient taxable income to utilize the increased depreciation and amortization charges and imputed interest deductions. Artisan expects to make one or more payments under the TRAs, to the extent

they are required, prior to or within 125 days after APAM's U.S. federal income tax return is filed for each fiscal year. Interest on the TRA payments will accrue at a rate equal to one-year LIBOR plus 100 basis points from the due date (without extension) of such tax return until such payments are made.

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The reduction in deferred tax assets described above (including the results of Tax Reform) resulted in a decrease in the amounts payable under the TRAs, reflecting the reduced estimate of APAM's tax savings that will be paid to the TRA counterparties. Amounts payable under tax receivable agreements 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 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 years ended December 31, 2017 and 2016 is summarized as follows:

	Deferred Tax Asset - Amortizable Basis	Amounts Payable Under Tax Receivable Agreements
December 31, 2015	$ 660,254	$ 589,101
2016 Holdings Common Unit Exchanges	29,977	25,480
Amortization	(35,953)	—
Payments under TRAs[1]	—	(27,685)
Change in estimate	(336)	(650)
December 31, 2016	$ 653,942	$ 586,246
2017 Follow-On Offering	113,419	96,406
2017 Holdings Common Unit Exchanges	28,134	23,914
Amortization	(42,891)	—
Payments under TRAs[1]	—	(30,234)
Tax Reform - change in federal corporate tax rate	(341,669)	(290,418)
Change in estimate	(245)	(501)
December 31, 2017	$ 410,690	$ 385,413

[1] Interest payments of $85 thousand and $127 thousand were paid in addition to these TRA payments for the years ended December 31, 2017 and 2016, respectively.

Net deferred tax assets comprise the following:

	As of December 31, 2017	As of December 31, 2016
Deferred tax assets:		
Amortizable basis [1]	$ 410,690	$ 653,942
Other [2]	18,522	24,576
Total deferred tax assets	429,212	678,518
Less: valuation allowance [3]	—	—
Net deferred tax assets	$ 429,212	$ 678,518

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

[2] Represents the net deferred tax assets associated with the merger described above and other miscellaneous deferred tax assets.

(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 system for measuring, the benefits of income tax return positions in financial statements. There were no uncertain tax positions recorded as of December 31, 2017 and December 31, 2016.

In the normal course of business, Artisan is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2017, U.S. federal income tax returns for the years 2014 through 2016 are open and therefore subject to examination. State and local tax returns are generally subject to examination from 2013 to 2016. Foreign tax returns are generally subject to examination from 2013 to 2016.

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Note 11. Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss), net of tax, in the accompanying Consolidated Statements of Financial Condition represents the portion of accumulated other comprehensive income attributable to APAM, and consists of the following:

	As of December 31, 2017	As of December 31, 2016
Unrealized gain on investments, net of tax	$ 259	$ 37
Foreign currency translation gain (loss)	(1,132)	(1,685)
Accumulated Other Comprehensive Income (Loss)	$ (873)	$ (1,648)

Comprehensive income (loss) attributable to noncontrolling interests - Artisan Partners Holdings in the Consolidated Statements of Comprehensive Income (Loss) represents the portion of comprehensive income (loss) attributable to the equity ownership interests in Holdings held by the limited partners of Holdings.

Note 12. Earnings Per Share

The computation of basic and diluted earnings per share under the two-class method for the years ended December 31, 2017, 2016 and 2015 were as follows:

Basic and Diluted Earnings Per Share	For the Years Ended December 31,		
	2017	2016	2015
Numerator:			
Net income attributable to APAM	$49,599	$ 73,030	$ 81,801
Less: Allocation to participating securities	16,026	13,059	16,033
Net income available to common stockholders	$33,573	$ 59,971	$ 65,768
Denominator:			
Weighted average shares outstanding	44,647,313	38,137,810	35,448,550
Earnings per share	$0.75	$ 1.57	$ 1.86

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.

There were no dilutive securities outstanding during the years ended December 31, 2017, 2016 and 2015. The Holdings limited partnership units are anti-dilutive primarily due to the impact of public company expenses and unrecognized share-based compensation expense. Unvested restricted share-based awards are considered participating securities and are therefore anti-dilutive. The following table summarizes the weighted-average shares outstanding that are excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive:

Anti-Dilutive Weighted Average Shares Outstanding	For the Years Ended December 31,		
	2017	2016	2015
Holdings limited partnership units	26,837,118	32,784,750	34,960,945
Unvested restricted share-based awards	4,153,260	3,566,784	3,052,630
Total	30,990,378	36,351,534	38,013,575

Note 13. Benefit Plans

Artisan has a 401(k) plan and similar foreign arrangements for its non-U.S. employees, under which it provides a matching contribution on employees' pre-tax contributions. Expenses related to Artisan's benefits plans for the years ended December 31, 2017, 2016, and 2015 were $6.4 million, $6.0 million and $5.5 million, respectively, and are included in compensation and benefits in the Consolidated Statements of Operations.

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Artisan provides an opportunity for eligible employees to participate in Artisan's financial growth and success through equity linked incentive awards. Prior to 2015, designated employees received an annual award of units pursuant to the Equity Incentive Plan which vested on the third anniversary of the award date. The appreciation of the units, if any, was based upon a stated formula and paid in cash to participants after vesting. In 2015, Artisan began granting employees phantom equity awards, pursuant to the Artisan Partners Holdings LP Phantom Equity Plan. The phantom equity awards provide participants the right to receive cash payments upon vesting based on the trading price of APAM's Class A common stock. Awards made under the Phantom Equity Plan are liability awards and are subject to vesting on a pro rata basis over five years. Under both plans, award recipients must be employed by Artisan on the vesting date in order to receive payment.

Expenses related to these plans for the years ended December 31, 2017, 2016, and 2015 were $0.6 million, $0.1 million and $0.2 million, respectively, and are included in compensation and benefits in the Consolidated Statements of Operations. The liability at December 31, 2017 and 2016 for these plans was $0.6 million and $0.3 million, respectively.

Note 14. 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 us that have not yet occurred. APAM maintains insurance policies that may provide coverage against certain claims under these indemnities.

Note 15. Property and Equipment

The composition of property and equipment at December 31, 2017 and 2016 are as follows:

	As of December 31,	
	2017	2016
Computers and equipment	$7,770	$8,197
Computer software	4,372	5,366
Furniture and fixtures	8,658	7,920
Leasehold improvements	27,357	23,207
Total Cost	48,157	44,690
Less: Accumulated depreciation	(27,132)	(24,672)
Property and equipment, net of accumulated depreciation	$21,025	$20,018

Depreciation expense totaled $5.3 million, $5.2 million, and $4.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Note 16. Lease Commitments

Artisan has lease commitments for office space, furniture, and equipment, which are accounted for as operating leases. Certain lease agreements provide for scheduled rent increases over the lease term. Artisan records rent expense for operating leases with scheduled rent increases on a straight-line basis over the term of the respective agreement. In addition, Artisan has received certain lease incentives, which are amortized on a straight-line basis over the term of the lease agreement. Rental expense for the years ended December 31, 2017, 2016 and 2015 was $10.5 million, $9.8 million and $9.7 million, respectively.

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At December 31, 2017, the aggregate future minimum payments for leases for each of the following five years and thereafter are as follows:

2018	$11,420
2019	10,411
2020	9,875
2021	9,738
2022	8,840
Thereafter	26,762
Total	$77,046

Note 17. Related Party Transactions

Several of the current named executive officers of APAM and certain members of APAM's board (or their affiliates) 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 to the limited partners. At December 31, 2017 and 2016, accounts receivables included $2.3 million and $0.9 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 0.625% to 1.25%. Artisan generally collects revenues related to these services on the last business day of each month and records them in management fees in the Consolidated Statement of Operations.

Artisan has contractually agreed to waive its management fees or reimburse for expenses incurred to the extent necessary to limit annualized ordinary operating expenses incurred by certain of the Artisan Funds to not more than a fixed percentage (ranging from 0.88% to 1.50%) of a Fund's average daily net assets. In addition, Artisan may voluntarily waive fees or reimburse any of the Artisan Funds for other expenses. The officers and a director of Artisan Funds who are affiliated with Artisan receive no compensation from the funds.

Fees for managing the Funds and amounts waived or reimbursed by Artisan for fees and expenses (including management fees) are as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Investment management fees:			
Artisan Funds	$472,501	$453,579	$528,098
Fee waiver / expense reimbursement:			
Artisan Funds	$504	$719	$444

Affiliate transactions—Artisan Global Funds

Artisan has an agreement to serve as the investment manager to Artisan Global Funds, with which certain Artisan employees are affiliated. Under the terms of these agreements, a fee is paid based on an annual percentage of the average daily net assets of each fund ranging from 0.75% to 1.75%. Artisan reimburses each sub-fund of Artisan Global Funds to the extent that sub-fund's 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 affiliated with Artisan receive no compensation from the funds. Accounts receivable included $5.1 million and $1.8 million due from Artisan Global Funds as of December 31, 2017 and 2016, respectively.

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Fees for managing Artisan Global Funds and amounts reimbursed to Artisan Global Funds by Artisan are as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Investment management fees:			
Artisan Global Funds	$30,107	$16,981	$15,218
Fee waiver / expense reimbursement:			
Artisan Global Funds	$218	$381	$441

Affiliate transactions - Artisan Sponsored Private Funds

Pursuant to written agreements, Artisan serves as the investment manager of certain privately offered investment funds constituting the firm's privately offered strategies. Under the terms of these agreements, Artisan earns a management fee and is entitled to receive an allocation of profits. Artisan made aggregate seed investments of $32.3 million in the privately offered investment funds during the year ended December 31, 2017. Certain related parties, including employees, officers and members of the Company's board invested an additional $34.6 million in the funds. These related party investors currently do not pay a management fee or incentive allocation. In addition, for a period of time following the formation of the privately offered funds, Artisan has agreed to reimburse the funds to the extent that expenses, excluding Artisan's management fee and transaction related costs, exceed 1.00% per annum of the net assets of the funds. Artisan may also voluntarily waive fees or reimburse the funds for other expenses. Fees and incentive allocations for managing the privately offered funds were $39 thousand and $50 thousand, respectively, for the year ended December 31, 2017. All management fees and incentive allocations from the privately offered strategies were eliminated from revenue upon consolidation. Expense reimbursements totaled $290 thousand for the year ended December 31, 2017.

Note 18. Concentration of Credit Risk and Significant Relationships

Artisan generates a portion of its revenues from clients domiciled in various countries outside the United States. For the years ended December 31, 2017, 2016 and 2015, approximately 15%, 11% and 10% of Artisan's investment management fees, respectively, were earned from clients located outside of the United States.

Note 19. Litigation Matters

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

Note 20. Selected Quarterly Financial Data (Unaudited)

The following table presents unaudited quarterly results of operations for 2017 and 2016. These quarterly results reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results. Revenues and net income can vary significantly from quarter to quarter due to the nature of Artisan's business activities.

	For the Quarters Ended			
	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017
Total revenues	$184,074	$ 196,273	$ 204,556	$ 210,721
Operating income	$58,032	$ 66,503	$ 80,630	$ 81,246
Net income attributable to noncontrolling interests-Artisan Partners Holdings	$22,760	$ 22,197	$ 27,234	$ 26,847
Net income attributable to noncontrolling interests- consolidated investment products	$—	$ 4	$ 610	$ 1,486
Net income attributable to Artisan Partners Asset Management Inc.	$19,795	$ 26,632	$ 30,665	$ (27,493)
Earnings (loss) per basic and diluted share:	$0.37	$ 0.45	$ 0.61	$ (0.67)

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	For the Quarters Ended			
	March 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016
Total revenues	$174,529	$180,768	$ 184,081	$ 181,481
Operating income	$54,725	$59,013	$ 61,909	$ 58,587
Net income attributable to noncontrolling interests-Artisan Partners Holdings	$24,057	$25,092	$ 26,301	$ 24,521
Net income attributable to Artisan Partners Asset Management Inc.	$16,261	$18,384	$ 19,086	$ 19,299
Earnings per basic and diluted share:	$0.35	$0.38	$ 0.41	$ 0.42

The summation of quarterly earnings per share does not equal annual earnings per share because the calculations are performed independently.

Note 21. Subsequent Events

Restricted share-based awards

On February 1, 2018, the board of directors of APAM approved the grant of 1,518,970 restricted share-based awards to certain employees pursuant to the Company’s 2013 Omnibus Incentive Compensation Plan. Approximately half of these awards will vest pro rata in the first fiscal quarter of each of the next five years. The remaining awards will generally vest upon the satisfaction of both (1) pro-rata annual time vesting and (2) qualifying retirement (as defined in the award agreements). Compensation expense associated with these awards is expected to be approximately $59.8 million, which will be recognized on a straight-line basis over the requisite service period.

Distributions and dividends

On February 1, 2018, APAM, acting as the general partner of Artisan Partners Holdings, declared a distribution by Artisan Partners Holdings of $68.3 million to holders of Artisan Partners Holdings partnership units, including APAM. On the same date, the board of directors of APAM declared a quarterly dividend of $0.60 per share of Class A common stock and a special annual dividend of $0.79 per share of Class A common stock. Both common stock dividends, a total of $1.39 per share, are payable on February 28, 2018 to shareholders of record as of February 14, 2018.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 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 Rule 13a-15(e) and 15d-15(e) under the Exchange Act) at December 31, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Report of Management on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Company management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2017, based on the 2013 version of the Internal Control - Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on that assessment, Company management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8, which expresses an unqualified opinion on the effectiveness of internal control over financial reporting as of December 31, 2017.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2017, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the name, age and positions of each of our directors and executives officers at February 16, 2018:

Name	Age	Position
Matthew R. Barger	60	Independent Director
Seth W. Brennan	47	Independent Director
Tench Coxe	60	Independent Director
Stephanie G. DiMarco	60	Independent Director
Jeffrey A. Joerres	58	Independent Director
Andrew A. Ziegler	60	Lead Independent Director
Eric R. Colson	48	President, Chief Executive Officer and Chairman of the Board
Charles J. Daley, Jr.	55	Executive Vice President, Chief Financial Officer and Treasurer
Sarah A. Johnson	46	Executive Vice President, Chief Legal Officer and Secretary
Jason A. Gottlieb	48	Executive Vice President
James S. Hamman, Jr.	48	Executive Vice President
Gregory K. Ramirez	47	Executive Vice President

Mr. Barger has served on our Board since February of 2013. Mr. Barger is the chairman of the Board's Nominating and Corporate Governance Committee and also serves on the Board's Audit Committee. He is currently the managing member of MRB Capital, LLC, and he has been a senior advisor at Hellman & Friedman LLC ("H&F") since 2007. Prior to 2007, he served in a number of roles at H&F, including managing general partner and chairman of the investment committee. Mr. Barger was a member of the advisory committee of Artisan Partners Holdings from January 1995 to the completion of our initial public offering in March 2013. Prior to joining H&F, Mr. Barger was an associate in the corporate finance department of Lehman Brothers Kuhn Loeb. Mr. Barger graduated from Yale University in 1979 and received an MBA from the Stanford Graduate School of Business in 1983. He has been a director of Hall Capital Partners LLC since August 2007. Mr. Barger's expertise in the investment management industry and his broad experience in public and private directorships, finance, corporate strategy and business development provide valuable insight to our Board.

Mr. Brennan joined our Board in October of 2014 and currently serves on the Compensation Committee and Nominating and Corporate Governance Committee. Mr. Brennan is currently managing partner and co-founder of Lincoln Peak Capital. Prior to founding Lincoln Peak Capital in 2008, Mr. Brennan was an executive vice president and founding management team member of Affiliated Managers Group, Inc. Before joining Affiliated Managers Group, Mr. Brennan worked in the global insurance investment banking group at Morgan Stanley & Co. and in the financial institutions group at Wasserstein, Perella & Co. Mr. Brennan received a BA from Hamilton College. Mr. Brennan's operating and leadership experience in the investment management industry qualifies him to serve on our Board. He brings to the Board extensive experience in finance and business development.

Mr. Coxe has served on our Board since February of 2013 and currently serves on the Compensation Committee and Nominating and Corporate Governance Committee. He has been a managing director of Sutter Hill Ventures since 1989 and joined that firm in 1987 following his tenure with Digital Communications Associates in Atlanta. Prior to that, Mr. Coxe worked with Lehman Brothers in New York City, where he was a corporate finance analyst specializing in mergers and acquisitions as well as debt and equity financing. Mr. Coxe was a member of Artisan Partners Holdings' advisory committee from January 1995 to the completion of our initial public offering in March 2013. Mr. Coxe holds a BA in Economics from Dartmouth College and an MBA from Harvard Business School. He currently serves on the boards of directors of Mattersight Corporation and Nvidia Corporation. Mr. Coxe's wide-ranging leadership experience and his experiences with both public and private directorships enable him to provide additional insight to our Board and its committees.

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Ms. DiMarco has served on our Board since February 2013 and currently chairs the Audit Committee. Ms. DiMarco founded Advent Software, Inc. in June 1983 and served Advent in various capacities over time, including chair of its board of directors (September 2013 to July 2015), chief executive officer (May 2003 to June 2012) and chief financial officer (July 2008 to September 2009). She currently serves on the advisory board of the College of Engineering at the University of California Berkeley and the board of directors of Summer Search, a non-profit organization. She is a former member of the board of trustees of the University of California Berkeley Foundation, a former advisory board member of the Haas School of Business at the University of California Berkeley and a former trustee of the San Francisco Foundation where she chaired the investment committee. Ms. DiMarco holds a BS in Business Administration from the University of California at Berkeley. Ms. DiMarco's extensive experience in technological developments for the asset management industry and her management experience as a founder, officer and director of Advent provide perspective on the management and operations of a public company. In addition, her extensive financial and accounting experience strengthens our Board through her understanding of accounting principles, financial reporting rules and regulations, and internal controls.

Mr. Joerres has served on our Board since February of 2013. He currently chairs the Compensation Committee and serves as a member of the Audit Committee. Mr. Joerres was executive chairman and chairman of the board of directors of ManpowerGroup until his retirement in December 2015. From April 1999 until May 2014, he served as chief executive officer of ManpowerGroup. Prior to becoming chief executive officer, he served as vice president of marketing, senior vice president of European operations and senior vice president of global account management. Prior to joining ManpowerGroup, Mr. Joerres held the position of vice president of sales and marketing for ARI Network Services. Mr. Joerres currently serves on the board of directors of Western Union and is a member of the Committee for Economic Development. He is also past chairman and director of the Federal Reserve Bank of Chicago, a former director of Johnson Controls International plc, and a former trustee of the U.S. Council for International Business. Mr. Joerres served on the board of Artisan Partners Funds, Inc. from 2001 to 2011. Mr. Joerres holds a bachelor's degree from Marquette University's College of Business Administration. Mr. Joerres's operating and leadership experience as an officer and director of ManpowerGroup and his innovative approach to optimizing human capital provide the Board with insight into the management and operations of a public company.

Mr. Ziegler has served on our Board since March 2011 and is currently its Lead Independent Director. Mr. Ziegler served as Chairman of the Board from March 2011 to August 2015 and was our Executive Chairman from March 2011 to March 2014. Mr. Ziegler also served on the board of directors of Artisan Partners Funds, Inc. from January 1995 to November 2013. Mr. Ziegler was a managing director and the chief executive officer of Artisan Partners Holdings from its founding in 1994 through January 2010. Immediately prior to founding Artisan Partners, Mr. Ziegler was president and chief operating officer of Strong Capital Management, Inc. and president of the Strong Capital Management, Inc. group of mutual funds. Mr. Ziegler holds a BS from the University of Wisconsin-Madison and a JD from the University of Wisconsin Law School. Mr. Ziegler's operating and leadership experience as our past executive chairman and his extensive knowledge of our business and the investment management industry provide the Board with insight into the company and valuable continuity of leadership.

Mr. Colson has been President, Chief Executive Officer and a director of Artisan Partners Asset Management since March 2011 and has served as Chairman of the Board since August 1, 2015. He has also been a director of Artisan Partners Funds, Inc. since November 2013. Mr. Colson has served as chief executive officer of Artisan Partners since January 2010. Before serving as Artisan Partners' chief executive officer, Mr. Colson served as chief operating officer for investment operations from March 2007 through January 2010. Mr. Colson has been a managing director of Artisan Partners since he joined the Company in January 2005. Before joining Artisan Partners, Mr. Colson was an executive vice president of Callan Associates, Inc. Mr. Colson holds a BA in Economics from the University of California-Irvine.

Mr. Daley has been Executive Vice President, Chief Financial Officer and Treasurer of Artisan Partners Asset Management since March 2011. He has served as chief financial officer of Artisan Partners since August 2010 and has been a managing director since July 2010. Prior to that, Mr. Daley was chief financial officer, executive vice president and treasurer of Legg Mason, Inc. Mr. Daley holds a BS in Accounting from the University of Maryland, is an inactive certified public accountant, and holds a Series 27 license.

Ms. Johnson has been Executive Vice President, Chief Legal Officer and Secretary of Artisan Partners Asset Management and General Counsel of Artisan Partners since October 2013. From April 2013 to October 2013 she served as Assistant Secretary of Artisan Partners Asset Management. She has been general counsel of Artisan Partners Funds, Inc. since February 2011. She has also served as a director of certain private funds sponsored by Artisan Partners since 2017. Ms. Johnson was named a managing director of Artisan Partners in March 2010. Prior to joining the Company in July 2002, Ms. Johnson practiced law with the law firm of Bell, Boyd & Lloyd LLC, Chicago, Illinois. Ms. Johnson holds a BA from Northwestern University and a JD from Northwestern University School of Law.

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Mr. Gottlieb was appointed Executive Vice President of Artisan Partners Asset Management in February 2017. Mr. Gottlieb joined Artisan Partners in October 2016 as a managing director and Chief Operating Officer of Investments. Prior to joining the firm in October 2016, Mr. Gottlieb was a partner and managing director at Goldman Sachs where, since 2005, he was a leader in Goldman Sachs' Alternative Investment & Manager Selection Group. He also served as a portfolio manager on the Goldman Sachs Multi-Manager Alternatives Fund from the fund's inception in April 2013 until he left the firm in August 2016. Mr. Gottlieb holds a bachelor's degree in Finance from Siena College and an MBA from Fordham University.

Mr. Hamman was appointed Executive Vice President of Artisan Partners Asset Management in February 2016. He has been a managing director of Artisan Partners since April 2014 and currently has responsibility for overseeing global distribution. Prior to his current role, Mr. Hamman was responsible for overseeing human capital and corporate development and for providing legal advice with respect to various aspects of Artisan's advisory business. He also served as a director of Artisan Partners Global Funds from June 2010 to January 2018. Mr. Hamman joined Artisan Partners in March 2010. He holds a bachelor's degree in Business Administration from the University of Notre Dame and a JD from Northwestern University School of Law.

Mr. Ramirez was appointed Executive Vice President of Artisan Partners Asset Management in February 2016. From October 2013 to February 2016 he served as Senior Vice President and from April 2013 to October 2013 as Assistant Treasurer. He has been a managing director of Artisan Partners since April 2003. Mr. Ramirez currently has responsibility for overseeing vehicle administration and facilities and serves as chair of the Artisan Risk and Integrity Committee. He has served as chief financial officer, vice president and treasurer of Artisan Partners Funds, Inc. since February 2011 and a director of Artisan Partners Global Funds since June 2010 and as a director of certain private funds sponsored by Artisan Partners since 2017. His prior roles with Artisan Partners include controller, chief accounting officer and director of client accounting and administration. Mr. Ramirez holds a BBA in Accounting from the University of Iowa and an MBA from Marquette University. He is a Certified Public Accountant and holds a Series 27 license.

Under the terms of our Stockholders Agreement, our Stockholders Committee, which has the authority to vote approximately 23% of the combined voting power of our capital stock, is required to vote the shares subject to the agreement for the election of each of Mr. Barger and Mr. Colson. Under the agreement, Artisan is required to use its best efforts to elect Mr. Barger and Mr. Colson, which efforts must include soliciting proxies for, and recommending that the Company's stockholders vote in favor of, the election of each. For more information on the Stockholders Agreement and Stockholders Committee see Item 13 of this report. There are no family relationships among any of our directors or executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and regulations of the SEC require our directors, executive officers and, with certain exceptions, persons who own more than 10% of a registered class of our equity securities, as well as certain affiliates of such persons, to file with the SEC reports of ownership of, and transactions in, our equity securities. These reporting persons are further required to provide us with copies of these reports.

Based solely on our review of such reports and written representations by the reporting persons, we believe that during the fiscal year ended December 31, 2017, our directors, officers and owners of more than 10% of a registered class of our equity securities complied with all applicable filing requirements, except for one missed Form 4 for Mr. Ramirez relating to an exchange of APH partnership units for shares of the Company's Class A common stock. No sales took place in connection with the exchange.

Code of Ethics

Our Board has adopted a Code of Business Conduct applicable to all directors, officers and employees of the Company to provide a framework for the highest standards of professional conduct and foster a culture of honesty and accountability. The Code of Business Conduct satisfies applicable SEC requirements and NYSE listing standards. The Code of Business Conduct is available under the Corporate Governance link on our website at www.apam.com. We will provide a printed copy of the Code of Business Conduct to stockholders upon request.

We intend to post on our website at www.apam.com, all disclosures that are required by law or NYSE listing standards concerning any amendments to, or waivers from, any provision of our Code of Business Conduct.

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The Board and its Committees

The Board conducts its business through meetings of the Board and through meetings of its committees. The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The current members and chairpersons of the committees are:

Director*	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Matthew R. Barger	X		Chair
Seth W. Brennan		X	X
Tench Coxe		X	X
Stephanie G. DiMarco	Chair		
Jeffrey A. Joerres	X	Chair	
Andrew A. Ziegler			

*Our Board has determined that each of Matthew R. Barger, Seth W. Brennan, Tench Coxe, Stephanie G. DiMarco, Jeffrey A. Joerres and Andrew A. Ziegler is independent.

The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised solely of directors who meet the independence requirements under NYSE listing standards and the Securities Exchange Act, and who are “financially literate” under NYSE rules. The Board has determined that each member of the Audit Committee has “accounting or related financial management expertise” and qualifies as an “audit committee financial expert”.

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Item 11. Executive Compensation

Compensation Discussion and Analysis

Summary

The core elements of our named executive officers' compensation are base salary, a performance based discretionary cash bonus, and equity awards. A significant percentage of our named executive officers' compensation is variable and linked to his or her individual performance and the performance of the Company.

The following table shows the elements of compensation paid to our Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the three other most highly compensated officers (collectively, the named executive officers) with respect to 2017, 2016 and 2015. The amounts in this table vary from the data and reporting conventions required by SEC rules in the Summary Compensation Table below.

Name & Principal Position	Year	Salary	Cash Bonus	Restricted Share Grant	Total Direct Compensation	Incentive Pay as a % of Total Direct Compensation
Eric R. Colson	2017	$250,000	$5,000,000	$1,042,775	$ 6,292,775	96%
Chief Executive Officer	2016	250,000	4,800,000	283,000	5,333,000	95%
	2015	250,000	5,500,000	915,300	6,665,300	96%
Charles J. Daley, Jr.	2017	250,000	1,950,000	259,710	2,459,710	90%
Chief Financial Officer	2016	250,000	1,750,000	141,500	2,141,500	88%
	2015	250,000	2,000,000	305,100	2,555,100	90%
Sarah A. Johnson	2017	250,000	1,150,000	177,075	1,577,075	84%
Chief Legal Officer	2016	250,000	1,050,000	141,500	1,441,500	83%
	2015	250,000	1,200,000	305,100	1,755,100	86%
James S. Hamman, Jr.	2017	250,000	1,100,000	177,075	1,527,075	84%
Executive Vice President	2016	250,000	1,000,000	283,000	1,533,000	84%
Jason A. Gottlieb, Executive Vice President	2017	250,000	2,500,000	521,388	3,271,388	92%

Total compensation paid to Mr. Colson, Mr. Daley, Ms. Johnson, and Mr. Hamman with respect to 2017 was higher than total compensation paid to them with respect to 2016. The year-over-year increase reflects the fact that, in 2017, our financial performance improved compared to 2016. Our average assets under management increased by 13% and revenues increased by 10%. Adjusted net income increased by 15%, and our adjusted operating margin increased from 36.4% to 37.6%. In addition to the improvement in our financial performance, there were a number of business and financial accomplishments in 2017, including:

- Our assets under management as of December 31, 2017 were $115.5 billion, our highest year-end assets under management.
- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Of our 13 strategies launched prior to 2017, ten have outperformed their broad-based benchmarks since inception, with average annual out-performance ranging from 1.61% to 5.23% points, after fees.
- We furthered the franchise development, in terms of leadership, resources, economic alignment, and culture, of our eight investment teams.
- During the year, we launched four new investment strategies, the most strategies we have established in a single year.
- We continued to increase the geographic diversification of our business. At year-end, $22.7 billion, or 20%, of our total assets under management were from clients domiciled outside the U.S.
- We refinanced $60 million of senior notes and extended our $100 million revolving credit facility through August 2022.

- We declared and distributed dividends of $2.76 per share of Class A common stock during 2017, and have declared a total of $3.19 of dividends with respect to 2017.
- We successfully completed our February 2017 follow-on offering and continued to evolve our capital structure.

Our executive compensation program includes the following features that we believe reflect sound corporate pay governance:

- We do not have employment or other agreements that provide termination benefits outside the context of a change in control.

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- Generally one-half of the restricted shares awarded to our executive officers in connection with the prior year's performance are Career Shares that, with certain exceptions, will only vest if and when the recipient retires from the Company in accordance with qualifying retirement conditions.
- All of our outstanding unvested equity awards to executive officers include double-trigger change in control provisions.
- We maintain equity ownership guidelines, pursuant to which executive officers are required to hold Company equity equal in value to eight times base salary for the Chief Executive Officer and three times base salary for all other executive officers.
- Our executive officers are subject to a clawback policy that permits the Board to recover incentive compensation from an executive officer if his or her fraud or willful misconduct led to a material restatement of financial results.
- We do not provide "golden parachute" tax gross ups.
- None of our named executive officers have bonus guarantees.
- We do not offer retirement income or pension plans other than the same 401(k) plan that is available to all employees.
- We do not maintain any benefit plans or perquisites that cover only one or more of our named executive officers.
- Our insider trading policy prohibits hedging or pledging of Company stock by our employees.
- Our Compensation Committee receives input from an independent compensation consultant.

In February 2018, the Compensation Committee recommended and the Board approved equity ownership guidelines and a clawback policy for executive officers.

Pursuant to the equity ownership guidelines, executive officers are expected to own shares of the Company's common stock (including standard restricted shares and career shares) or Class B common units of Artisan Partners Holdings equal in value to eight times base salary for the Chief Executive Officer and three times base salary for all other executive officers. Current executive officers have a period of five years from the time the guidelines were adopted in February 2018 to comply with the ownership requirements. In addition, in the future, any individual becoming an executive officer will have a period of five years from the time of his or her designation as an executive officer to comply with the guidelines.

The clawback policy provides that in the event of a material restatement of the Company's financial results within three years of the original reporting, the Board will review the facts and circumstances that led to the restatement and, if the Board determines that an executive officer engaged in fraud or willful misconduct leading to material noncompliance with any financial reporting requirements and the restatement, the Board may choose to recover incentive compensation paid to an executive officer in an amount that the Board determines is the difference between the amount of incentive compensation paid or granted to the executive officer and the amount of incentive compensation that would have been paid or granted to the executive officer based upon the restated financial results. Incentive compensation subject to this policy includes both cash bonuses and equity awards.

Objectives of the Compensation Program

We believe that to create long-term value for our stockholders our management team needs to focus on the following business objectives:

- Achieving profitable and sustainable financial results.
- Delivering superior investment performance and client service.
- Attracting and retaining top investment talent whose interests are aligned with our clients and stockholders.
- Expanding our investment capabilities through thoughtful growth.
- Continuing to diversify our sources of assets.

Our executive compensation program is designed to:

- Support our business strategy.
- Attract, motivate and retain highly talented, results-oriented individuals.
- Reward the achievement of superior and sustained long-term performance.
- Be flexible and responsive to evolving market conditions.
- Align the interests of our named executive officers with our stockholders.
- Provide competitive pay opportunities.

Determination of Compensation

Role of Compensation Committee, Board and Chief Executive Officer. Our Compensation Committee, which is comprised solely of directors who qualify as independent under applicable SEC and NYSE rules, has ultimate responsibility for all compensation decisions relating to our named executive officers. Other members of the Board regularly attend and participate in meetings of the Compensation Committee, and the members of the Compensation Committee and Board regularly meet in executive session without management present. The decisions of the Compensation Committee are reported to the entire Board.

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Our Chief Executive Officer evaluates the performance of, and makes recommendations to our Compensation Committee regarding compensation matters involving, the other named executive officers. The Compensation Committee retains the ultimate authority to approve, reject or modify those recommendations. The Compensation Committee independently evaluates our Chief Executive Officer's performance and determines our Chief Executive Officer's compensation.

Use of Compensation Consultant. Our Compensation Committee has retained the services of McLagan, a compensation consultant, to provide advice regarding our named executive officer compensation program and compensation trends in the asset management industry. McLagan must receive pre-approval from the chairperson of our Compensation Committee prior to accepting any non-survey-related work from management. Other than compensation surveys and multi-client studies where McLagan provided information, but not advice, McLagan did not provide any services to management in 2017. Our Compensation Committee has assessed the independence of McLagan pursuant to SEC rules and concluded that no conflict of interest exists that prevents McLagan from independently advising the Compensation Committee.

Peer Group Compensation Review. Our Compensation Committee considers the individual and aggregate pay levels and financial performance of other asset management companies in connection with its compensation decision-making process. We do not seek to benchmark our executive compensation to that of our peers. Instead, the Compensation Committee reviews the information to stay informed of competitive pay levels and compensation trends in the asset management industry.

Tax and Accounting Considerations. When it reviews compensation matters, our Compensation Committee considers the anticipated tax and accounting treatment of various payments and benefits to the Company and, when relevant, to its named executive officers, although these considerations are not dispositive.

Results of Advisory Votes on Compensation. The Compensation Committee considers the results of the Company's advisory votes on compensation when determining the amount and type of compensation paid to the named executive officers and the structure of the executive compensation program generally. The Company's first advisory votes on executive compensation and frequency of advisory votes on executive compensation took place in connection with the Company's 2016 annual meeting of stockholders. The advisory votes resulted in the approval of the Company's 2015 executive compensation and a frequency of executive compensation advisory votes of every three years. The next advisory vote on executive compensation will occur in connection with the Company's 2019 annual meeting of stockholders, at which the stockholders will vote on the Company's 2018 executive compensation.

Elements of our Named Executive Officers' Compensation and Benefits

The elements of our named executive officer compensation program include:

- Base salary.
- Annual performance based discretionary cash bonus.
- Equity compensation.
- Retirement benefits.
- Other benefits.

Base Salary

Base salaries are intended to provide our named executive officers with a degree of financial certainty and stability that does not depend on performance and that does not differentiate among the responsibilities, contributions or performance of our named executive officers. Instead, we consider it a baseline compensation level that delivers some

current cash income to our named executive officers. As is typical in the asset management industry, our named executive officers' base salaries represent a relatively small portion of their overall total direct compensation. We believe that the majority of their pay should be in the form of variable compensation tied to performance. Further, we believe in a model of managed fixed costs and the potential for substantial upside to productive employees and view this compensation structure as promoting our business objectives. Each of our named executive officers received an annual base salary of $250,000 in 2017. The $250,000 annual base salary for named executive officers has remained unchanged over the last decade.

Annual Performance Based Discretionary Cash Bonus

Cash incentive compensation is the most significant part of our named executive officers' total direct compensation. Annual cash incentive compensation is determined at or after the end of each year and is based on the Compensation Committee's assessment of individual and company-wide performance measured over long-term periods. We do not use predetermined incentive formulas to evaluate performance or determine pay. The Compensation Committee considers the execution of certain key strategic priorities, as well as business and financial metrics.

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At its January 2017 meeting, our Compensation Committee discussed target bonus amounts for each named executive officer and a set of key strategic priorities and business and financial metrics against which to evaluate performance and determine bonuses for 2017. At each subsequent meeting, the Compensation Committee reviewed the status of the strategic priorities and assessed the business and financial metrics.

In December 2017 the Compensation Committee determined annual cash bonuses for the 2017 named executive officers based on its assessment of the named executive officers' execution of strategic priorities and our 2017 business and financial results. In shaping its decisions with respect to all of the named executive officers, the Compensation Committee considered the following:

- Our assets under management as of December 31, 2017 were $115.5 billion, our highest year-end assets under management.
- Our investment teams continued to generate strong absolute and relative investment returns for clients and investors. Of our 13 strategies launched prior to 2017, ten have outperformed their broad-based benchmarks since inception, with average annual out-performance ranging from 1.61% to 5.23% points, after fees.
- We furthered the franchise development, in terms of leadership, resources, economic alignment, and culture, of our eight investment teams.
- During the year, we launched four new investment strategies, the most strategies we have established in a single year.

- We continued to increase the geographic diversification of our business. At year-end, $22.7 billion, or 20%, of our total assets under management were from clients domiciled outside the U.S.
- We refinanced $60 million of senior notes and extended our $100 million revolving credit facility through August 2022.
- We declared and distributed dividends of $2.76 per share of Class A common stock during 2017, and have declared a total of $3.19 of dividends with respect to 2017.
- We successfully completed our February 2017 follow-on offering and continued to evolve our capital structure.
- Maintaining and enhancing relationships and communication with clients, investors, employees, and potential new investment talent.

Based on these achievements and our financial and business performance, the Compensation Committee determined to pay 2017 cash incentive awards as follows: $5,000,000 for Mr. Colson; $1,950,000 for Mr. Daley; $1,150,000 for Ms. Johnson; $1,100,000 for Mr. Hamman; and $2,500,000 for Mr. Gottlieb.

Equity Compensation

We strongly believe that equity participation causes employees to think and act like owners. Each of our named executive officers has significant holdings in the Company's equity, through a mix of standard restricted shares, career shares and, for those executive officers who are employee-partners, Class B common units of Artisan Partners Holdings. We place significant restrictions on the number of Class B common units that our named executive officers may sell in any given year. These restrictions, together with an annual award of career shares that generally do not vest until a qualified retirement, result in our named executive officers maintaining a significant level of equity ownership. To further ensure that a significant amount of equity is held by our named executive officers, in February 2018 our Board adopted a set of equity ownership guidelines, pursuant to which our executive officers are required to hold Company equity equal in value to eight times base salary for the Chief Executive Officer and three times base salary for all other executive officers.

We grant equity to our named executive officers in the form of standard restricted shares and career shares. Our standard restricted shares vest pro-rata over the five years following the date of grant, subject to continued employment. For career shares to vest, both of the following conditions must be met:

- Pro rata time-vesting, under which 20% of the shares satisfy this condition in each of the five years following the year of grant.
- Qualifying retirement, which generally requires that the recipient (i) has been employed by us for at least 10 years at retirement; (ii) had provided, in the case of named executive officers and portfolio managers, three years' prior written notice of retirement (which can be reduced at our discretion); and (iii) remains at the Company through the retirement notice period.

Career shares and standard restricted shares will also vest upon a termination of employment due to death or disability. In addition, after the fifth anniversary of the grant date, if the Company terminates a recipient without cause (as defined in the award agreement), career shares will fully vest. And after a change of control, if the Company terminates a recipient without cause or he or she resigns for good reason, in either case, within two years of the change in control, the shares will fully vest.

We believe that career shares further align the interests of our named executive officers, portfolio managers, and other senior employees with our stockholders and clients and will incentivize recipients to remain at our firm until they are ready to leave in a thoughtful and structured way. Both standard restricted shares and career shares are awarded pursuant to the Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan.

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In February 2018, our Compensation Committee recommended, and our Board subsequently approved, equity grants in respect of 2017 performance to certain of our employees, including to our named executive officers. The aggregate award constituted a total of approximately 1.5 million shares, of which a total of 55,350 shares (or 4% of the total grant) were awarded to our named executive officers as follows: 13,250 standard restricted shares and 13,250 career shares for Mr. Colson; 3,300 standard restricted shares and 3,300 career shares for Mr. Daley; 2,250 standard restricted shares and 2,250 career shares for Ms. Johnson; 2,250 standard restricted shares and 2,250 career shares for Mr. Hamman and 6,625 standard restricted shares and 6,625 career shares for Mr. Gottlieb. The size of the award to each named executive officer was determined by the Compensation Committee in consultation with our Chief Executive Officer. By accepting the awards, each of our named executive officers agreed to certain restrictive covenants, including agreements not to compete with Artisan or solicit Artisan clients and employees, for one year after he or she ceases to be employed by Artisan.

We intend to continue to grant annual equity-based awards to our named executive officers under the Omnibus Plan, which provides for a wide variety of equity awards. The size and structure of the equity awards granted with respect to 2017 may not be indicative of future awards. Future equity awards may be granted in a mix of restricted shares (both standard and career) and options and subject to both time- and performance-based vesting. We generally intend to continue to grant our named executive officers a 50-50 ratio of career shares and standard restricted shares.

Retirement Benefits

We believe that providing a cost-effective retirement benefit for the Company’s employees is an important recruitment and retention tool. Accordingly, the Company maintains, and each of the named executive officers participates in, a contributory defined contribution retirement plan for all U.S.-based employees, and matches 100% of each employee’s contributions (other than catch-up contributions by employees age 50 and older) up to the 2017 limit of $18,000. We also maintain retirement plans or make retirement plan contributions (or equivalent cash payments) for our employees based outside the U.S. The opportunity to participate in a retiree health plan, at the sole expense of the retiree, is available to employee-partners and career share recipients who have at least 10 years of service with us at the time of retirement.

Other Benefits

Our named executive officers participate in the employee health and welfare benefit programs we maintain, including medical, group life and long-term disability insurance, and health care savings accounts, on the same basis as all U.S. employees, subject to satisfying any eligibility requirements and applicable law. We also generally provide employer-paid parking or transit assistance and, for our benefit and convenience, on-site food and beverages; our named executive officers enjoy those benefits on the same terms as all of our employees.

Risk Management and Named Executive Officer Compensation

We have identified two primary risks relating to compensation: the risk that compensation will not be sufficient in amount or appropriately structured to attract and to retain talent, and the risk that compensation may provide unintended incentives. To combat the risk that our compensation might not be sufficient or be inappropriately structured, we strive to use a compensation structure, and set compensation levels, for all employees in a way that we believe promotes retention. We make equity awards subject to multi-year vesting schedules to provide a long-term component to our compensation program, and in 2014 we introduced career shares to our equity compensation program. We believe that both the structure and levels of compensation have aided us in attracting and retaining key personnel. To address the risk that our compensation programs might provide unintended incentives, we have deliberately kept our compensation programs simple and without formulaic incentives. We have not seen any employee behaviors motivated by our compensation policies and practices that create increased risks for our

stockholders.

Based on the foregoing, we do not believe that our compensation policies and practices motivate imprudent risk taking. Consequently, we are satisfied that any potential risks arising from our employee compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Our Compensation Committee will continue to monitor the effects of its compensation decisions to determine whether risks are being appropriately managed.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Seth W. Brennan, Tench Coxe and Jeffrey A. Joerres, each of whom is an independent director under the rules of the NYSE and our Governance Guidelines. None of the members of the Compensation Committee has been an officer or employee of the Company. None of our named executive officers serves on the board of directors or compensation committee of a company that has an executive officer that serves on our Board.

In connection with our initial public offering, we entered into agreements with all limited partners of Artisan Partners Holdings, including with entities associated with Tench Coxe. Information about the agreements, and transactions thereunder, are more fully discussed in Item 13 of this report.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management, and based upon such review and discussion, has recommended to the Board that the Compensation Discussion and Analysis be included in Artisan Partners Asset Management's annual report on Form 10-K and proxy statement.

Compensation Committee:

Jeffrey A. Joerres, Chairperson
Seth W. Brennan
Tench Coxe

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically requests that the information be treated as soliciting materials or incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

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Summary Compensation Table [1]

The following table provides information regarding the compensation earned during the years ended December 31, 2015, 2016 and 2017 by each of our named executive officers. Columns for "Option Awards", "Non-Equity Incentive Plan Compensation" and "Change in Pension Value and Nonqualified Deferred Compensation Earnings" do not appear in the following table as they do not pertain to the Company.

The applicable SEC rules require that the value of an equity award be attributed to the year in which the award was made (not the year with respect to which the award was made) for purposes of the Summary Compensation Table below. Accordingly, the stock awards reported for 2015 are $0 (because we did not make any awards in 2015) and the stock awards reported for 2016 and 2017 reflect the awards made in January 2016 and January 2017, respectively. Because we believe the value of the equity awards we make in January of each year should be considered a part of each named executive officer's compensation for the prior year, we have included those values in the table at the beginning of this Item 11, as well as in the first footnote below.

Name & Principal Position	Year	Salary	Bonus [2]	Stock Awards[3]	All Other Compensation[4]	Total
Eric R. Colson	2017	$250,000	$5,000,000	283,000	$ 216,778	$5,749,778
Chief Executive Officer	2016	250,000	4,800,000	915,300	147,884	6,113,184
	2015	250,000	5,500,000	—	168,041	5,918,041
Charles J. Daley, Jr.	2017	250,000	1,950,000	141,500	119,171	2,460,671
Chief Financial Officer	2016	250,000	1,750,000	305,100	89,991	2,395,091
	2015	250,000	2,000,000	—	106,383	2,356,383
Sarah A. Johnson	2017	250,000	1,150,000	141,500	100,036	1,641,536
Chief Legal Officer	2016	250,000	1,050,000	305,100	81,956	1,687,056
	2015	250,000	1,200,000	—	79,152	1,529,152
James S. Hamman, Jr., [5]	2017	250,000	1,100,000	283,000	46,110	1,679,110
Executive Vice President	2016	250,000	1,000,000	305,100	56,532	1,611,632
Jason A. Gottlieb, [6] Executive Vice President	2017	250,000	2,500,000	990,500	43,403	3,783,903

[1] The summary compensation table above includes the value of restricted shares that were granted to each named executive officer in each year presented, as required by SEC disclosure rules. The supplemental table below includes the value of the restricted shares that we granted to each named executive officer in 2016, 2017 and 2018 with respect to 2015, 2016 and 2017 performance, respectively.

Name	Year	Salary	Bonus	Stock Awards	All Other Compensation	Total
Eric R. Colson	2017	$250,000	$5,000,000	$1,042,775	$ 216,778	$6,509,553
	2016	250,000	4,800,000	283,000	147,884	5,480,884
	2015	250,000	5,500,000	915,300	168,041	6,833,341
Charles J. Daley, Jr.	2017	250,000	1,950,000	259,710	119,171	2,578,881
	2016	250,000	1,750,000	141,500	89,991	2,231,491
	2015	250,000	2,000,000	305,100	106,383	2,661,483
Sarah A. Johnson	2017	250,000	1,150,000	177,075	100,036	1,677,111
	2016	250,000	1,050,000	141,500	81,956	1,523,456
	2015	250,000	1,200,000	305,100	79,152	1,834,252
James S. Hamman, Jr.	2017	250,000	1,100,000	177,075	46,110	1,573,185
	2016	250,000	1,000,000	283,000	56,532	1,589,532
Jason A. Gottlieb	2017	250,000	2,500,000	521,388	43,403	3,314,791

[2] Amounts in this column represent the

annual discretionary cash bonus compensation earned by our named executive officers in 2017, 2016 and 2015, as applicable. The amounts for 2017 were paid in December 2017. The amounts for 2016 and 2015 were paid in February following each year presented.

(3) As discussed above, we believe the value of the equity awards we made in 2016, 2017 and 2018 should be considered a part of each named executive officer's compensation for 2015, 2016 and 2017, respectively. Accordingly, the grant date fair value of those awards is reflected in the "Stock Awards" and "Total" columns in the supplemental table in footnote 1. The values reported represent the grant date fair value as computed in accordance with FASB ASC

Topic 718 based upon the price of our common stock at the grant date.

(4) Amounts in this column represent the aggregate dollar amount of all other compensation received by our named executive officers. All other compensation includes, but is not limited to (a) company matching contributions to our named executive officers' contributory defined contribution plan accounts equal to 100% of their pre-tax contributions (excluding catch-up contributions for named executive officers age 50 and older), up to the limitations imposed under applicable tax rules, which contributions totaled $18,000 for each named executive officer in 2017; (b) reimbursement for 2017 self-employment payroll tax

expense as follows: $171,492 for Mr. Colson; $73,620 for Mr. Daley; and $52,919 for Ms. Johnson.

(5) Because Mr. Hamman first became an executive officer in 2016, no disclosure is included for 2015.

(6) Because Mr. Gottlieb first became an executive officer in 2017, no disclosure is included for 2016 or 2015.

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Grants of Plan-Based Awards During 2017

The following table provides information regarding plan-based awards granted to each of our named executive officers in the year ended December 31, 2017.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)[1]	Grant Date Fair Value of Stock Awards ($)[2]
Eric R. Colson	1/27/2017	10,000	$283,000
Charles J. Daley, Jr.	1/27/2017	5,000	141,500
Sarah A. Johnson	1/27/2017	5,000	141,500
James S. Hamman, Jr.	1/27/2017	10,000	283,000
Jason A. Gottlieb	1/27/2017	35,000	990,500

(1) Represents the number of restricted shares of our Class A common stock granted in January 2017, which were awarded as follows:

Name	Standard Restricted Shares	Career Shares
Eric R. Colson	5,000	5,000
Charles J. Daley, Jr.	2,500	2,500
Sarah A. Johnson	2,500	2,500
James S. Hamman, Jr.	3,928	6,072
Jason A. Gottlieb	35,000	—

(2) Represents the grant date fair value as computed in accordance with FASB ASC Topic 718 based upon the price of our common stock at the grant date.

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Outstanding Equity Awards at December 31, 2017

The following table provides information about the outstanding unvested equity-based awards held by each of our named executive officers as of December 31, 2017.

Name	Number of Shares and Units of Stock That Have Not Vested(#)[1]	Market Value of Shares and Units of Stock That Have Not Vested($)[2]
Eric R. Colson	53,050	$ 2,095,475
Charles J. Daley, Jr.	21,700	857,150
Sarah A. Johnson	20,600	813,700
James S. Hamman, Jr.	25,546	1,009,067
Jason A. Gottlieb	67,609	2,670,556

[1] Represents the number of unvested restricted shares (both career shares and standard restricted shares) of Class A common stock as of December 31, 2017:

Name	Standard Restricted Shares [A]	Career Shares [B]
Eric R. Colson	24,800	28,250
Charles J. Daley, Jr.	10,200	11,500
Sarah A. Johnson	9,100	11,500
James S. Hamman, Jr.	6,565	18,981
Jason A. Gottlieb	67,609	—

(A) Standard restricted shares vest in five equal installments over the five years following the date of grant, provided that the holder remains employed through the vesting dates. Standard restricted shares will also vest upon a termination of employment on account of the holder's death or disability or upon a qualifying termination of employment in connection with a change in control.

(B) Career shares vest as described above in "-Compensation Discussion and Analysis - Equity-Based Compensation."

[2] Restricted shares of Class A common stock were valued based on the closing price of our Class A common stock on the NYSE on December 31, 2017, which was $39.50.

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Equity Awards Vested During the Year Ended December 31, 2017

The following table provides information about the value realized by each of our named executive officers during the year ended December 31, 2017, upon the vesting of equity awards.

Name	Number of Shares or Units Acquired Upon Vesting(#)[1]	Value Realized on Vesting($)[2]
Eric R. Colson	20,121	$ 620,286
Charles J. Daley, Jr.	18,047	558,217
Sarah A. Johnson	5,022	154,552
James S. Hamman, Jr.	1,818	56,176
Jason A. Gottlieb	3,623	108,871

[1] Represents the number of standard restricted shares of Class A common stock and Class B common units that vested during the year ended December 31, 2017:

Name	Vested Shares of Class A Common Stock	Vested Class B Common Units
Eric R. Colson	9,150	10,971
Charles J. Daley, Jr.	3,900	14,147
Sarah A. Johnson	2,800	2,222
James S. Hamman, Jr.	1,818	—
Jason A. Gottlieb	3,623	—

Class B common units are exchangeable for shares of our Class A common stock on a one-for-one basis. However, the Class A common stock received upon exchange is generally subject to restrictions on the amount that may be sold in any one year period.

[2] The value of the restricted shares of Class A common stock and Class B common units that vested during 2017 is based on the stock price of our Class A common stock on each respective vesting date.

CEO Pay Ratio - 29:1

The Compensation Committee reviewed a comparison of our CEO's annual total compensation in 2017 to that of the median of the annual total compensation of all other Company employees (the "Median Employee") for the same period. The calculation of annual total compensation of all employees was determined in the same manner as the "Total Compensation" shown for our CEO in the Summary Compensation Table above. Pay elements that were included in 2017 annual total compensation for each employee included, as applicable, the following items:

•Salary

- Annual discretionary cash bonus earned
- Grant date fair value of restricted stock awards granted in 2017
- Grant date fair value of phantom equity awards granted in 2017
- Company matching contributions to our 401(k) Plan
- Health and vision insurance premiums paid by the Company
- Health savings account contributions made by the Company
- Life insurance premiums paid by the Company
- Reimbursement for employee-partners' self-employment payroll tax expense
- Allowances for housing, parking and commuting costs
- Employee tuition paid by the Company

Our calculation includes all employees as of December 31, 2017. Compensation of our median employee was determined by calculating the annual total compensation described above for each of our employees. The annual total compensation for 2017 for our CEO was $5,749,778 and for the Median Employee was $197,932. The resulting ratio of our CEO's pay to the pay of our Median Employee for 2017 is 29 to 1.

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Pension Benefits

We do not sponsor or maintain any defined benefit pension or retirement benefits for the benefit of our employees.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

We do not sponsor or maintain any nonqualified defined contribution or other nonqualified deferred compensation plans for the benefit of our employees.

Employment Agreements

We do not have employment agreements with any of our named executive officers. Upon commencement of employment, each named executive officer received an offer letter outlining the initial terms of employment, including base salary and cash incentive compensation. None of these terms affected compensation paid to our named executive officers in 2017, except with respect to certain payments made and equity awards granted to Mr. Gottlieb prior to becoming an executive officer of the Company. The terms of our named executive officers' offer letters will not affect compensation paid in future years.

Each of the named executive officers has agreed, pursuant to his or her Class A restricted stock award agreements, to certain restrictive covenants, including agreements not to compete with Artisan, or solicit Artisan clients and employees, for one year after he or she ceases to be employed by Artisan. The enforceability of the restrictive covenants may be limited depending on the particular facts and circumstances.

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Potential Payments Upon Termination or Change in Control

Our named executive officers are all employed on an “at will” basis, which enables us to terminate their employment at any time. Our named executive officers do not have agreements that provide severance benefits. We do not offer or have in place any formal retirement, severance or similar compensation programs providing for additional benefits or payments in connection with a termination of employment, change in job responsibility or change in control (other than our contributory defined contribution plan). Under certain circumstances, a named executive officer may be offered severance benefits to be negotiated at the time of termination.

Equity awards granted to our named executive officers are evidenced by an award agreement that sets forth the terms and conditions of the award and the effect of any termination event or a change in control on unvested awards. The effect of a termination event or change in control on outstanding equity awards varies by the type of award. The following table provides the value of equity acceleration that would have been realized for each of the named executive officers if he or she had been terminated on December 31, 2017 under the circumstances indicated (including following a change in control).

As discussed above, each of our named executive officers has been granted career shares that are designed to vest upon a qualifying retirement. A qualifying retirement requires 10 years of service with the Company as of the date of retirement and three years’ advance notice of retirement, which we may waive to no less than one year. Career shares also include a pro rata time-vesting requirement, under which 20% of the shares become eligible for qualifying retirement vesting in each of the five years following the year of grant. While none of our named executive officers has provided us with notice of intent to retire, the amounts shown in the “Retirement” column reflect the value of career shares that have satisfied the time-vesting and 10 years of service requirements as of December 31, 2017, had the named executive officer satisfied the advance notice requirement as of that date. In addition, the amount of shares received upon exchange of Class B common units that may be sold in any one-year period may also increase upon a named executive officer’s retirement, so long as the officer provided us with sufficient notice of retirement and has at least 10 years of service at retirement.

	Death or Disability	Qualifying Termination in Connection with Change in Control	Retirement
Eric R. Colson			
Standard Restricted Shares [1]	$ 979,600	$ 979,600	$ —
Career Shares[2]	1,115,875	1,115,875	314,025
Charles J. Daley, Jr.			
Standard Restricted Shares [1]	402,900	402,900	—
Career Shares[2]	454,250	454,250	—
Sarah A. Johnson			
Standard Restricted Shares [1]	359,450	359,450	—
Career Shares[2]	454,250	454,250	134,300
James S. Hamman, Jr.			
Standard Restricted Shares [1]	259,318	259,318	—
Career Shares[2]	749,750	749,750	—
Jason A. Gottlieb			
Standard Restricted Shares [1]	2,670,556	2,670,556	—
Career Shares[2]	—	—	—

(1) Represents the value of the accelerated vesting of restricted shares of Class A common stock based on the closing price of our Class A common stock on the NYSE on December 31, 2017, which was $39.50 per share. Any standard restricted shares will become fully vested upon the holder's death or disability or upon a qualifying termination of employment in connection with a change in control (subject to continued employment through such occurrence).

(2) Represents the value of the accelerated vesting and retirement vesting of career shares based on the closing price of our Class A common stock on the NYSE as of December 31, 2017, which was $39.50 per share. Any career shares will become fully vested upon the holder's death or disability or upon a qualifying termination of employment in connection with a change in control (subject to continued employment through such occurrence). Career shares also vest upon qualifying retirement, as discussed above.

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DIRECTOR COMPENSATION

The Company's director compensation program is designed to attract and retain highly qualified non-employee directors. For fiscal year 2017, the director compensation program entitled non-employee directors to a cash component, designed to compensate directors for their service on the Board, and an equity component, designed to align the interests of the directors with those of the Company's stockholders.

For 2017, the standard equity component of the Company's director compensation program consisted of $100,000 of restricted stock units for each of the non-employee directors awarded under the Artisan Partners Asset Management Inc. 2013 Non-Employee Director Compensation Plan. The shares of Class A common stock underlying the restricted stock units will be delivered on the earlier to occur of (i) a change in control of APAM and (ii) the termination of the director's service as a director.

During 2017, each non-employee director was entitled to receive cash payments of $50,000, paid in four quarterly installments. The lead director and chairperson of our Audit Committee were entitled to receive an additional cash retainer of $50,000, and the chairpersons of each of the Compensation Committee and Nominating and Corporate Governance Committee were entitled to receive an additional cash retainer of $40,000. Each of our non-employee directors elected to receive the value of this cash compensation in the form of additional restricted stock units.

As a result, an additional number of restricted stock units were granted to each non-employee director in January of 2017, the value of which equaled the amount of cash compensation to which each director was entitled. One-quarter of the units awarded in lieu of cash compensation vested in each quarter of 2017.

In addition, all directors are reimbursed for reasonable out-of-pocket expenses incurred by them in connection with attending Board, committee and stockholder meetings, including those for travel, meals and lodging. These reimbursements are not reflected in the table below.

Mr. Colson does not receive any additional compensation for serving on the Board.

The following table provides information concerning the 2017 compensation of each non-employee director who served in fiscal year 2017.

Name	Stock Awards
Matthew R. Barger[1]	$190,000
Seth W. Brennan[2]	150,000
Tench Coxe[3]	150,000
Stephanie G. DiMarco[4]	200,000
Jeffrey A. Joerres[5]	190,000
Andrew A. Ziegler[6]	200,000

[1] On December 31, 2017, Mr. Barger had 21,547 restricted stock units outstanding.

[2] On December 31, 2017, Mr. Brennan had 13,278 restricted stock units outstanding.

[3] On December 31, 2017, Mr. Coxe had 18,006 restricted stock units outstanding.

(4) On December 31, 2017, Ms. DiMarco had 22,432 restricted stock units outstanding.
(5) On December 31, 2017, Mr. Joerres had 21,547 restricted stock units outstanding.
(6) On December 31, 2017, Mr. Ziegler had 19,404 restricted stock units outstanding.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of our common stock as of February 16, 2018, for:

- each person known by us to beneficially own more than 5% of any class of our outstanding shares, as of February 16, 2018;
- each of our named executive officers;
- each of our directors; and
- all of our named executive officers and directors as a group.

Because we have disclosed the ownership of shares of our Class B common stock and Class C common stock (which correspond to partnership units that are exchangeable for Class A common stock), the shares of Class A common stock underlying partnership units are not separately reflected in the table below.

Applicable percentage ownership is based on 52,135,113 shares of Class A common stock (including 246,581 restricted stock units that are currently outstanding), 11,922,192 shares of Class B common stock and 13,184,527 shares of Class C common stock outstanding at February 16, 2018. The aggregate percentage of combined voting power represents voting power with respect to all shares of our common stock voting together as a single class and is based on 76,995,251 total votes attributed to 76,995,251 total shares of outstanding common stock, as each share of our common stock entitles its holder to one vote per share.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws.

Information about securities authorized for issuance under equity compensation plans is included in Item 5 of this report.

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Except as otherwise indicated, the address for each stockholder listed below is c/o Artisan Partners Asset Management Inc., 875 E. Wisconsin Avenue, Suite 800, Milwaukee, Wisconsin 53202.

	Class A[1]		Class B		Class C		Aggregate % of Combined Voting Power
	No. of Shares	% of Class	No. of Shares	% of Class	No. of Shares	% of Class	
Directors and Named Executive Officers:							
Stockholders Committee[2]	5,925,294	11.4%	11,922,192	100%	—	—	23.0%
Eric R. Colson[3]	105,500	*	482,463	4.0%	—	—	—
Charles J. Daley, Jr.[3][4]	35,500	*	97,779	*	—	—	*
Jason A. Gottlieb[3]	79,488	*	—	—	—	—	—
James S. Hamman, Jr.[3]	34,514	*	—	—	—	—	—
Sarah A. Johnson[3]	36,500	*	94,464	*	—	—	*
Gregory K. Ramirez[3]	35,400	*	77,364	*	—	—	*
Matthew R. Barger[5]	26,339	*	—	—	1,242,002	9.4%	1.6%
Seth W. Brennan[5][6]	29,562	*	—	—	—	—	*
Tench Coxe[5][7]	44,201	*	—	—	—	—	*
Stephanie G. DiMarco[5][8]	98,555	*	—	—	—	—	*
Jeffrey A. Joerres[5]	29,839	*	—	—	—	—	*
Andrew A. Ziegler[5][9]	24,449	*	—	—	3,455,973	26.2%	4.5%
Directors and executive officers as a group (11 persons)	6,184,039	11.9%	11,922,192	100%	4,697,975	35.6%	29.3%
5+% Stockholders:							
Artisan Investment Corporation[9]	—	—	—	—	3,455,973	26.2%	4.5%
MLY Holdings Corp.[3][10]	—	—	2,735,536	22.9%	—	—	—
LaunchEquity Acquisition Partners, LLC [3][11]	—	—	1,271,196	10.7%	—	—	—
N. David Samra[3]	1,128,407	2.2%	983,218	8.2%	—	—	—
Daniel J. O'Keefe[3]	1,051,911	2.0%	960,676	8.1%	—	—	*
James C. Kieffer [3]	—	—	1,067,575	9.0%	—	—	—
George Sertl[3]	—	—	1,065,008	8.9%	—	—	—
James D. Hamel[3]	296,758	*	816,066	6.8%	—	—	—
Scott C. Satterwhite	—	—	—	—	1,383,768	10.5%	1.8%
Patricia Christina Hellman Survivor's Trust	—	—	—	—	1,197,665	9.1%	1.6%
Arthur Rock 2000 Trust	—	—	—	—	1,153,280	8.7%	1.5 %
Thomas F. Steyer 2017 GRAT I	—	—	—	—	1,082,314	8.2%	1.4 %
Big Fish Partners LLC	—	—	—	—	807,305	6.1%	1.0%
Kayne Anderson Rudnick Investment Management LLC[12]	4,712,355	9.0%	—	—	—	—	6.1%
The Vanguard Group[13]	4,092,479	7.8%	—	—	—	—	*
Blackrock Inc.[14]	2,942,573	5.6%	—	—	—	—	3.7%

*Less than 1%.

(1) Subject to certain exceptions, the persons who hold shares of our Class B common stock and Class C common stock (which correspond to partnership units that generally are exchangeable for Class A common stock) are currently deemed to have beneficial ownership over a number of shares of our Class A common stock equal to the number of shares of our Class B common stock and Class C common stock reflected in the table above, respectively. Because we have disclosed the ownership of shares of our Class B common

stock and Class C common stock, the shares of Class A common stock underlying partnership units are not separately reflected in the table above.

(2) Each of our employees to whom we have granted equity has entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all of the shares of our common stock they have acquired from us and any shares they may acquire from us in the future to a stockholders committee currently consisting of Mr. Colson, Mr. Daley and Mr. Ramirez. All shares subject to the stockholders agreement are voted in accordance with the majority decision of those three members. Shares originally subject to the agreement cease to be subject to it when sold by the employee or upon the termination of the employee's employment with us.

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The number of shares of Class A and Class B common stock in this row includes all shares of Class A common stock and Class B common stock that we have granted to current employees and that have not yet been sold by those employees. As members of the stockholders committee, Mr. Colson, Mr. Daley and Mr. Ramirez share voting power over all of these shares. Other than as shown in the row applicable to each of them individually, none of Mr. Colson, Mr. Daley or Mr. Ramirez has investment power with respect to any of the shares subject to the stockholders agreement, and each disclaims beneficial ownership of such shares.

(3) Pursuant to the stockholders agreement, Mr. Colson, Mr. Daley, Mr. Gottlieb, Mr. Hamman, Ms. Johnson, Mr. Ramirez, MLY Holdings Corp., LaunchEquity Acquisition Partners, LLC, Mr. Samra, Mr. O'Keefe, Mr. Kieffer, Mr. Sertl and Mr. Hamel each granted an irrevocable voting proxy with respect to all of the shares of our common stock he or she has acquired from us and any shares he or she may acquire from us in the future to the stockholders committee as described in footnote 2 above. Each retains investment power with respect to the shares of our common stock he or she holds, which are the shares reflected in the row applicable to each person. 400 of Mr. Daley's shares, 1,400 of Mr. Ramirez's shares, 4,000 of Ms. Johnson's shares, and 18,555 of Mr. O'Keefe's shares are not subject to the stockholders agreement.

(4) Includes 200 shares of Class A common stock held by Mr. Daley's daughter.

(5) Includes the shares of Class A common stock underlying restricted stock units granted to our non-employee directors. The underlying shares will be delivered on the earlier to occur of (i) a change in control of Artisan and (ii) assuming the restricted stock units have vested, the termination of such person's service as a director. Mr. Coxe holds restricted stock units awarded to him for the benefit of the managing directors of the general partner of Sutter Hill Ventures.

(6) Includes 6,250 shares of Class A common stock held by a trust for the benefit of Mr. Brennan's children.

(7) Includes 22,411 shares of Class A common stock held by a trust of which Mr. Coxe is a co-trustee and beneficiary. Mr. Coxe shares voting and investment power over all of such shares of Class A common stock.

(8) Includes 20,308 shares of Class A common stock held by a charitable trust of which Ms. DiMarco is a trustee.

(9) The Class C shares reflected in the row applicable to Mr. Ziegler individually are owned by Artisan Investment Corporation. Mr. Ziegler and Carlene M. Ziegler, who are married to each other, control Artisan Investment Corporation.

(10) MLY Holdings Corp. is a Delaware corporation through which Mark L. Yockey holds his shares of Class B common stock. Mr. Yockey is the sole director of MLY Holdings Corp.

(11) LaunchEquity Acquisition Partners, LLC, is a manager-managed designated series limited liability company organized under the laws of the State of Delaware. Andrew C. Stephens is the sole manager of the designated series of LaunchEquity Acquisition Partners through which Mr. Stephens holds his shares of Class B common stock.

(12) This information has been derived from the Schedule 13G filed with the SEC on February 13, 2018 by Kayne Anderson Rudnick Investment Management LLC which states that Kayne Anderson Rudnick Investment Management had voting and dispositive power over 4,712,355 shares of Class A common stock as of December 31, 2017. The address of Kayne Anderson Rudnick Investment Management is 1800 Avenue of the Stars, Los Angeles, California, 90067.

(13) This information has been derived from the Schedule 13G filed with the SEC on February 12, 2018 by The Vanguard Group, Inc. which states that Vanguard Group had voting power over 93,549 shares and dispositive power over 4,092,479 shares of Class A common stock as of December 31, 2017. The address of the Vanguard Group is 100 Vanguard Blvd, Malvern, Pennsylvania, 19355.

(14) This information has been derived from the Schedule 13G filed with the SEC on February 1, 2018 by Blackrock Inc. which states that Blackrock had voting power over 2,845,855 shares and dispositive power over 2,942,573 shares of Class A common stock as of December 31, 2017. The address of Blackrock Inc. is 55 East 52nd Street, New York, NY 10055.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions in Connection with our IPO

In March 2013, in connection with the initial public offering ("IPO") of Artisan Partners Asset Management, we entered into the agreements described below with the limited partners of Artisan Partners Holdings, including the following persons and entities:

- Those of our currently-serving named executive officers who own Class B common units of Artisan Partners Holdings.
- Artisan Investment Corporation ("AIC"), an entity controlled by Andrew A. Ziegler, our Lead Director, and Carlene M. Ziegler. AIC owns all of the Class D common units of Artisan Partners Holdings.
- Private equity funds (the "H&F holders") controlled by Hellman & Friedman LLC ("H&F"). Mr. Barger, one of our directors, is a senior advisor of H&F. The H&F holders no longer own any units of Artisan Partners Holdings or, to our knowledge, any shares of our common stock.
- Mr. Barger, who owns Class A common units of Artisan Partners Holdings.
- Sutter Hill Ventures, of which one of our directors, Mr. Coxe, is a managing director of the general partner, and two trusts of which Mr. Coxe is a co-trustee.
- Several other persons or entities who own Class A common units of Artisan Partners Holdings and greater than 5% of our outstanding Class C common stock.
- Several of our employees, or entities controlled by an employee, who own (or owned) Class B common units of Artisan Partners Holdings and greater than 5% of our outstanding Class B common stock.

The rights of each of the persons and entities listed above under the agreements discussed below are, in general, the same as the rights of each other holder of the same class of partnership units. So, for instance, the rights of our currently-serving named executive officers that are holders of Class B common units, under the exchange, registration rights, partnership and tax receivable agreements described below are, in general, the same as the rights of each other holder of Class B common units. The descriptions of the transactions and agreements below, including the rights and ownership interests of the persons and entities listed above, are as of January 31, 2018, unless otherwise indicated.

Exchange Agreement

Under the exchange agreement, subject to certain restrictions (including those intended to ensure that Artisan Partners Holdings is not treated as a "publicly traded partnership" for U.S. federal income tax purposes), holders of partnership units have the right to exchange common units (together with an equal number of shares of our Class B common stock or Class C common stock, as applicable) for shares of our Class A common stock on a one-for-one basis. A partnership unit cannot be exchanged for a share of our Class A common stock without a share of our Class B common stock or Class C common stock, as applicable, being delivered together at the time of exchange for cancellation.

Holders of partnership units have the right to exchange units in a number of circumstances that are generally based on, but in several respects are not identical to, the "safe harbors" contained in the U.S. Treasury Regulations dealing with publicly traded partnerships. In accordance with the terms of the exchange agreement, partnership units are exchangeable: (i) in connection with the first underwritten offering in any calendar year pursuant to the resale and registration rights agreement; (ii) on a specified date each fiscal quarter; (iii) in connection with the holder's death, disability or mental incompetence; (iv) as part of one or more exchanges by the holder and any related persons during any 30-calendar day period representing in the aggregate more than 2% of all outstanding partnership units (generally disregarding interests held by us); (v) if the exchange is of all of the partnership units held by AIC in a single transaction; (vi) in connection with a tender offer, share exchange offer, issuer bid, take-over bid, recapitalization or similar transaction with respect to our Class A common stock that is effected with the consent of our Board or in connection with certain mergers, consolidations or other business combinations; or (vii) if we permit the exchanges after determining that Artisan Partners Holdings would not be treated as a "publicly traded partnership" under Section 7704 of the Internal Revenue Code as a result. In general, we may provide for exchanges in addition to the exchanges that holders of partnership units are entitled to.

As the holders of limited partnership units exchange their units for Class A common stock, we receive a number of general partnership units, or GP units, of Artisan Partners Holdings equal to the number of shares of our Class A common stock that they receive, and an equal number of limited partnership units are canceled.

During the fiscal year ended December 31, 2017, holders of Class A, Class B and Class E common units exchanged an aggregate of 1,472,197 units for Class A common stock, and an equal number of shares of our Class B or Class C common stock, as applicable, were canceled. We expect that approximately 900,000 common units will be exchanged for Class A common stock on March 1, 2018.

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Resale and Registration Rights Agreement

Under the resale and registration rights agreement, we have provided the holders of partnership units with certain registration rights. We have also established certain restrictions on the timing and manner of resales of Class A common stock received upon exchange of partnership units. In general, our Board may waive or modify the restrictions on resale described below.

We were required to file, and use our reasonable best efforts to cause the SEC to declare effective, two registration statements: (i) an exchange shelf registration statement registering all shares of our Class A common stock and convertible preferred stock to be issued upon exchange of partnership units, and (ii) a shelf registration statement registering secondary sales of Class A common stock issuable upon exchange of units or conversion of convertible preferred stock by AIC and the H&F holders, as applicable.

As of December 31, 2017, AIC owned 3,455,973 Class D common units exchangeable for an equal number of shares of our Class A common stock. There is no limit on the number of shares of our Class A common stock AIC may sell. AIC has the right to use the resale shelf registration statement to sell shares of Class A common stock, including the right to an unrestricted number of brokered transactions and, subject to certain limitations and qualifications, marketed and unmarketed underwritten shelf takedowns.

As of December 31, 2017, our employee-partners owned an aggregate of 11,922,192 Class B common units. In general, in each 12-month period, the first of which began in the first quarter of 2014, each employee-partner is permitted to sell up to (i) a number of vested shares of our Class A common stock representing 15% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units (in each case, whether vested or unvested) he or she held as of the first day of that period or, (ii) if greater, vested shares of our Class A common stock having a market value as of the time of sale of $250,000, as well as, in either case, the number of shares such holder could have sold in any previous period or periods but did not sell in such period or periods. Units sold by employee-partners in connection with underwritten offerings or otherwise redeemed by us are included when calculating the maximum number of shares each employee-partner is permitted to sell in any one-year period. Our Board may waive or modify the resale limitations described in this paragraph.

In February 2018, our Board approved the sale of additional Class B common units by certain employee-partners, including Mr. Colson and certain senior portfolio managers that own Class B common units of Artisan Partners Holdings and greater than 5% of our outstanding Class B common stock. That group may sell 20% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units in 2018, and we expect to permit them to sell the same amount in each of the following four years, subject to maintaining a minimum dollar amount of firm equity. In total, together with shares eligible for sale from retiring employee-partners, approximately 3.1 million shares will become eligible for sale in the first quarter of 2018. Combined with shares that previously became eligible but have not been sold, approximately 3.7 million Class B common units are eligible for exchange and sale in the first quarter of 2018. Because employee-partners and other employees are eligible to sell amounts of vested shares as described in this 10-K, employees' equity ownership, in the aggregate, could significantly decline over the next five years.

Upon termination of employment with Artisan, an employee-partner's Class B common units are exchanged for Class E common units; the employee-partner's shares of Class B common stock are canceled; and we issue 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.

If the employee-partner's employment was terminated as a result of retirement, death or disability, the employee-partner or his or her estate may (i) as of and after the time of termination of employment, sell (A) a number of shares of our Class A common stock up to one-half of the employee-partner's aggregate number of vested common units and shares of Class A common stock received upon exchange of common units held as of the date of termination of employment or, (B) if greater, vested shares of our Class A common stock having a market value as of the time of sale of up to $250,000, and (ii) as of and after the first anniversary of the termination, the person's remaining shares of our Class A common stock received upon exchange of common units. Retirement, for these purposes, generally requires that the employee-partner have provided ten years of service or more at the date of retirement and offered one

year's written notice (or three years' written notice in the case of employee-partners who are lead portfolio managers or executive officers) of the intention to retire, subject to our right to accept a shorter period of notice.

If an employee-partner resigns or is terminated involuntarily, the employee-partner may in each 12-month period following the third, fourth, fifth and sixth anniversary of the termination, sell a number of shares of our Class A common stock up to one-fourth of the employee-partner's aggregate number of vested common units and shares of Class A common stock received upon exchange of common units held as of the date of termination of his or her employment (as well as the number of shares such employee-partner could have sold in any previous period or periods but did not sell in such period or periods).

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As of December 31, 2017, former employee-partners owned an aggregate of 2,041,200 Class E common units, 1,778,894 of which may currently be sold.

As of December 31, 2017, our initial outside investors who are holders of Class A common units owned an aggregate of 7,687,354 Class A common units exchangeable for an equal number of shares of our Class A common stock. There is no limit on the number of shares of our Class A common stock the holders of Class A common units may sell.

We have paid and will continue to pay all expenses incident to our performance of any registration or marketing of securities pursuant to the resale and registration rights agreement, including reasonable fees and out-of-pocket costs and expenses of selling stockholders. We have also agreed to indemnify any selling stockholder, solely in their capacity as selling stockholders, against any losses or damages resulting from any untrue statement, or omission of material fact in any registration statement, prospectus or free writing prospectus pursuant to which they may sell shares of our Class A common stock, except to the extent the liability arose from their misstatement or omission of a material fact, in which case they have similarly agreed to indemnify us.

Amended and Restated Limited Partnership Agreement of Artisan Partners Holdings

As a holding company, we conduct all of our business activities through our direct subsidiary, Artisan Partners Holdings, an intermediate holding company, which wholly owns Artisan Partners Limited Partnership, our principal operating subsidiary. The rights and obligations of Artisan Partners Holdings' partners are set forth in its amended and restated limited partnership agreement.

We are the general partner of Artisan Partners Holdings and control its business and affairs and are responsible for the management of its business, subject to the voting rights of the limited partners as described below. No limited partners of Artisan Partners Holdings, in their capacity as such, have any authority or right to control the management of Artisan Partners Holdings or to bind it in connection with any matter.

Artisan Partners Holdings has outstanding GP units and common units. Net profits and net losses and distributions of profits of Artisan Partners Holdings are allocated and made to partners pro rata in accordance with the number of partnership units they hold. Artisan Partners Holdings is obligated to distribute to us and its other partners cash payments for the purposes of funding tax obligations of ours and theirs as partners of Artisan Partners Holdings. In order to make a share of our Class A common stock represent the same percentage economic interest, disregarding corporate-level taxes and payments with respect to the tax receivable agreements, in Artisan Partners Holdings as a common unit of Artisan Partners Holdings, we always hold a number of GP units equal to the number of shares of Class A common stock issued and outstanding.

As the general partner of Artisan Partners Holdings, we hold all GP units and control the business of Artisan Partners Holdings. Our approval, acting in our capacity as the general partner, along with the approval of holders of a majority of each class of limited partnership units (except the Class E common units), voting as a separate class, will be required to engage in a material corporate transaction; with certain exceptions, redeem or reclassify partnership units or interests in any subsidiary, issue additional partnership units or interests in any subsidiary, or create additional classes of partnership units or interests in any subsidiary; or make any in-kind distributions. If any of the foregoing affects only certain classes of partnership units, only the approval of us and the affected classes would be required. The approval rights of each class of partnership units will terminate when the holders of the respective class of units directly or indirectly cease to own units constituting at least 5% of the outstanding units of Artisan Partners Holdings.

The amended and restated limited partnership agreement may be amended with the consent of the general partner and the holders of a majority of the Class A common units, Class B common units and Class D common units, each voting as a separate class, provided that the general partner may, without the consent of any limited partner, make amendments that do not materially and adversely affect any limited partners. To the extent any amendment materially and adversely affects only certain classes of limited partners, only the holders of a majority of the units of the affected classes have the right to approve such amendment.

Artisan Partners Holdings will indemnify AIC, as its former general partner, us, as its current general partner, the former members of its pre-IPO Advisory Committee, the members of our Stockholders Committee and our directors and officers against any losses, damages, costs or expenses (including reasonable attorney's fees, judgments, fines and amounts paid in settlement) actually incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative (including any action by or on behalf of Artisan Partners

Holdings) arising as a result of the capacities in which they serve or served Artisan Partners Holdings to the maximum extent that any of them could be indemnified if Artisan Partners Holdings were a Delaware corporation and they were directors of such corporation. In addition, Artisan Partners Holdings will pay the costs or expenses (including reasonable attorneys' fees) incurred by the indemnified parties in advance of a final disposition of such matters so long as the indemnified party undertakes to repay the expenses if the party is adjudicated not to be entitled to indemnification.

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Artisan Partners Holdings will also indemnify its officers and employees and officers and employees of its subsidiaries against any losses, damages, costs or expenses (including reasonable attorney's fees, judgments, fines and amounts paid in settlement) actually incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative arising as a result of their being an employee of Artisan Partners Holdings (or their serving as an officer or fiduciary of any of Artisan Partners Holdings' subsidiaries or benefit plans or any entity of which Artisan is sponsor or adviser), provided that no employee will be indemnified or reimbursed for any claim, obligation or liability adjudicated to have arisen out of or been based upon such employee's intentional misconduct, gross negligence, fraud or knowing violation of law.

Stockholders Agreement

Our employees (including all of our employee-partners) to whom we have granted equity have entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all shares of our common stock they have acquired from us (which shares represent approximately 23% of the combined voting power of our capital stock at the time of this filing) and any shares they may acquire from us in the future to a stockholders committee currently consisting of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). Any shares of our common stock that we issue to our employees in the future will be subject to the stockholders agreement so long as the agreement has not been terminated. Shares subject to the stockholders agreement will be voted in accordance with the majority decision of the three members of the stockholders committee.

The members of the stockholders committee must be Artisan employees and holders of shares subject to the agreement. If a member of the stockholders committee ceases to act as a member of the committee, our Chief Executive Officer (if he or she is a holder of shares subject to the stockholders agreement and is not already a member of the committee) will become a member of the committee. Otherwise, the two remaining members of the stockholders committee will jointly select a third member of the committee. Each member of the stockholders committee is entitled to indemnification from Artisan in his or her capacity as a member of the committee.

The stockholders agreement provides that members of the stockholders committee will vote the shares subject to the agreement in support of the following:

- Matthew R. Barger, or, unless Mr. Barger is removed from the Board for cause, a successor selected by Mr. Barger who holds Class A common units, so long as the holders of the Class A common units beneficially own at least 5% of our outstanding capital stock. As of December 31, 2017, the holders of the Class A common units beneficially owned approximately 10% of our outstanding capital stock.
- A director nominee, initially Mr. Colson, designated by the stockholders committee who is an employee-partner.

Under the terms of the stockholders agreement, we are required to use our best efforts to elect the nominees described above, which efforts must include soliciting proxies for, and recommending that our stockholders vote in favor of, the election of each. Other than as provided above, under the terms of the stockholders agreement, the stockholders committee may in its discretion vote, or abstain from voting, all or any of the shares subject to the agreement on any matter on which holders of shares of our common stock are entitled to vote. The committee is specifically authorized to vote for its members as directors under the terms of the stockholders agreement.

At any time after the earlier of (i) the elimination of the Class B common stock's supervoting rights and (ii) March 12, 2018, parties to the stockholders agreement holding at least two-thirds of the shares subject to the agreement may terminate it provided that the stockholders committee is no longer obligated to vote in favor of a director nominee who is a Class A common unit holder. The elimination of the Class B common stock's supervoting rights occurred on February 9, 2018.

Tax Receivable Agreements

We are party to two tax receivable agreements. The first tax receivable agreement is between APAM and the Pre-H&F Corp Merger Shareholder that was the sole shareholder of our convertible preferred stock. As part of our IPO reorganization, a corporation ("H&F Corp") controlled by Hellman & Friedman LLC merged with and into us pursuant to an Agreement and Plan of Merger. As consideration for the merger, the shareholder of H&F Corp received shares of our convertible preferred stock (all of which were converted to shares of Class A common stock in June 2014),

contingent value rights (which were subsequently terminated in November 2013), and the right to receive an amount of cash. The tax receivable agreement between APAM and the Pre-H&F Merger Shareholder generally provides for the payment by APAM 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, (ii) net operating losses available as a result of the merger, and (iii) tax benefits related to imputed interest.

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The second tax receivable agreement, with each holder of limited partnership units, generally provides for the payment by APAM to each of them 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 us 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.

For purposes of these tax receivable agreements, cash savings in tax are calculated by comparing our actual income tax liability to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the tax receivable agreements, unless certain assumptions apply. The tax receivable agreements will continue until all tax benefits have been utilized or expired, unless we exercise our right to terminate the agreements or we materially breach any of our material obligations under the agreements, in which cases our obligations under the agreements will accelerate. 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 purchases or exchanges of partnership units, the price of our Class A common stock at the time of such purchases or exchanges, the extent to which such transactions are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable and the portion of our payments under the tax receivable agreements constituting imputed interest or depreciable or amortizable basis. In addition, in the case of a change of control, our obligations will be based on different assumptions that may affect the amount of the payments required under the agreements.

As of December 31, 2017, we recorded a $385.4 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expect to realize from the merger described above and our purchase of Class A common units in connection with the IPO; our purchase of common and preferred units since the IPO; and the quarterly exchanges made by certain limited partners pursuant to the exchange agreement.

The amount assumes no material changes in the related tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the tax receivable agreements. Additional purchases or exchanges of units of Artisan Partners Holdings will cause the liability to increase.

During 2017, we made payments under the tax receivable agreements totaling approximately $30 million in the aggregate. Of that amount, $17.2 million was paid to certain of our directors or entities affiliated with certain directors and $7.7 million was paid to our employee-partners, including to certain of our currently-serving named executive officers and several employee-partners, or entities controlled by employee-partners, who own greater than 5% of our outstanding Class B common stock.

Assuming no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with (i) the H&F Corp merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2017; and (iii) projected future purchases or exchanges of partnership units would aggregate to approximately $728 million over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of $39.50 per share of our Class A common stock, the closing price of our Class A common stock on December 29, 2017.

Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately $655 million, over generally a minimum of 15 years. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock at the time of purchase or exchange and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit.

Transactions in Connection with the 2017 Follow-On Offering

In February 2017, we entered into partnership unit purchase agreements with limited partners who elected to sell common units of Holdings to us. Pursuant to those agreements, we used the net proceeds of the issuance of 5,626,517 shares of our Class A common stock in February 2017 to purchase 5,626,517 common units from certain limited partners of Holdings, including AIC; Mr. Colson and Mr. Daley; and many of our employee-partners, including several employee-partners, or entities controlled by employee-partners, who own greater than 5% of our outstanding

Class B common stock. We purchased the units at a price equal to $28.88 per unit.

Indemnification Agreements

We have entered into an indemnification agreement with each of our executive officers, directors and the members of our Stockholders Committee that provides, in general, that we will indemnify them to the fullest extent permitted by Delaware law in connection with their service in such capacities. Due to the nature of the indemnification agreements, they are not the type of agreements that are typically entered into with or available to unaffiliated third parties.

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Corporate Hospitality Tent

We licensed a corporate hospitality tent from the United States Golf Association in connection with the 2017 U.S. Open Championship at Erin Hills Golf Course. Pursuant to the license agreement, the Company paid the USGA a rental and admission fee. Erin Hills, which is owned by Mr. Ziegler, was contractually entitled to a percentage of the total revenue generated by the event, including the fees paid by the Company in connection with its tent. Although the amount was immaterial to Mr. Ziegler, he waived the revenue that Erin Hills otherwise would have been entitled to in connection with the Company's tent.

Investments in Certain Artisan-Sponsored Private Funds

Several of our directors, executive officers and employees, including employees who own greater than 5% of our outstanding Class B common stock, or entities they own or control, have made seed investments in certain Artisan-sponsored private funds. These investments provide the initial seed capital needed to support the launch of new investment strategies and products. Management and incentive fees are generally waived with respect to these investments. In the aggregate, $69,649 of management fees and $96,127 of incentive fees were waived during 2017 with respect to seed capital investments made by related-party investors.

Review, Approval or Ratification of Transactions with Related Persons

We have adopted a written policy regarding the approval, with certain exceptions, of any transaction or series of transactions in which we or any of our subsidiaries is a participant, the amount involved exceeds $120,000, and a "related party" (a director, director nominee, executive officer, or a person known to us to be the beneficial owner of more than 5% of our voting securities, or any immediate family member of any of the foregoing) has a direct or indirect material interest (a "related-party transaction"). Under the policy, a related party must promptly disclose to our Chief Legal Officer any potential related-party transaction and all material facts about the transaction. The Chief Legal Officer will then assess whether the transaction constitutes a related-party transaction. If the Chief Legal Officer determines a transaction qualifies as such, he or she will communicate that information to the Audit Committee, to the Chair of the Audit Committee, if the Chief Legal Officer determines it is impracticable or undesirable to wait until the next committee meeting, or to the entire Board. Based on its consideration of all of the relevant facts and circumstances, the Audit Committee, the Chair of the Audit Committee or the Board, as applicable, will decide whether to approve such transaction and will generally approve only those transactions that are not inconsistent with our best interests. If we become aware of a related-party transaction that was not approved under this policy before it was entered into, the transaction will be referred to the Audit Committee or the entire Board, which will evaluate all options available, including ratification, amendment or termination of such transaction. Under the policy, any director who has an interest in a related-party transaction will recuse himself or herself from any formal action with respect to the transaction as deemed appropriate by the Audit Committee or Board.

Director Independence

The Board is composed of a majority of directors who satisfy the criteria for independence under the NYSE listing standards and do not have any material relationship with the Company. Our Board has determined that each of Matthew R. Barger, Seth W. Brennan, Tench Coxe, Stephanie G. DiMarco, Jeffrey A. Joerres and Andrew A. Ziegler is independent in accordance with NYSE listing standards and our Governance Guidelines, and does not have any relationship that would interfere with exercising independent judgment in carrying out his or her responsibilities as a director.

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Item 14. Principal Accountant Fees and Services

Audit and Non-Audit Fees

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP as of and for the fiscal years ended December 31, 2017 and 2016 are set forth below. The aggregate fees included in the “Audit Fees” category are fees billed for the fiscal year for the audits of our annual financial statements, audits of statutory and regulatory filings, and quarterly reviews. The aggregate fees included in the Audit-Related, Tax and Other Fees categories are fees for services performed in the fiscal years.

	Fiscal Year 2017	Fiscal Year 2016
Audit Fees	$929,400	$880,400
Audit Related Fees	380,200	57,000
Tax Fees	984,300	438,500
All Other Fees	3,600	3,600
Total	$2,297,500	$1,379,500

Audit Fees for the fiscal years ended December 31, 2017 and 2016 were for professional services rendered for the audits of our annual financial statements, reviews of quarterly financial statements and services that are customarily provided in connection with statutory or regulatory filings.

Audit-Related Fees for the fiscal years ended December 31, 2017 and 2016 were for reviews of registration statements filed with the SEC, consultations related to the accounting or disclosure treatment of transactions and attest services related to our compliance with the Global Investment Performance Standards (GIPS). For the year ended December 31, 2017, audit-related fees also includes $173,000 for audit services of consolidated investment products.

Tax Fees for the fiscal years ended December 31, 2017 and 2016 were for domestic and foreign tax return compliance, including review of partner capital accounts, and consultations related to technical interpretations, applicable laws and regulations and tax accounting. During 2017, $131,700 of the tax fees related to tax return compliance and preparation.

Other Fees for the fiscal years ended December 31, 2017 and 2016 were license fees for professional publications.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee is required to pre-approve, or adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors. The Committee will typically pre-approve specific types of audit, audit-related and tax services on an annual basis. The Committee pre-approves all other services on an individual basis throughout the year as the need arises. The Committee has delegated to its chairperson the authority to pre-approve independent auditor engagements between meetings of the Committee. Any such pre-approvals will be reported to and ratified by the entire Committee at its next regular meeting.

All audit, audit-related and tax services in fiscal 2017 were pre-approved by the Audit Committee. In all cases, the Audit Committee concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of PricewaterhouseCoopers LLP’s independence.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(1) Financial Statements: The information required by this Item is contained in Item 8 of Part II of this report.

(2) Financial Statement Schedules: None

(3) Exhibits:

Exhibit No.	Description
2.1	Agreement and Plan of Merger between Artisan Partners Asset Management Inc. and H&F Brewer Blocker Corp. (1)
3.1	Restated Certificate of Incorporation of Artisan Partners Asset Management Inc. (1)
3.2	Amended and Restated Bylaws of Artisan Partners Asset Management Inc. (1)
10.1	Fifth Amended and Restated Limited Partnership Agreement of Artisan Partners Holdings LP (1)
10.2	Amended and Restated Resale and Registration Rights Agreement (1)
10.3	Exchange Agreement (1)
10.4	Tax Receivable Agreement (Merger) (1)
10.5	Tax Receivable Agreement (Exchanges) (1)
10.6	Stockholders Agreement (1)
10.7	Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan (1)
10.8	Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan (1)
10.9	Artisan Partners Asset Management Inc. Bonus Plan (1)
10.10	Amended and Restated Artisan Partners Asset Management Inc. Bonus Plan (2)
10.11	Form of Artisan Partners Holdings LP Restated Class B Common Units Grant Agreement (1)
10.12	Form of Indemnification Agreement (1)
10.13	Form of Indemnification Priority Agreement (1)
10.14	Form of Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan - Restricted Share Unit Award Agreement (1)
10.15	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Restricted Stock Award Agreement (1)
10.16	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Restricted Share Award Agreement
10.17	Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Career Restricted Share Award Agreement
10.18	Form of Unit Purchase Agreement (1)
10.19	Second Amended and Restated Investment Advisory Agreement between Artisan Partners Limited Partnership and Artisan Partners Funds, Inc.
10.20	Note Purchase Agreement, dated as of August 16, 2017, among Artisan Partners Holdings LP and the purchasers listed therein (3)
10.21	Amended and Restated Five-Year Revolving Credit Agreement, dated as of August 16, 2017, among Artisan Partners Holdings LP, the lenders named therein, and Citibank, N.A., as Administrative Agent (3)
10.22	Note Purchase Agreement, dated August 16, 2012, as amended September 15, 2017, among Artisan Partners Holdings LP and the purchasers listed therein (4)
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of the Company's Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Company's Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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

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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
101	The following Extensible Business Reporting Language (XBRL) documents are collectively included herewith as Exhibit 101: (i) the Consolidated Statements of Financial Condition as of December 31, 2017 and 2016; (ii) the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (vi) the Notes to Consolidated Financial Statements as of and for the years ended December 31, 2017, 2016 and 2015

(1) incorporated by reference to Form 10-K filed by Artisan Partners Asset Management Inc. on February 25, 2016
(2) incorporated by reference to Form 10-K filed by Artisan Partners Asset Management Inc. on February 21, 2017
(3) incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2017
(4) incorporated by reference to Form 10-Q, filed with the SEC on November 1, 2017

Item 16. Form 10-K Summary

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 21, 2018
By:
/s/ Eric R. Colson
Eric R. Colson
President, Chief Executive Officer and Chairman of the Board
(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)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on the 21st day of February, 2018.

Signature	Title
/s/ Matthew R. Barger Matthew R. Barger	Director
/s/ Seth W. Brennan Seth W. Brennan	Director
/s/ Tench Coxe Tench Coxe	Director
/s/ Stephanie G. DiMarco Stephanie G. DiMarco	Director
/s/ Jeffrey A. Joerres Jeffrey A. Joerres	Director
/s/ Andrew A. Ziegler Andrew A. Ziegler	Director