Artisan Partners Asset Management Inc.
Form 10-K
February 21, 2017

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<br>FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 |
| OR | |
| o | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934<br>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<br>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. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 |

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, 2016, which was the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1,152,803,630 based on the closing price of $27.68 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, 2017 were 43,385,703, 15,142,049 and 17,063,384, 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 mutual funds, including the funds of Artisan Funds or Artisan Global 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.
- "2014 Follow-On Offering" means the registered offering of 9,284,337 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on March 12, 2014.
- "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.

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. These 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 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 mutual 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 mutual 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 the 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, 2016. 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. Indices that are used for these performance comparisons are broad-based market indices that we believe are appropriate comparisons of our investment performance over a full market cycle. 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 or BofA Merrill Lynch 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.

The MSCI EAFE Index, the MSCI EAFE Growth Index, the MSCI EAFE Small Cap Index, the MSCI EAFE Value Index, the MSCI ACWI Index and the MSCI Emerging Markets Index are trademarks of MSCI Inc. MSCI Inc. is the owner of all copyrights relating to these indices and is the source of the performance statistics of these indices that are referred to in this report.

The Russell 2000® Index, the Russell 2000® Value Index, the Russell Midcap® Index, the Russell Midcap® Value Index, the Russell 1000® Index, the Russell 1000® Value Index, the Russell Midcap® Growth Index and the Russell 2000® Growth Index are trademarks of Frank Russell Company. Frank Russell Company is the owner of all copyrights relating to these indices and is the source of the performance statistics that are referred to in this report.

The BofA Merrill Lynch US High Yield Master II Index is licensed from BofA Merrill Lynch, which is the source of the performance statistics of this index.

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In this report, we present Morningstar, Inc., or Morningstar, ratings for series of Artisan Funds. The Morningstar Rating™ 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, we are an investment management firm that provides a broad range of U.S., non-U.S. and global investment strategies, each of which is managed by one of our distinct and autonomous investment teams. Since our founding, we have pursued 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 with a track record of strong investment performance and is devoted to identifying long-term investment opportunities. 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions) | | |
| Total revenues | $721 | $806 | $829 |
| Ending assets under management | $96,845 | $99,848 | $107,915 |
| Average assets under management | $96,281 | $106,484 | $107,865 |

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. Throughout our history, we have expanded our investment management capabilities in a disciplined manner that we believe is consistent with our overall philosophy of offering high value-added investment strategies in growing asset classes. We have expanded the range of strategies that we offer by launching new strategies managed by our existing investment teams as those teams have developed investment capacity, as well as by launching new strategies managed by new investment teams recruited to join Artisan. During 2014, we established the Artisan Credit Team, which manages the Artisan High Income strategy, our first fixed income strategy. During 2015, we established the Artisan Developing World Team, which manages the Artisan Developing World strategy. During 2016, we established the Artisan Thematic Team, which we expect will launch its first strategy in 2017.

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. As of December 31, 2016, separate accounts represented $47.5 billion, or 49%, of our assets under management.

We serve as the investment adviser to Artisan Partners Funds, Inc., an SEC-registered family of mutual funds that offers shares in multiple classes designed to meet the needs of a range of institutional and other investors, and as investment manager of Artisan Partners Global Funds PLC, a family of Ireland-based UCITS funds that began operations in 2011 and offers shares to non-U.S. investors. Artisan Funds and Artisan Global Funds comprised $49.3 billion, or 51%, of our assets under management as of December 31, 2016.

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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 derived from investment advisory and sub-advisory agreements that are terminable by clients upon short notice or no notice.

As of December 31, 2016, we had approximately 380 employees. Our employees, including our investment professionals and senior management, to whom we have granted equity collectively owned approximately 25% of the equity ownership interests in our company as of December 31, 2016.

Investment Teams

We provide clients with multiple equity investment strategies spanning market capitalization segments and investing styles in both U.S. and non-U.S. markets. We also offer one fixed income strategy, the Artisan High Income strategy. Each strategy is managed by one of the investment teams described below. Each team operates autonomously to identify investment opportunities in order to generate strong, long-term investment performance.

The table below sets forth the total assets under management for each of our investment teams and strategies as of December 31, 2016, the inception date for each investment composite, the value-added by each strategy since inception date, and the Overall Morningstar Rating™ for the share class of the respective series of Artisan Funds with the earliest inception date.

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| Investment Team and Strategy | AUM as of December 31, 2016 (in millions) | Composite Inception Date | Value-Added Since Inception Date [1] as of December 31, 2016 | Fund Rating[2] as of December 31, 2016 |
|---|---|---|---|---|
| Global Equity Team | | | | |
| Non-U.S. Growth Strategy | $23,475 | January 1, 1996 | 533 | «««« |
| Non-U.S. Small-Cap Growth Strategy | 887 | January 1, 2002 | 304 | «« |
| Global Equity Strategy | 1,128 | April 1, 2010 | 339 | «««« |
| Global Small-Cap Growth Strategy [3] | 20 | July 1, 2013 | (808) | « |
| U.S. Value Team [4] | | | | |
| U.S. Mid-Cap Value Strategy | 6,744 | April 1, 1999 | 435 | «««« |
| Value Equity Strategy | 1,844 | July 1, 2005 | 31 | «««« |
| Growth Team | | | | |
| U.S. Mid-Cap Growth Strategy | 13,126 | April 1, 1997 | 458 | «««« |
| U.S. Small-Cap Growth Strategy | 2,065 | April 1, 1995 | 47 | «««« |
| Global Opportunities Strategy | 10,523 | February 1, 2007 | 553 | «««««« |
| Global Value Team | | | | |
| Non-U.S. Value Strategy | 17,855 | July 1, 2002 | 664 | «««««« |
| Global Value Strategy | 16,085 | July 1, 2007 | 529 | «««««« |
| Emerging Markets Team | | | | |
| Emerging Markets Strategy | 228 | July 1, 2006 | 30 | «««« |
| Credit Team | | | | |
| High Income Strategy | 1,878 | April 1, 2014 | 315 | Not yet rated |
| Developing World Team | | | | |
| Developing World Strategy | 987 | July 1, 2015 | 532 | Not yet rated |
| Total AUM as of December 31, 2016 | $96,845 | | | |

(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 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-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-BofA Merrill Lynch High Yield Master II Index. Unlike the BofA Merrill Lynch High Yield Master ll Index, the Artisan High Income strategy may hold loans and other security types. At times, this causes material differences in relative performance.

(2) The Morningstar Overall Rating™ compares the risk-adjusted performance of the Artisan Funds series to other funds in a category assigned by Morningstar based on its analysis of the funds' portfolio holdings. The top 10% of funds 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™ is derived from a weighted average of the performance figures associated with the rated fund's three-, five- and 10-year (if applicable) Morningstar Rating metrics. The Artisan Funds, the ratings of which are reflected in the table above, and the categories in which they are rated are: Artisan International Fund-Foreign Large Growth; Artisan International Small Cap Fund-Foreign Small/Mid Growth; Artisan Global Equity Fund-World Stock; Artisan Mid Cap Value Fund-Mid-Cap Value; Artisan Value Equity Fund-Large Value; Artisan Mid Cap Fund-Mid-Cap Growth; Artisan Small Cap Fund-Small Growth; Artisan Global Opportunities Fund-World Stock; Artisan International Value Fund-Foreign Large Blend; Artisan Global Value Fund-World Stock; Artisan Emerging Markets Fund-Diversified Emerging Mkts. Morningstar ratings are initially given on a fund's three-year track record and change monthly.

(3) Effective January 20, 2017, we no longer manage assets in the Global Small-Cap Growth Strategy.

(4) Prior to May 23, 2016, the U.S. Value Team managed a third strategy, the U.S. Small-Cap Value Strategy. In May 2016, we completed the reorganization of Artisan Small Cap Value Fund into Artisan Mid Cap Value Fund and ceased managing assets in the U.S. Small-Cap Value Strategy.

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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: Non-U.S. Growth, Non-U.S. Small-Cap Growth and Global Equity. 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 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.

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's objective is to invest in companies that are industry leaders and have meaningful exposure to and will benefit from long-term secular growth trends. To identify long-term, sustainable growth characteristics of potential investments, the team seeks high-quality companies that typically have a sustainable competitive advantage, a superior business model and a high-quality management team. Finally, 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, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| Non-U.S. Growth (January 1, 1996) | | | | | |
| Average Annual Gross Returns | (8.87)% | (3.72)% | 7.50 % | 2.92 % | 9.58 % |
| MSCI EAFE® Index | 1.00 % | (1.60)% | 6.53 % | 0.75 % | 4.25 % |
| Non-U.S. Small-Cap Growth (January 1, 2002) | | | | | |
| Average Annual Gross Returns | (11.86)% | (3.76)% | 9.77 % | 4.82 % | 12.56 % |
| MSCI EAFE® Small Cap Index | 2.18 % | 2.10 % | 10.54% | 2.94 % | 9.52 % |
| Global Equity (April 1, 2010) | | | | | |
| Average Annual Gross Returns | (0.48)% | 2.11 % | 12.68 | — | 10.42 % |
| MSCI ACWI® Index | 7.86 % | 3.13 % | 9.35 | — | 7.04 % |
| Global Small-Cap Growth (July 1, 2013) [1] | | | | | |
| Average Annual Gross Returns | (13.18)% | (4.89) | — | — | 0.38 % |
| MSCI ACWI® Small Cap Index | 11.59 % | 3.97 | — | — | 8.46 % |

(1) Effective January 20, 2017, we no longer manage assets in the Global Small-Cap Growth strategy.

U.S. Value Team

Our U.S. Value team, which was formed in 1997 and is based in Atlanta, Georgia, manages two investment strategies: U.S. Mid-Cap Value and Value Equity. James C. Kieffer, George O. Sertl, Jr. and Daniel L. Kane are the portfolio co-managers for both strategies. Scott C. Satterwhite, who was a co-portfolio manager on the U.S. Value team, retired in October 2016, consistent with the transition plan announced by us in September 2013. Prior to May 23, 2016, the U.S. Value team managed a third strategy, the U.S. Small-Cap Value strategy. In May 2016, we completed the reorganization of Artisan Small Cap Value Fund into Artisan Mid Cap Value Fund and ceased managing assets in the U.S. Small-Cap Value strategy. In November 2016, we announced the re-opening of the U.S. Mid-Cap Value strategy across all investment vehicles.

The U.S. Value team’s strategies employ a fundamental investment process used to construct diversified portfolios of 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 generally will purchase a security if the stock price falls below or toward the lower end of that range.

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The team prefers companies with an acceptable level of debt and positive cash flow. At a minimum, the team seeks to avoid companies that have so much debt that management may be unable to make decisions that would be in the best interest of the companies' shareholders. The team also 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, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| U.S. Mid-Cap Value (April 1, 1999) | | | | | |
| Average Annual Gross Returns | 23.87% | 5.09 % | 12.44% | 9.07 % | 13.51 % |
| Russell Midcap® Index | 13.80% | 7.91 % | 14.70% | 7.85 % | 9.15 % |
| | | | | | |
| Value Equity (July 1, 2005) | | | | | |
| Average Annual Gross Returns | 30.22% | 8.13 % | 12.94% | 7.12 % | 8.33 % |
| Russell 1000® Index | 12.05% | 8.58 % | 14.67% | 7.08 % | 8.02 % |

Growth Team

Our Growth team, which was formed in 1997 and is based in Milwaukee, Wisconsin, manages three investment strategies: U.S. Mid-Cap Growth, Global Opportunities 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 three strategies. Mr. Kamm is the lead portfolio manager of the U.S. Mid-Cap Growth strategy; Mr. Hamel is the lead portfolio manager of the Global Opportunities 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 Growth team's investment process focuses on two distinct areas - security selection and capital allocation. The team's investment process begins by identifying 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 classifies each portfolio holding in one of three stages. Garden℠ investments generally are smaller 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 the security selection and capital allocation elements of its investment process with a desire to invest opportunistically across the entire global economy. The team seeks broad knowledge of the global economy in order to position it to find growth wherever it occurs.

| | As of December 31, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| U.S. Mid-Cap Growth (April 1, 1997) | | | | | |
| Average Annual Gross Returns | 0.28 % | 3.52% | 13.27% | 10.00% | 14.73 % |
| Russell Midcap® Index | 13.80% | 7.91% | 14.70% | 7.85 % | 10.15 % |
| | | | | | |
| Global Opportunities (February 1, 2007) | | | | | |
| Average Annual Gross Returns | 5.53 % | 6.10% | 14.55% | — | 9.02 % |
| MSCI ACWI® Index | 7.86 % | 3.13% | 9.35 % | — | 3.49 % |
| | | | | | |
| U.S. Small-Cap Growth (April 1, 1995) | | | | | |
| Average Annual Gross Returns | 6.90 % | 2.91% | 13.47% | 8.06 % | 9.80 % |
| Russell 2000® Index | 21.31% | 6.74% | 14.44% | 7.06 % | 9.33 % |

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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: Non-U.S. Value and Global 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's strategies employ a fundamental investment process used to construct diversified portfolios of companies. The team seeks to invest in what it considers to be high quality, undervalued companies with strong balance sheets and shareholder-oriented management teams.

Determining the intrinsic value of a business is the heart of the team's research process. The team believes that intrinsic value represents the amount that a buyer would pay to own a company's future cash flows. The team seeks to invest at a significant discount to its estimate of the intrinsic value of a business. The team also seeks to invest in 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.

The team ranks companies that make it through this analytical process according to the degree of the discount of the current market price of the stock to the team's estimate of the company's intrinsic value. The team manages its strategies by generally taking larger positions in companies where the discount is greatest and smaller positions in companies with narrower discounts (subject to adjustments for investment-related concerns, including, diversification, risk management and liquidity).

| | As of December 31, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| Non-U.S. Value (July 1, 2002) | | | | | |
| Average Annual Gross Returns | 6.44 % | 2.25 % | 11.85% | 6.64 % | 12.22 % |
| MSCI EAFE® Index | 1.00 % | (1.60)% | 6.53 % | 0.75 % | 5.59 % |
| | | | | | |
| Global Value (July 1, 2007) | | | | | |
| Average Annual Gross Returns | 11.32% | 5.07 % | 13.35% | — | 8.02 % |
| MSCI ACWI® Index | 7.86 % | 3.13 % | 9.35 % | — | 2.72 % |

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 employs a fundamental research process to construct a diversified portfolio of emerging market companies. The team seeks to invest in 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, 2016

| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
|---|---|---|---|---|---|
| Emerging Markets (July 1, 2006) | | | | | |
| Average Annual Gross Returns | 17.03% | 0.43 % | 3.01 % | 2.01 | 4.09 % |
| MSCI Emerging Markets Index[SM] | 11.19% | (2.55)% | 1.27 % | 1.84 | 3.80 % |

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Credit Team

Our Credit team, which was formed in 2014 and is based in Mission Woods, Kansas, manages a single investment strategy. Bryan L. Krug is the portfolio manager for the High Income strategy. The Credit team seeks to invest in issuers with high quality business models that have compelling risk-adjusted return characteristics. The team uses a fundamental investment process to construct a diversified portfolio of attractively valued high yield corporate bonds and secured and unsecured loans of U.S. and non-U.S. issuers. The Credit team's research process has four primary pillars: business quality; financial strength and flexibility; downside analysis; and value identification.

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. To understand an issuer's financial health, the team believes it is critical to analyze the history and trend of free cash flow. 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 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 valuation 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, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| High Income (April 1, 2014) | | | | | |
| Average Annual Gross Returns | 15.74% | — | — | — | 7.19 % |
| BofA Merrill Lynch High Yield Master II Index | 17.49% | — | — | — | 4.03 % |

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, 2016 | | | | |
|---|---|---|---|---|---|
| Investment Strategy (Inception Date) | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| Developing World (July 1, 2015) | | | | | |
| Average Annual Gross Returns | 13.08% | — | — | — | (0.14 )% |
| MSCI Emerging Markets Index | 11.19% | — | — | — | (5.46 )% |

Thematic Team

Our Thematic team was formed in late 2016 and is based in New York. We expect the Thematic team will manage both a concentrated mutual fund and a long-short private fund. The team will seek to identify secular, structural and cyclical trends that it expects will exhibit above-market growth for 3-5 years and use fundamental analysis to identify companies exposed to these trends. 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.

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.

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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, 2016, 18% 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, 2016, approximately 43% of our assets under management were attributed to clients represented by investment consultants, and no single consulting firm represented clients (including investors in Artisan Funds) having more than 9% of our assets under management.

As of December 31, 2016, 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, 2016, approximately 29% 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, 2016, approximately 5% of our assets under management were sourced from investors we categorize as retail investors.

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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, 2016, approximately 49% of our assets under management were in separate accounts, and Artisan Funds and Artisan Global Funds accounted for approximately 51% of our total assets under management.

Separate Accounts

We manage separate account assets within most of our investment strategies. As of December 31, 2016, we managed 220 separate accounts spanning 142 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 our Developing World, Global Equity, Global Opportunities, Non-U.S. Growth, U.S. Mid-Cap Growth and Value Equity strategies through Artisan-branded collective investment trusts. 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.

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. Expenses for marketing, advertising and distribution services related to Artisan Funds, including distribution payments to broker-dealers and other intermediaries, are paid out of the investment management fees we earn. 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 began operations in the first quarter of 2011 and offers shares to non-U.S. investors. Currently we offer a sub-fund of Artisan Global Funds corresponding to five 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.

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.

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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 systems and procedures to ensure compliance.

For the year ended December 31, 2016, 65% of our revenues were derived from our advisory services to investment companies registered under the 1940 Act, including 63% 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. The number of cases brought by investors pursuant to this private right of action has increased in recent years.

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, which requires that at least a minimum part of a registered broker-dealer's assets be kept in relatively liquid form. At December 31, 2016, Artisan Partners Distributors LLC had net capital of $121,873, which was $96,873 in excess of its required net capital of $25,000.

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."

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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.”

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 High Income strategy, which is currently our only fixed income strategy, 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 whose services to Artisan Funds or Artisan Global Funds we supervise. We also have back-up and disaster recovery systems in place.

Employees

As of December 31, 2016, we employed approximately 380 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, 2016, we owned approximately 57% of Artisan Partners Holdings, and the other 43% was owned by the limited partners of Artisan Partners Holdings.

The historical consolidated financial statements presented and discussed elsewhere in this document are the combined and consolidated results of Artisan Partners Asset Management and Artisan Partners Holdings. Because Artisan Partners Asset Management and Artisan Partners Holdings were under common control at the time of our IPO reorganization in March 2013, Artisan Partners Asset Management’s acquisition of control of Artisan Partners Holdings was accounted for as a transaction among entities under common control. Artisan Partners Asset Management has been allocated a part of Artisan Partners Holdings’ net income since March 12, 2013, when it became Artisan Partners Holdings’ general partner as part of the IPO reorganization discussed below.

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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 December 31, 2016:

(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 (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). The stockholders committee, by vote of a majority of the 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 employees owned unvested restricted shares of our Class A common stock representing approximately 8% of our outstanding Class A common stock as of December 31, 2016.

(2) Each share of Class B common stock initially entitles its holder to five votes per share. The stockholders committee holds an irrevocable proxy to vote the shares of our common stock held by the Class B common stockholders.

(3) 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 $23.5 billion, or 24%, of our assets under management as of December 31, 2016. 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 $17.9 billion, or 18%, of our assets under management as of December 31, 2016, 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 $16.1 billion, or 17%, of our assets under management as of December 31, 2016. 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 $13.1 billion, or 14%, and $10.5 billion, or 11%, respectively, of our assets under management as of December 31, 2016. The U.S. Mid-Cap Value strategy, of which James C. Kieffer, George O. Sertl and Daniel L. Kane are co-managers, represented $6.7 billion, or 7%, of our assets under management as of December 31, 2016.

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 the 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 investment talent decreases, our ability to retain these personnel 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 equal across 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, partners and shareholders. Until our IPO in 2013, firm equity awards were in the form or 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 15% 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.

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. Since 2014, 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 share 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 shares

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 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. We have been exploring alternative equity awards or structures which would be more directly linked to an individual's performance and aligned with long-term interests and generally would be more objective, transparent, long-term-growth oriented and tax efficient than the APAM restricted shares that we use today. The design and implementation of new or modified 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, partners, and shareholders.

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Nevertheless, the implementation of new or modified 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 should not be considered 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. 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

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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 $50.9 billion as of December 31, 2006 to $96.8 billion as of December 31, 2016. 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 may 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 a seed investment would expose 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, 2016, approximately 49% of our assets under management across our investment strategies 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 43% 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 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, 2016, 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 10% and 8% of our total assets under management as of December 31, 2016.

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 third quarter of 2014, the portion of those fees allocated to us was increased, which increased our expenses.

In the future, our expenses in connection with those intermediary relationships could further 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, 2016, 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.

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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.

Twelve of our 13 existing investment strategies invest primarily in long positions in publicly-traded equity securities. Our High Income strategy, which accounted for only $1.9 billion of our $96.8 billion in total assets under management as of December 31, 2016, invests in fixed income securities. Under market conditions in which there is a general decline in the value of equity securities, the assets under management in each of our 12 equity strategies is likely to decline. Unlike some of our competitors, we do not currently offer strategies that invest in privately-held companies or take short positions in equity securities, which could offset some of the poor performance of our long-only, equity strategies under such market conditions. 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.

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.

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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 and to the protection of our proprietary information and our clients' information. 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.

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, including the High Income strategy, 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 previously operated a fixed income strategy. The High Income strategy primarily invests in securities and instruments (such as high yield corporate bonds, secured and unsecured loans, revolving credit facilities and loan participations) and may invest in certain derivative securities (such as credit default swaps) with which we previously had no or limited operational experience. The below-investment-grade instruments in which the High Income strategy invests and the debtors to which the strategy

is 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 strategy invests 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 High Income strategy (or any of our individual strategies) could negatively impact our reputation and business more generally.

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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 equity strategies and the High Income strategy. New strategies may invest in instruments (such as complex derivatives) with which we have no or limited experience or create portfolios that present new or different risks, such as risks associated with concentration and leverage. The most appropriate and marketable vehicle for certain new strategies will be private funds, which will present new and different regulatory, operational and distribution-related risks. 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. As of December 31, 2016, 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 A, Series B and Series C notes bear interest at a rate equal to 4.98%, 5.32% and 5.82% 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.

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

Our note purchase agreement 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

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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. 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, 2016, we believe we are in compliance with all of the covenants and other requirements set forth in the agreements.

We provide a broad range of services to Artisan Funds, Artisan Global Funds and sub-advised mutual 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, 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 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 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 approximately 30 as of December 31, 2012 to approximately 104 as of December 31, 2016. 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, which could have the effect of increasing our expenses.

This expansion 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 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 United Kingdom’s exit from the European Union could affect our future operations in the United Kingdom and in the other countries of the European Union. The ultimate impact of Brexit on our business operations will depend on the outcome of the exit negotiations.

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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. 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.

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”.

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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 alternative investment strategies, nor do we offer “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, hedge funds and alternative asset managers may seek to recruit our investment professionals.
- Some 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.

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.

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Risks Related to Our Structure

Control by our stockholders committee of approximately 59% 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.

Our employees to whom we have granted equity (including our employee-partners) hold approximately 59% 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 has the ability to determine the outcome of any matter requiring the approval of a simple majority of our outstanding voting stock and prevent the approval of any matter requiring the approval of 66 2/3% of our outstanding voting stock. For so long as the shares subject to the stockholders agreement represent at least a majority of the combined voting power of our capital stock, the stockholders committee is able to elect all of the members of our board of directors (subject to the obligation of the stockholders committee under the terms of the stockholders agreement to vote in support of certain nominees) and will thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of securities, and the declaration and payment of dividends. In addition, subject to the class approval rights of each class of our outstanding capital stock and each class of Artisan Partners Holdings limited partnership units, the stockholders committee is able to determine the outcome of all matters requiring approval by a majority of stockholders, and is able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company. The stockholders committee has the ability to prevent the consummation of mergers, takeovers or other transactions that may be in the best interests of our Class A stockholders.

In particular, this concentration of voting power could deprive Class A stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale of our company, and could affect the market price of our Class A common stock. Because each share of our Class B common stock initially entitles its holder to five votes, the stockholders committee possesses the power and control described above even though the shares subject to the stockholders agreement represent less than a majority of the number of outstanding shares of our capital stock. If and when the holders of our Class B common stock collectively hold less than 20% of the aggregate number of outstanding shares of our capital stock, shares of Class B common stock will entitle the holder to only one vote per share.

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.

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

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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). 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, 2016; and (iii) future purchases or exchanges of partnership units would aggregate to approximately $1.2 billion over generally a minimum of 15 years, assuming the future purchases or exchanges

described in clause (iii) occurred at a price of $29.75 per share of our Class A common stock, the closing price of our Class A common stock on December 30, 2016. Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately $1.1 billion, 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, 2016, we recorded a $586.2 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, 2016, 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

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any, resulting from such purchases or exchanges. Payments under the tax receivable agreements are not conditioned on the counterparties' continued ownership of us.

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 as of December 31, 2016, 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 $0.9 billion 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.

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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.

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, 2016, our Class A limited partners owned approximately 7.9 million Class A common units and AIC owned approximately 7.0 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. As of December 31, 2016, our employee-partners owned 15.1 million Class B common units. Approximately 3.6 million of those units are eligible for exchange and sale in the first quarter of 2017. 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. We have awarded 6,070,187 restricted stock units or restricted shares of Class A common stock to our employees and employees of our subsidiaries. 4,006,924 of these awards vest pro rata over the five years from the date of issuance and may be sold upon vesting. 2,063,263 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.

The disparity in the voting rights among the classes of our capital stock may have a potential adverse effect on the price of our Class A common stock.

Each share of our Class A common stock and Class C common stock entitles its holder to one vote on all matters to be voted on by stockholders generally, while each share of our Class B common stock entitles its holder to five votes on all matters to be voted on by stockholders generally for so long as the holders of our Class B common stock collectively hold at least 20% of the number of outstanding shares of our capital stock. The difference in voting rights could adversely affect the value of our Class A common stock by, for example, delaying or deferring a change of control.

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 disparity in the voting rights among the classes of our capital stock.
- 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.

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- 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.

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

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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.

## 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, 2015 | $50.93 | $44.34 | $ 1.55 |
| For the quarter ended June 30, 2015 | $48.15 | $43.05 | $ 0.60 |
| For the quarter ended September 30, 2015 | $48.39 | $34.57 | $ 0.60 |
| For the quarter ended December 31, 2015 | $40.62 | $33.24 | $ 0.60 |
| 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 |

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

On December 31, 2016, the last reported sale price for our Class A common stock on the NYSE was $29.75 per share. As of February 16, 2017, there were approximately 114 stockholders of record of our Class A common stock, 41 stockholders of record of our Class B common stock, and 34 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.

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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, 2016, 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 |
|---|---|---|---|---|---|
| Artisan Partners Asset Management, Inc. | $100.00 | $188.06 | $141.46 | $108.85 | $99.63 |
| S&P 500 Index | $100.00 | $121.75 | $138.42 | $140.33 | $157.11 |
| Dow Jones U.S. Asset Managers Index | $100.00 | $124.20 | $133.86 | $117.85 | $178.07 |

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

Subject to board approval each quarter, we expect to pay a quarterly dividend during 2017. After the end of the year, our board expects to 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. During the first quarter of 2017, our board of directors declared a quarterly dividend of $0.60 per share of Class A common stock and a special annual dividend of $0.36 per share. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy or at all. 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.

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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.

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, | |
|---|---|---|
| | 2016 | 2015 |
| | (in millions) | |
| For the quarter ended March 31 | $ 41.7 | $ 79.4 |
| For the quarter ended June 30 | $ 93.9 | $ 109.2 |
| For the quarter ended September 30 | $ 72.5 | $ 81.1 |
| For the quarter ending December 31 | $ 86.3 | $ 99.2 |

Unregistered Sales of Equity Securities

As described in Note 7, "Stockholders' Equity", to the Consolidated Financial Statements included in Item 8 of this report, upon termination of employment with Artisan, an employee-partner's unvested Class B common units are forfeited. Generally, the employee-partner's vested Class B common units are exchanged for Class E common units. The employee-partner's shares of Class B common stock are canceled and 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. During the three months ended December 31, 2016, 1,504,908 shares of Class B common stock were canceled, and 1,413,525 shares of Class C common stock were issued, as a result of the termination of employment of employee-partners.

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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, 2016:

| | As of December 31, 2016 | | |
|---|---|---|---|
| | 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 | 4,736,410 | 9,263,590 | Restricted Share Awards<br>Restricted Stock Units |
| 2013 Non-Employee Director Plan | 82,504 | 917,496 | 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, 2016, 2015 and 2014 and the selected consolidated statements of financial condition data as of December 31, 2016 and 2015 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, 2013 and 2012 and the consolidated statement of financial condition as of December 31, 2014, 2013 and 2012 have been derived from consolidated financial statements not included elsewhere in this document. The historical consolidated financial statements are the combined results of Artisan Partners Asset Management and Artisan Partners Holdings. Because Artisan Partners Asset Management and Artisan Partners Holdings were under common control at the time of the IPO Reorganization, Artisan Partners Asset Management's acquisition of control of Artisan Partners Holdings was accounted for as a transaction among entities under common control. Artisan Partners Asset Management has been allocated a part of Artisan Partners Holdings' net income since March 12, 2013, when it became Artisan Partners Holdings' general partner.

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. See Note 2, "Summary of Significant Accounting Policies" in the Notes to the Consolidated Financial Statements for additional information.

For consistency, the selected consolidated statements of operations data for the years ended December 31, 2013 and 2012 and the consolidated statement of financial condition as of December 31, 2014, 2013 and 2012 were restated to reflect the deconsolidation to be presented on the same basis as the annual financial statements.

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.

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| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | (in millions, except per-share data) | | | | |
| Statements of Operations Data: | | | | | |
| Revenues | | | | | |
| Management fees | | | | | |
| Mutual funds | $470.6 | $543.3 | $575.4 | $464.3 | $336.2 |
| Separate accounts | 249.2 | 260.4 | 252.3 | 219.0 | 167.8 |
| Performance fees | 1.1 | 1.8 | 1.0 | 2.5 | 1.6 |
| Total revenues | $720.9 | $805.5 | $828.7 | $685.8 | $505.6 |
| Operating Expenses | | | | | |
| Salaries, incentive compensation and benefits | 355.8 | 372.2 | 350.3 | 309.2 | 227.3 |
| Pre-offering related compensation-share-based awards | 28.1 | 42.1 | 64.7 | 404.2 | 101.7 |
| Pre-offering related compensation-other | — | — | — | 143.0 | 54.1 |
| Total compensation and benefits | 383.9 | 414.3 | 415.0 | 856.4 | 383.1 |
| Distribution and marketing | 32.5 | 43.6 | 49.1 | 38.4 | 29.0 |
| Occupancy | 13.1 | 12.5 | 11.3 | 10.5 | 9.3 |
| Communication and technology | 32.2 | 25.5 | 21.0 | 14.4 | 13.2 |
| General and administrative | 25.0 | 27.2 | 25.4 | 27.3 | 23.9 |
| Total operating expenses | 486.7 | 523.1 | 521.8 | 947.0 | 458.5 |
| Operating income (loss) | 234.2 | 282.4 | 306.9 | (261.2) | 47.1 |
| Non-operating income (loss) | | | | | |
| Interest expense | (11.7) | (11.7) | (11.6) | (11.9) | (11.4) |
| Net gain on the valuation of contingent value rights | — | — | — | 49.6 | — |
| Net investment income (loss) and other | 1.3 | 0.4 | 0.4 | 5.1 | (0.9) |
| Net gain (loss) on the tax receivable agreements | 0.7 | (12.2) | (4.2) | — | — |
| Total non-operating income (loss) | (9.7) | (23.5) | (15.4) | 42.8 | (12.3) |
| Income (loss) before income taxes | 224.5 | 258.9 | 291.5 | (218.4) | 34.8 |
| Provision for income taxes | 51.5 | 46.8 | 48.8 | 26.4 | 1.0 |
| Net income (loss) before noncontrolling interests | 173.0 | 212.1 | 242.7 | (244.8) | 33.8 |
| Less: Net income (loss) attributable to noncontrolling interests-Artisan Partners Holdings LP | 100.0 | 130.3 | 173.1 | (269.6) | 33.8 |
| Net income attributable to Artisan Partners Asset Management Inc. | $73.0 | $81.8 | $69.6 | $24.8 | $— |
| | | | | | |
| Earnings (loss) per basic and diluted common share | $1.57 | $1.86 | $(0.37) | $(2.04) | — |
| Weighted average basic and diluted common shares outstanding | 38.1 | 35.4 | 27.5 | 13.8 | — |
| Dividends declared per Class A common share | $2.80 | $3.35 | $3.83 | $0.86 | — |

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| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Statement of Financial Condition Data: | (in millions) | | | | |
| Cash and cash equivalents | $156.8 | $166.2 | $182.3 | $211.8 | $141.2 |
| Total assets | 936.2 | 946.5 | 849.5 | 491.5 | 220.5 |
| Borrowings[1] | 200.0 | 200.0 | 200.0 | 200.0 | 290.0 |
| Total liabilities | 818.5 | 829.9 | 742.0 | 409.6 | 572.7 |
| Temporary equity-redeemable preferred units[2] | — | — | — | — | 357.2 |
| Total equity (deficit) | $117.7 | $116.6 | $107.5 | $81.9 | $(709.4) |

[1] In August 2012, we issued $200 million in unsecured notes and entered into a $100 million five-year revolving credit agreement. We used the proceeds of the notes and $90 million drawn from the revolving credit facility to prepay all of the then-outstanding principal amount of our $400 million term loan. We used a portion of the net proceeds of our IPO to repay all of the $90 million drawn from the revolving credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

[2] Under the terms of Artisan Partners Holdings' limited partnership agreement in effect prior to the IPO Reorganization, the holders of the preferred units had a right to put such units to the partnership on July 3, 2016 under certain circumstances.

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, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Selected Unaudited Operating Data: | (in millions) | | | | |
| Assets under management[1] | $96,845 | $99,848 | $107,915 | $105,477 | $74,334 |
| Net client cash flows[2] | (4,824) | (5,848) | 788 | 7,178 | 5,813 |
| Market appreciation (depreciation)[3] | $1,821 | $(2,219) | $1,650 | $23,965 | $11,417 |

[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, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | (dollars in millions) | | | | |
| Net income attributable to Artisan Partners Asset Management Inc. (GAAP) | $73.0 | $81.8 | $69.6 | $24.8 | $— |
| Adjusted net income (Non-GAAP) | $158.7 | $197.3 | $228.9 | $180.3 | $122.4 |
| Operating income (loss) (GAAP) | $234.2 | $282.4 | $306.9 | $(261.2) | $47.1 |
| Adjusted operating income (Non-GAAP) | $262.3 | $324.5 | $371.7 | $288.9 | $202.9 |
| Operating margin (GAAP) | 32.5% | 35.1% | 37.0% | (38.1)% | 9.3% |
| Adjusted operating margin (Non-GAAP) | 36.4% | 40.3% | 44.9% | 42.1% | 40.1% |

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

We are an investment management firm focused on providing high-value added, active investment strategies to sophisticated clients globally. Our operations are conducted through Artisan Partners Holdings and its subsidiaries. We derive essentially all of our revenues from investment management fees. Nearly all our fees are based on a specified percentage of clients' average assets under our management. We operate our business in a single segment.

Our autonomous investment teams manage a broad range of U.S., non-U.S. and global investment strategies that are diversified by market cap and investment style. Strategies are offered through multiple investment vehicles to accommodate a broad range of client mandates. In the fourth quarter of 2016, Chris Smith joined the Company as the founding portfolio manager of our eighth autonomous investment team, the Artisan Thematic team.

During the year ended December 31, 2016, our AUM declined to $96.8 billion at December 31, 2016, a decrease of $3.0 billion, or 3.0%, compared to $99.8 billion at December 31, 2015. This decrease was due to $4.8 billion of net client cash outflows partially offset by $1.8 billion in market appreciation. Revenues were $721 million for the year ended December 31, 2016, an 11% decrease from revenues of $806 million in the prior year. GAAP operating margin was 32.5% and adjusted operating margin was 36.4% for the year ended December 31, 2016. Net income attributable to APAM was $73.0 million, or $1.57 per basic and diluted share, for the year ended December 31, 2016 compared to $81.8 million, or $1.86 per basic and diluted share, for the year ended December 31, 2015. Adjusted net income per adjusted share was $2.13 for the year ended December 31, 2016 compared to $2.69 for the year ended December 31, 2015.

2016 business and financial highlights included:

- The maintenance of an environment and culture that supports our investment professionals continued effort to deliver strong investment performance. At year-end, the 10-year average annual returns of each of our 8 investment strategies with a 10-year track record exceeded the returns of its applicable benchmark. Our Global Opportunities and Global Equity strategies, both of which are open to new clients and investors and have realizable capacity, beat their benchmarks by over 500 and 300 basis points, respectively, over the trailing 5-year period. Our two newest strategies, High Income and Developing World, continued to perform well and gather assets.
- The hiring and on-boarding of our eighth investment team, the Thematic team, which we expect will eventually manage multiple strategies. These strategies will be consistent with our high value added philosophy and reflect our goal of launching new strategies with high degrees of freedom that are not easily replicated with passive products.
- During the year, four of our seven investment teams experienced net client cash inflows. The strategies managed by our U.S. Value team experienced total net outflows of $3.6 billion during the year, and our Global Equity team's Non-U.S. Growth strategy had net outflows of $3.8 billion during the year.
- In January 2017, the Global Value team was recognized again with their sixth nomination for Morningstar International-Stock Fund Manager of the Year in the U.S.
- We continued to increase the geographic diversification of our business. At year-end, $18 billion, or 18%, of our total assets under management were from clients domiciled outside the U.S.
- We declared and distributed dividends of $2.80 per share of Class A common stock during 2016, which represents all of our adjusted earnings and non-cash expenses.
- Maintaining and enhancing relationships and communication with clients, investors, employees and potential new investment talent.

Organizational Structure

Organizational Structure

On March 12, 2013, Artisan Partners Asset Management Inc. ("APAM") and the intermediary holding company through which APAM conducts its operations, Artisan Partners Holdings LP ("Holdings"), completed a series of transactions (the "IPO Reorganization") to reorganize their capital structures in connection with the initial public offering ("IPO") of APAM's Class A common stock. The IPO Reorganization and IPO were completed on March 12, 2013. The IPO

Reorganization was designed to create a capital structure that preserves our ability to conduct our business through Holdings, while permitting us to raise additional capital and provide access to liquidity through a public company. Our employees and other limited partners of Holdings held approximately 43% of the equity interests in Holdings as of December 31, 2016. As a result, our post-IPO results reflect that significant noncontrolling interest.

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2016 Unit Exchanges

During the year ended December 31, 2016, certain limited partners of Holdings exchanged 1,679,507 common units (along with a corresponding number of shares of Class B or Class C common stock of APAM) for 1,679,507 shares of Class A common stock. In connection with the exchanges, APAM received 1,679,507 GP units of Holdings. APAM's equity ownership interest in Holdings increased from 54% at December 31, 2015 to 57% at December 31, 2016, as a result of these exchanges 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.

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 year ended December 31, 2016 is summarized as follows:

| | Amounts Payable Under Tax Receivable Agreements | Deferred Tax Asset - Amortizable Basis |
|---|---|---|
| | (in millions) | |
| December 31, 2015 | $589.1 | $ 660.3 |
| 2016 Common Unit Exchanges | 25.5 | 29.9 |
| Amortization | — | (36.0) |
| Payments under TRA | (27.7) | |
| Change in estimate | (0.7) | (0.3) |
| December 31, 2016 | $586.2 | $ 653.9 |

Financial Overview

Economic Environment

Global equity market conditions can materially affect our financial performance. During the year ended December 31, 2016, market appreciation positively impacted our AUM by 2%. The following table presents the total returns of relevant market indices:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| S&P 500 total returns | 12.0% | 1.4 % | 13.7 % |
| MSCI All World total returns | 7.9 % | (2.4)% | 4.2 % |
| MSCI EAFE total returns | 1.0 % | (0.8)% | (4.9)% |
| Russell Midcap® Index total returns | 13.8% | (2.4)% | 13.2 % |

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Key Performance Indicators

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (unaudited; in millions) | | |
| Assets under management at period end | $96,845 | $99,848 | $107,915 |
| Average assets under management[1] | $96,281 | $106,484 | $107,865 |
| Net client cash flows | $(4,824) | $(5,848) | $788 |
| Total revenues | $721 | $806 | $829 |
| Weighted average fee[2] | 75 bps | 76 bps | 77 bps |
| Operating Margin | 32.5 % | 35.1 % | 37.0 % |
| Adjusted operating margin[3] | 36.4 % | 40.3 % | 44.9 % |

[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.

Because we earn investment management fees based primarily on the value of the assets we manage across a reporting period, we believe that average assets under management for a period is a better metric for understanding changes in our revenues than period end assets under management.

The weighted average fee represents annualized investment management fees as a percentage of average assets under management for the applicable period. We have historically been disciplined about maintaining our rates of fees. Over time, industry-wide fee pressure could cause us to reduce our fees.

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.

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The table below sets forth changes in our total AUM:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (unaudited; in millions) | | |
| Beginning assets under management | $99,848 | $107,915 | $105,477 |
| Gross client cash inflows | 18,489 | 18,577 | 22,953 |
| Gross client cash outflows | (23,313) | (24,425) | (22,165) |
| Net client cash flows | (4,824) | (5,848) | 788 |
| Market appreciation (depreciation) [1] | 1,821 | (2,219) | 1,650 |
| Ending assets under management | $96,845 | $99,848 | $107,915 |
| Average assets under management | $96,281 | $106,484 | $107,865 |

[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, 2016 and 2015 included net outflows of approximately $294 million and $616 million, respectively, from Artisan Partners Funds annual income and capital gains distributions, net of reinvestments.

Across the firm, we experienced total net outflows of $4.8 billion during 2016. The net outflows were primarily a result of net outflows in our Non-U.S. Growth, U.S. Mid-Cap Value, U.S. Mid-Cap Growth, and U.S. Small-Cap Value strategies, off-set in part by net inflows in our Global Opportunities, Global Value, High Income, Non-U.S. Value, and Developing World strategies.

Our Global Equity team's Non-U.S. Growth strategy had net outflows of $3.8 billion during the year as a result of short-term underperformance and outflows primarily from intermediary channel investors. We closed the strategy to most new retail and intermediary investors in February 2016, and we further closed the strategy to most new institutional investors and employee benefit plans in October 2016. Due to the strategy's recent relative under-performance, we expect the strategy will continue to experience net outflows.

The strategies managed by our U.S. Value team experienced total net outflows of $3.6 billion during 2016, as a result of underperformance in the years leading up to last year, structural changes in the defined contribution marketplace, and our decision to cease managing assets in the U.S. Small-Cap Value strategy in the second quarter of 2016. The U.S. Mid-Cap Value and U.S. Small-Cap Value strategies had net outflows of $2.8 billion and $706 million, respectively, during the year. We ceased managing the U.S. Small-Cap Value strategy during the second quarter of 2016 and reorganized Artisan Small Cap Value Fund into Artisan Mid Cap Value Fund at that time. In the fourth quarter, we reopened the U.S. Mid-Cap Value strategy across vehicles and client types. The strategy had previously been closed to most new investors and client relationships since mid-2009. We expect to continue to experience net outflows in the U.S. Mid-Cap Value strategy, though not at the same levels we experienced in 2016 and 2015.

The strategies managed by our Growth team had total net inflows of $450 million, primarily as a result of $2.7 billion of net inflows into the Global Opportunities strategy and $1.9 billion of net outflows from the U.S. Mid-Cap Growth strategy. We expect to continue to experience net inflows in the Global Opportunities strategy, for which there is strong global demand, and net outflows in the U.S. Mid-Cap Growth strategy, in particular from defined contribution plan clients.

Our Global Value team's two strategies experienced total net inflows of $1.5 billion during 2016. The Global Value strategy is open across pooled vehicles but is generally closed to most new separate account clients. The Non-U.S. Value strategy remains closed to most new investors and client relationships.

Our High Income strategy, which we launched in March 2014, generated net inflows of $670 million during 2016, despite having a short-term track record. We also continued to see interest in our Developing World strategy during the year, which launched at the end of June 2015 and ended 2016 with $987 million of AUM. We expect to see continued net inflows into these strategies.

We believe that growth in AUM in an investment strategy requires the availability of attractive investment opportunities relative to the amount of AUM in the strategy at a time when the strategy has a competitive performance track record and there is stable or growing client demand for the strategy or asset class. When we believe that each of these factors is present with respect to an investment strategy, we say we have “realizable capacity” in that strategy. We discuss realizable capacity in general, rather than discussing the capacity of our strategies in precise dollar amounts, because capacity is affected by a number of factors, evolves over time, and is subject to change. We are confident that we have sufficient realizable capacity to continue to thoughtfully grow. In particular, we believe that we currently have realizable capacity in our Global Opportunities and Global Equity strategies, where we believe we are well-positioned to take advantage of client and investor demand. In March 2017, our High Income strategy will complete its third year of operations. A strong three-year track record generally results in increased demand for the strategy and positions the strategy well for continued organic growth.

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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 AUM 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.

During the first quarter of 2017, we ceased managing assets in the Global Small-Cap Growth strategy and Artisan Global Small Cap Fund was liquidated. Net outflows from the Global Small-Cap Growth strategy between December 31, 2016 and January 20, 2017, were approximately $20 million.

In addition to our Global Value strategy, which is partially closed as described above, 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.

When we close a strategy, we typically continue to allow additional investments in the strategy by existing clients and certain related entities. We may also permit new investments by other eligible investors in certain circumstances, for example to offset potential outflows. As a result, during a given period we could have net client cash inflows even in a closed strategy. For example, during the year ended December 31, 2016, our Non-U.S. Value strategy, which is closed to most new investors and client relationships, had $653 million in net client cash inflows. However, when a strategy is closed or its growth is restricted we expect there to be periods of net client cash outflows.

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, 2016, are maintained in separate composites the results of which are not included below.

The table below sets forth the total AUM for each of our investment teams and strategies as of December 31, 2016, the inception date for each investment composite, and the average annual total returns for each composite and its respective broad-based benchmark (and style benchmark, if applicable) over a multi-horizon time period as of December 31, 2016.

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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) |
|---|---|---|---|---|---|---|---|---|
| Global Equity Team | | | | | | | | |
| Non-U.S. Growth Strategy | 1/1/1996 | 23,475 | (8.87)% | (3.72)% | 7.50% | 2.92% | 9.58% | 533 |
| MSCI EAFE Index | | | 1.00% | (1.60)% | 6.53% | 0.75% | 4.25% | |
| Non-U.S. Small-Cap Growth Strategy | 1/1/2002 | 887 | (11.86)% | (3.76)% | 9.77% | 4.82% | 12.56% | 304 |
| MSCI EAFE Small Cap Index | | | 2.18% | 2.10% | 10.54% | 2.94% | 9.52% | |
| Global Equity Strategy | 4/1/2010 | 1,128 | (0.48)% | 2.11% | 12.68% | N/A | 10.42% | 339 |
| MSCI All Country World Index | | | 7.86% | 3.13% | 9.35% | N/A | 7.04% | |
| Global Small-Cap Growth Strategy[2] | 7/1/2013 | 20 | (13.18)% | (4.89)% | N/A | N/A | 0.38% | (808) |
| MSCI All Country World Small Cap Index | | | 11.59% | 3.97% | N/A | N/A | 8.46% | |
| U.S. Value Team | | | | | | | | |
| U.S. Mid-Cap Value Strategy | 4/1/1999 | 6,744 | 23.87% | 5.09% | 12.44% | 9.07% | 13.51% | 435 |
| Russell® Midcap Index | | | 13.80% | 7.91% | 14.70% | 7.85% | 9.15% | |
| Russell® Midcap Value Index | | | 20.00% | 9.44% | 15.69% | 7.58% | 10.02% | |
| Value Equity Strategy | 7/1/2005 | 1,844 | 30.22% | 8.13% | 12.94% | 7.12% | 8.33% | 31 |
| Russell® 1000 Index | | | 12.05% | 8.58% | 14.67% | 7.08% | 8.02% | |
| Russell® 1000 Value Index | | | 17.34% | 8.58% | 14.78% | 5.72% | 7.27% | |
| Growth Team | | | | | | | | |
| U.S. Mid-Cap Growth Strategy | 4/1/1997 | 13,126 | 0.28% | 3.52% | 13.27% | 10.00% | 14.73% | 458 |
| Russell® Midcap Index | | | 13.80% | 7.91% | 14.70% | 7.85% | 10.15% | |
| Russell® Midcap Growth Index | | | 7.33% | 6.22% | 13.49% | 7.83% | 8.53% | |
| U.S. Small-Cap Growth Strategy | 4/1/1995 | 2,065 | 6.90% | 2.91% | 13.47% | 8.06% | 9.80% | 47 |
| Russell® 2000 Index | | | 21.31% | 6.74% | 14.44% | 7.06% | 9.33% | |
| Russell® 2000 Growth Index | | | 11.32% | 5.05% | 13.73% | 7.75% | 7.37% | |
| Global Opportunities Strategy | 2/1/2007 | 10,523 | 5.53% | 6.10% | 14.55% | N/A | 9.02% | 553 |
| MSCI All Country World Index | | | 7.86% | 3.13% | 9.35% | N/A | 3.49% | |
| Global Value Team | | | | | | | | |
| Non-U.S. Value Strategy | 7/1/2002 | 17,855 | 6.44% | 2.25% | 11.85% | 6.64% | 12.22% | 664 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| MSCI EAFE Index | | | 1.00% | (1.60)% | 6.53% | 0.75% | 5.59% | |
| Global Value Strategy | 7/1/2007 | 16,085 | 11.32% | 5.07% | 13.35% | N/A | 8.02% | 529 |
| MSCI All Country World Index | | | 7.86% | 3.13% | 9.35% | N/A | 2.72% | |
| Emerging Markets Team | | | | | | | | |
| Emerging Markets Strategy | 7/1/2006 | 228 | 17.03% | 0.43% | 3.01% | 2.01% | 4.09% | 30 |
| MSCI Emerging Markets Index | | | 11.19% | (2.55)% | 1.27% | 1.84% | 3.80% | |
| Credit Team | | | | | | | | |
| High Income Strategy[3] | 4/1/2014 | 1,878 | 15.74% | N/A | N/A | N/A | 7.19% | 315 |
| BofA Merrill Lynch High Yield Master II Index | | | 17.49% | N/A | N/A | N/A | 4.03% | |
| Developing World Team | | | | | | | | |
| Developing World Strategy | 7/1/2015 | 987 | 13.08% | N/A | N/A | N/A | (0.14)% | 532 |
| MSCI Emerging Markets Index | | | 11.19% | N/A | N/A | N/A | (5.46)% | |
| Total Assets Under Management | | 96,845 | | | | | | |

(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.

(2) We ceased managing assets in the Global Small-Cap Growth strategy as of January 20, 2017.

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

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The tables below set forth changes in our AUM by investment team:

| | By Investment Team | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year Ended | Global Equity | U.S. Value | Growth | Global Value | Emerging Markets | Credit | Developing World | Total |
| December 31, 2016 | (unaudited; in millions) | | | | | | | |
| Beginning assets under management | $32,434 | $10,369 | $24,929 | $30,182 | $ 571 | $989 | $ 374 | $99,848 |
| Gross client cash inflows | 3,897 | 1,650 | 5,803 | 5,383 | 10 | 1,094 | 652 | 18,489 |
| Gross client cash outflows | (7,885) | (5,264) | (5,353) | (3,878) | (401) | (424) | (108) | (23,313) |
| Net client cash flows | (3,988) | (3,614) | 450 | 1,505 | (391) | 670 | 544 | (4,824) |
| Market appreciation (depreciation) | (2,936) | 1,833 | 335 | 2,253 | 48 | 219 | 69 | 1,821 |
| Net transfers[1] | — | — | — | — | — | — | — | — |
| Ending assets under management | $25,510 | $8,588 | $25,714 | $33,940 | $ 228 | $1,878 | $ 987 | $96,845 |
| Average assets under management | $29,216 | $8,733 | $24,535 | $31,282 | $ 293 | $1,527 | $ 694 | $96,281 |
| December 31, 2015 | | | | | | | | |
| Beginning assets under management | $31,452 | $18,112 | $24,499 | $32,481 | $ 806 | $565 | $ — | $107,915 |
| Gross client cash inflows | 7,697 | 2,117 | 4,809 | 2,760 | 42 | 764 | 388 | 18,577 |
| Gross client cash outflows | (5,630) | (8,574) | (5,294) | (4,379) | (205) | (335) | (8) | (24,425) |
| Net client cash flows | 2,067 | (6,457) | (485) | (1,619) | (163) | 429 | 380 | (5,848) |
| Market appreciation (depreciation) | (1,085) | (1,286) | 915 | (680) | (72) | (5) | (6) | (2,219) |
| Net transfers[1] | — | — | — | — | — | — | — | — |
| Ending assets under management | $32,434 | $10,369 | $24,929 | $30,182 | $ 571 | $989 | $ 374 | 99,848 |
| Average assets under management[2] | $33,262 | $14,511 | $25,204 | $32,015 | $ 641 | $775 | $ 153 | 106,484 |
| December 31, 2014 | | | | | | | | |
| Beginning assets under management | $27,317 | $23,024 | $22,433 | $30,957 | $ 1,746 | $— | $ — | $105,477 |
| Gross client cash inflows | 9,185 | 3,003 | 5,912 | 4,177 | 21 | 655 | — | 22,953 |
| Gross client cash outflows | (4,908) | (8,013) | (4,883) | (3,351) | (917) | (93) | — | (22,165) |
| Net client cash flows | 4,277 | (5,010) | 1,029 | 826 | (896) | 562 | — | 788 |
| Market appreciation (depreciation) | (142) | 98 | 990 | 745 | (44) | 3 | — | 1,650 |
| Net transfers[1] | — | — | 47 | (47) | — | — | — | — |
| Ending assets under management | $31,452 | $18,112 | $24,499 | $32,481 | $ 806 | $565 | $ — | $107,915 |
| Average assets under management[3] | $29,817 | $20,881 | $23,201 | $32,467 | $ 1,199 | $381 | $ — | 107,865 |

[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]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.

[3]For the Credit team, average assets under management is for the period between March 19, 2014, when the team's investment strategy began operations, and December 31, 2014.

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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 AUM by distribution channel:

| | As of December 31, 2016 | | As of December 31, 2015 | | As of December 31, 2014 | |
|---|---|---|---|---|---|---|
| | $ in millions | % of total | $ in millions | % of total | $ in millions | % of total |
| | (unaudited) | | | | | |
| Institutional | $64,113 | 66.2 % | $64,352 | 64.5 % | $68,153 | 63.2 % |
| Intermediary | 27,925 | 28.8 % | 30,161 | 30.2 % | 33,894 | 31.4 % |
| Retail | 4,807 | 5.0 % | 5,335 | 5.3 % | 5,868 | 5.4 % |
| Ending Assets Under Management[1] | $96,845 | 100.0% | $99,848 | 100.0% | $107,915 | 100.0% |

[1] The allocation of AUM by distribution channel involves the use of estimates and the exercise of judgment.

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

| Year Ended | Artisan Funds & Artisan Global Funds | Separate Accounts | Total |
|---|---|---|---|
| December 31, 2016 | (unaudited; in millions) | | |
| 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 |
| December 31, 2014 | | | |
| Beginning assets under management | $59,881 | $45,596 | $105,477 |
| Gross client cash inflows | 15,800 | 7,153 | 22,953 |
| Gross client cash outflows | (15,365) | (6,800) | (22,165) |
| Net client cash flows | 435 | 353 | 788 |
| Market appreciation (depreciation) | 573 | 1,077 | 1,650 |
| Net transfers[1] | (632) | 632 | — |
| Ending assets under management | $60,257 | $47,658 | $107,915 |
| Average assets under management | $61,819 | $46,046 | 107,865 |

(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.

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Artisan Funds and Artisan Global Funds

As of December 31, 2016, Artisan Funds comprised $46.4 billion, or 48%, of our assets under management. For the year ended December 31, 2016, fees from Artisan Funds represented $453.6 million, or 63%, of our revenues. Our 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, 2016, Artisan Global Funds comprised $3.0 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 fee rates for Artisan Global Funds range from 0.75% to 1.75% of assets under management. For the year ended December 31, 2016, fees from Artisan Global Funds represented $17.0 million, or 2%, of our revenues.

The weighted average rate of fee paid by our Artisan Funds and Artisan Global Funds clients in the aggregate was 0.92% for the year ended December 31, 2016, and 0.93% for the years ended December 31, 2015 and 2014.

Separate Accounts

Separate accounts comprised $47.5 billion, or 49%, of our assets under management as of December 31, 2016. For the year ended December 31, 2016, fees from separate accounts represented $250.3 million, or 35%, of our revenues.

For 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 0.55% for the years ended December 31, 2016, 2015 and 2014. 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 AUM, the composition of AUM among our investment vehicles (including pooled vehicles available to U.S. investors, pooled vehicles available to non-U.S. investors and separate accounts) and our investment strategies (which have different fee rates), 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 few 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.

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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, 2016, 2015 and 2014:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions) | | |
| Revenues | | | |
| Management fees | | | |
| Artisan Funds & Artisan Global Funds | $470.6 | $543.3 | $575.4 |
| Separate accounts | 249.2 | 260.4 | 252.3 |
| Performance fees | 1.1 | 1.8 | 1.0 |
| Total revenues | $720.9 | $805.5 | $828.7 |
| Average assets under management for period | $96,281 | $106,484 | $107,865 |

For the years ended December 31, 2016, 2015 and 2014, approximately 89%, 90% and 91%, 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.

Our largest operating expenses are compensation and benefits and distribution and marketing expenses. 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, which for each of our investment teams represents approximately 25% of the revenues 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 are seasonal expenses, such as employer funded retirement and health care contributions and payroll taxes. Historically these costs have added approximately $3 million to $4 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 1,138,892 restricted share-based awards to certain of our employees during 2016 and 1,268,500 restricted share-based awards in January 2017. The grants consisted of both standard restricted awards and career awards, as described above.

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Total compensation expense, which will be recognized on a straight-line basis over the requisite service period, is expected to be approximately $34.6 million and approximately $35.9 million, for the 2016 and January 2017 awards, respectively. Including the January 2017 grant, we expect the 2017 quarterly expense related to post-IPO equity compensation to be approximately $12 million per quarter.

Since the IPO and including the January 2017 grant, our board of directors has approved the grant of 6,070,187 restricted share-based awards. The unrecognized non-cash compensation expense for these awards as of December 31, 2016 was $147.0 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 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.

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 remaining unvested Class B awards will be fully vested on July 1, 2017.

Distribution and Marketing

Distribution 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 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.

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 these soft dollars are reduced or eliminated. 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.

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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. 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.

$60 million of the unsecured notes mature in August 2017. We currently expect to refinance the notes at similar rates and on similar terms as the notes coming due. We also currently expect to renew the revolving credit facility in August 2017.

Other Non-Operating Income (Loss)

Other items included in total non-operating income (loss) are income from our excess cash balances, dividends earned on available-for-sale securities, and gains or losses we recognize upon the sale of available-for-sale securities. 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. 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.

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 Artisan Partners Holdings' 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, primarily attributable to 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 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. Pre-IPO share-based compensation expenses and the related impact to the effective tax rate will no longer exist after the awards fully vest on July 1, 2017.

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 year ended December 31, 2016.

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Results of Operations

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

| | For the Years Ended December 31, | | 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 | | | | |
| Net income available to Class A common stock per basic and diluted share | $1.57 | $ 1.86 | | |
| Weighted average basic and diluted shares of Class A common stock 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 AUM and a decrease in our weighted average investment management fee rate.

Our weighted average investment management fee was 75 basis points for the year ended December 31, 2016, compared to 76 basis points for the year ended December 31, 2015. The slight decrease in the weighted average fee rate is the result of a shift in the mix of our AUM between our investment strategies and vehicles, primarily a reduction in the proportion of our total assets managed through Artisan Funds.

The following table sets forth the weighted average fee (which reflects the additional services we provide to pooled vehicles) and composition of revenue and AUM by investment vehicle:

| | Separate Accounts | | Artisan Funds and Artisan Global Funds | |
|---|---|---|---|---|
| For the Years Ended December 31, | 2016 | 2015 | 2016 | 2015 |
| | (unaudited; dollars in millions) | | | |
| Investment management fees | $250.3 | $262.2 | $470.6 | $543.3 |
| Weighted average fee | 55 basis points | 55 basis points | 92 basis points | 93 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 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 AUM, and a decrease in pre-offering related equity compensation expense. We incurred approximately $3.5 million of operating expenses in the fourth quarter of 2016 related to the establishment of the Thematic team and the addition of a Chief Operating Officer of Investments. We expect the operating expenses associated with the Thematic team and new executive will collectively be approximately $2.0 million per quarter in 2017, primarily related to compensation and benefits costs.

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 the first quarter of 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. We expect restricted share-based award compensation expense to continue to increase as we make additional equity awards each year, until our inaugural post-IPO grant becomes fully vested in 2018. The ultimate size of the expense will depend primarily on the number of awards granted and our stock price at the time awards are made.

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. Class B awards will be fully vested on July 1, 2017.

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 AUM 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 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.

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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.

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 stock offerings, unit exchanges, and equity award grants. See Note 11, "Earnings (Loss) Per Share" in the Notes to the Consolidated Financial Statements in Item 8 of this report for further discussion of earnings per share.

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Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

| | For the Years Ended December 31, | | For the Period-to-Period | |
|---|---|---|---|---|
| | 2015 | 2014 | $ | % |
| Statements of operations data: | (in millions, except share and per-share data) | | | |
| Revenues | $805.5 | $ 828.7 | $(23.2) | (3)% |
| Operating Expenses | | | | |
| Total compensation and benefits | 414.3 | 415.0 | (0.7) | — % |
| Other operating expenses | 108.8 | 106.8 | 2.0 | 2 % |
| Total operating expenses | 523.1 | 521.8 | 1.3 | — % |
| Total operating income | 282.4 | 306.9 | (24.5) | (8)% |
| Non-operating income (loss) | | | | |
| Interest expense | (11.7) | (11.6) | (0.1) | (1)% |
| Other non-operating income (loss) | (11.8) | (3.8) | (8.0) | (211)% |
| Total non-operating income (loss) | (23.5) | (15.4) | (8.1) | (53)% |
| Income before income taxes | 258.9 | 291.5 | (32.6) | (11)% |
| Provision for income taxes | 46.8 | 48.8 | (2.0) | (4)% |
| Net income before noncontrolling interests | 212.1 | 242.7 | (30.6) | (13)% |
| Less: Noncontrolling interests - Artisan Partners Holdings | 130.3 | 173.1 | (42.8) | (25)% |
| Net income attributable to Artisan Partners Asset Management Inc. | $81.8 | $ 69.6 | $12.2 | 18 % |
| Per Share Data | | | | |
| Net income (loss) available to Class A common stock per basic and diluted share | $1.86 | $ (0.37) | | |
| Weighted average basic and diluted shares of Class A common stock outstanding | 35,448,552 | 27,514,394 | | |

Revenues

The decrease in revenues of $23.2 million, or 3%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, was driven primarily by a $1.4 billion or 1%, decrease in our average AUM and a decrease in our weighted average investment management fee rate.

Our weighted average investment management fee was 76 basis points for the year ended December 31, 2015, compared to 77 basis points for the year ended December 31, 2014. The decrease in the weighted average fee rate was the result of a shift in the mix of our AUM between our investment strategies and vehicles, primarily a reduction in the proportion of our total assets managed through Artisan Funds.

The following table sets forth the weighted average fee (which reflects the additional services we provide to pooled vehicles) and composition of revenue and AUM by investment vehicle:

| | Separate Accounts | | Artisan Funds and Artisan Global Funds | |
|---|---|---|---|---|
| For the Years Ended December 31, | 2015 | 2014 | 2015 | 2014 |
| | (unaudited; dollars in millions) | | | |
| Investment management fees | $262.2 | $253.3 | $543.3 | $575.4 |
| Weighted average fee | 55 basis points | 55 basis points | 93 basis points | 93 basis points |
| Percentage of ending AUM | 46 % | 44 % | 54 % | 56 % |

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Operating Expenses

The increase in total operating expenses of $1.3 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, was primarily due to a $13.4 million increase in restricted share-based compensation expense and costs associated with the formation of our Developing World team. We incurred approximately $12 million of expenses during the year ended December 31, 2015 related to the Developing World team, of which $6.5 million related to establishing the team. The increased expenses were partially offset by a $22.6 million decrease in pre-offering related equity compensation expense.

Compensation and Benefits

| | For the Years Ended December 31, | | Period-to-Period | |
|---|---|---|---|---|
| | 2015 | 2014 | $ | % |
| | (in millions) | | | |
| Salaries, incentive compensation and benefits [1] | $335.7 | $327.2 | $ 8.5 | 3 % |
| Restricted share-based award compensation expense | 36.5 | 23.1 | 13.4 | 58 % |
| Total salaries, incentive compensation and benefits | 372.2 | 350.3 | 21.9 | 6 % |
| Pre-offering related compensation - share-based awards | 42.1 | 64.7 | (22.6) | (35)% |
| Total compensation and benefits | $414.3 | $415.0 | $ (0.7) | 0 % |

[1] Excluding restricted share-based award compensation expense

The increase in salaries, incentive compensation and benefits was driven primarily by $6.0 million of start-up costs related to the Developing World team in the first quarter of 2015 and a $9.1 million increase due to an increase in the number of employees, including those on the Developing World team. These increases were partially offset by a decline in the cash incentive compensation directly linked to our revenues, which decreased by $6.6 million.

The $13.4 million increase in restricted share-based compensation expense resulted primarily from grants of awards in January 2015 and July 2014.

Pre-offering related compensation expense, which consists of the amortization expense on pre-offering Class B awards decreased $22.6 million, as certain awards became fully vested during 2015 and 2014. Class B awards will be fully vested on July 1, 2017.

Total salaries, incentive compensation and benefits was 46% and 42% of our revenues for the years ended December 31, 2015 and 2014, respectively.

Other operating expenses

Other operating expenses increased $2.0 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a $4.5 million increase in communication and technology expenses as a result of investments in firm technology initiatives, mainly in the areas of information security and distribution and marketing. Occupancy and general and administrative expenses also increased by $3.0 million primarily due to an increase in the number of employees, including those on the Developing World team.

The increases in other operating expenses described above were partially offset by a $4.4 million reduction in distribution expenses. Distribution expenses decreased as a result of a decrease in our AUM 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 $2.7 million for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

Non-Operating Income (Loss)

Non-operating income (loss) for the years ended December 31, 2015 and 2014 includes $12.2 million and $4.2 million, respectively, of expense resulting from changes in the estimate of the payment obligation under the tax receivable agreements. The effect of changes in that estimate after the date of an exchange or sale is included in net income. Similarly, the effect of changes in the estimate of enacted tax rates and in applicable tax laws are included in net income.

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Provision for Income Taxes

APAM's effective income tax rate for the years ended December 31, 2015 and 2014 was 18.1% and 16.7%, respectively. The rate increase was primarily due to an increase in APAM's equity ownership in Holdings. For the year ended December 31, 2015, approximately 50% of Holdings' earnings were not subject to corporate-level taxes compared to approximately 60% for the year ended December 31, 2014.

Included in the tax provision for the years ended December 31, 2015 and 2014, are discrete tax benefits of $8.3 million and $4.1 million, respectively, related to changes in estimates associated with our deferred tax assets.

Earnings Per Share

Weighted average basic and diluted shares of Class A common stock outstanding were higher for the year ended December 31, 2015, as a result of stock offerings, unit exchanges, and equity award grants. Basic and diluted earnings per share were negatively impacted in 2014 by our purchase of our preferred securities because the purchase price was greater than the equity carrying value. See Note 11, "Earnings (Loss) Per Share" in the Notes to the Consolidated Financial Statements in Item 8 of this report for further discussion of earnings per share.

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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) offering related proxy expense and (3) net gain (loss) on the tax receivable agreements. 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) offering related proxy expense and (3) net gain (loss) on the tax receivable agreements. 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 and all shares of APAM's convertible preferred stock had been exchanged for or converted into Class A common stock of APAM on a one-for-one basis. Assuming full vesting, exchange and conversion, 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 years ended December 31, 2016 and 2015, and 36.5% for the year ended December 31, 2014.
- 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, the exchange of all outstanding limited partnership units of Artisan Partners Holdings and the conversion of all outstanding shares of APAM's convertible preferred stock for or into Class A common stock of APAM on a one-for-one basis.
- Adjusted operating income represents the operating income of the consolidated company excluding offering related proxy expense and pre-offering related compensation.
- Adjusted operating margin is calculated by dividing adjusted operating income by total revenues.
- Adjusted EBITDA represents net income before taxes, interest expense and depreciation and amortization, adjusted to exclude the impact of net income attributable to non-controlling interests, offering related proxy expense, pre-offering related compensation and net gain (loss) on the tax receivable agreements.

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.

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

Offering related proxy expense represents costs incurred as a result of the change of control (for purposes of the Investment Company Act and Investment Advisers Act) which occurred on March 12, 2014. We incurred costs through the first quarter of 2014 to solicit the necessary approvals and consents from the boards and shareholders of the mutual funds that we advise or sub-advise and from our separate accounts clients, which were necessary because of the change of control.

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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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (unaudited; in millions, except per share data) | | |
| Reconciliation of non-GAAP financial measures: | | | |
| Net income attributable to Artisan Partners Asset Management Inc. (GAAP) | $73.0 | $81.8 | $69.6 |
| Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings | 100.0 | 130.3 | 173.1 |
| Add back: Provision for income taxes | 51.5 | 46.8 | 48.8 |
| Add back: Pre-offering related compensation - share-based awards | 28.1 | 42.1 | 64.7 |
| Add back: Offering related proxy expense | — | — | 0.1 |
| Add back: Net (gain) loss on the tax receivable agreements | (0.7) | 12.2 | 4.2 |
| Less: Adjusted provision for income taxes | 93.2 | 115.9 | 131.6 |
| Adjusted net income (Non-GAAP) | $158.7 | $197.3 | $228.9 |
| | | | |
| Average shares outstanding | | | |
| Class A common shares | 38.1 | 35.4 | 27.5 |
| Assumed vesting, conversion or exchange of: | | | |
| Unvested Class A restricted share-based awards | 3.6 | 3.1 | 2.1 |
| Convertible preferred shares outstanding | — | — | 0.4 |
| Artisan Partners Holdings units outstanding (noncontrolling interest) | 32.8 | 35.0 | 42.2 |
| Adjusted shares | 74.5 | 73.5 | 72.2 |
| | | | |
| Basic and diluted earnings per share (GAAP) | $1.57 | $1.86 | $(0.37) |
| Adjusted net income per adjusted share (Non-GAAP) | $2.13 | $2.69 | $3.17 |
| | | | |
| Operating income (GAAP) | $234.2 | $282.4 | $306.9 |
| Add back: Pre-offering related compensation - share-based awards | 28.1 | 42.1 | 64.7 |
| Add back: Offering related proxy expense | — | — | 0.1 |
| Adjusted operating income (Non-GAAP) | $262.3 | $324.5 | $371.7 |
| | | | |
| Operating margin (GAAP) | 32.5% | 35.1% | 37.0% |
| Adjusted operating margin (Non-GAAP) | 36.4% | 40.3% | 44.9% |
| | | | |
| Net income attributable to Artisan Partners Asset Management Inc. (GAAP) | $73.0 | $81.8 | $69.6 |
| Add back: Net income attributable to noncontrolling interests - Artisan Partners Holdings | 100.0 | 130.3 | 173.1 |
| Add back: Pre-offering related compensation - share-based awards | 28.1 | 42.1 | 64.7 |
| Add back: Offering related proxy expense | — | — | 0.1 |
| Add back: Net (gain) loss on the tax receivable agreements | (0.7) | 12.2 | 4.2 |
| Add back: Interest expense | 11.7 | 11.7 | 11.6 |
| Add back: Provision for income taxes | 51.5 | 46.8 | 48.8 |
| Add back: Depreciation and amortization | 5.2 | 4.5 | 3.2 |
| Adjusted EBITDA (Non-GAAP) | $268.8 | $329.4 | $375.3 |

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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 following table shows our liquidity position as of December 31, 2016 and December 31, 2015.

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | (in millions) | |
| Cash and cash equivalents | $156.8 | $ 166.2 |
| Accounts receivable | $59.7 | $ 60.1 |
| Undrawn commitment on revolving credit facility | $100.0 | $ 100.0 |

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, 2016, 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, 2016.

In August 2012, we issued $200 million in unsecured notes and entered into the $100 million five-year revolving credit facility. We used the proceeds of the notes and $90 million drawn from the revolving credit facility to prepay the entire then-outstanding principal amount of our $400 million term loan. The notes are comprised of three series, each with a balloon payment at maturity. In connection with the IPO, we paid all of the $90 million outstanding principal amount of loans under the revolving credit facility. See Note 5, “Borrowings” in the Notes to the Consolidated Financial Statements in Item 8 of this report for a discussion of the interest rates charged on our borrowings.

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, a change of control (as defined in the agreements) is an event of default under the revolving credit agreement and requires that Artisan Partners Holdings offer to prepay all of the notes under 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, 2016 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, 2016 was 28.6 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.

$60 million of the unsecured notes and the $100 million revolving credit facility are scheduled to mature in August 2017. Subject to board approval, lender negotiations and market conditions, we currently intend to extend the $100 million revolving credit facility and refinance the $60 million notes prior to maturity. In the event the notes are not refinanced, we intend to use existing excess cash to pay the principal upon maturity.

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Distributions and Dividends

Artisan Partners Holdings' distributions, including distributions to APAM, for the years ended December 31, 2016 and 2015 were as follows:

| | For the Years Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in millions) | |
| Holdings Partnership Distributions to Limited Partners | $133.9 | $182.2 |
| Holdings Partnership Distributions to APAM | $160.5 | $186.7 |
| Total Holdings Partnership Distributions | $294.4 | $368.9 |

On January 27, 2017, we, acting as the general partner of Artisan Partners Holdings, declared a distribution of $38.2 million payable by Artisan Partners Holdings on February 22, 2017 to holders of its partnership units, including APAM, of record on February 14, 2017.

APAM declared and paid the following dividends per share during the years ended December 31, 2016 and 2015:

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

On January 27, 2017, our board declared a quarterly dividend of $0.60 per share of Class A common stock and a special annual dividend of $0.36 per share of Class A common stock, both payable on February 28, 2017 to shareholders of record as of February 14, 2017. In determining the special annual dividend, we elected to retain approximately $0.25 per share of Class A common stock of previously generated cash and TRA-related cash savings. 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 expects to 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.

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 $586.2 million liability as of December 31, 2016. 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, convertible preferred stock or other consideration). The estimated liability assumes no material changes in the relevant tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the TRAs. An increase or decrease in future tax rates will increase or decrease, respectively, the expected tax benefits APAM would realize and the amounts payable under the tax receivable agreement. Changes in the estimate of expected tax benefits APAM would realize and the amounts payable under the tax receivable agreement as a result of a change in tax rates would 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 tax receivable agreements equal to 85% of the estimated future tax benefits, if any, resulting from such purchases or exchanges. We intend to fund the payment of amounts due under the TRAs out of the reduced tax payments that APAM realizes in respect of the tax attributes to which the TRAs relate.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the TRAs constituting imputed interest or depreciable basis or amortizable basis. In certain cases, payments under the TRAs may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRAs. In such cases, we intend to fund those payments with cash on hand, although we may have to borrow funds depending on the amount and timing of the payments. During the year ended December 31, 2016, payments of $27.8 million, including interest, were made in accordance with the TRA agreements. We expect to make payments of approximately $30 million in 2017 related to the TRAs.

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Cash Flows

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions) | | |
| Cash as of January 1 | $166.2 | $182.3 | $211.8 |
| Net cash provided by operating activities | 270.4 | 321.2 | 351.6 |
| Net cash provided by (used in) investing activities | (2.1) | (11.3) | (7.8) |
| Net cash used in financing activities | (277.7) | (326.0) | (373.3) |
| Cash Balance as of December 31, | $156.8 | $166.2 | $182.3 |

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

Operating activities provided net cash of $270.4 million and $321.2 million for the years ended December 31, 2016 and 2015, respectively. The $50.8 million decrease in net cash provided by operating activities was primarily due to decreased revenues and operating income resulting from the decrease in average AUM. 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.

Investing activities consist primarily of acquiring and selling property and equipment, leasehold improvements and the purchase and sale of available-for-sale securities. Investing activities used net cash of $2.1 million and $11.3 million for the years ended December 31, 2016 and 2015, respectively. The $9.2 million decrease in net cash used in investing activities was primarily due to a $9.0 million decrease in net purchases of investment securities.

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. Financing activities used net cash of $277.7 million and $326.0 million for the years ended December 31, 2016 and 2015, respectively. The $48.3 million decrease in net cash used by financing activities was primarily the result of a $48.3 million decrease in distributions to limited partners and a $8.6 million decrease in dividends paid, partially offset by a $7.6 million increase in payments under the tax receivable agreements.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Operating activities provided net cash of $321.2 million and $351.6 million for the years ended December 31, 2015 and 2014, respectively. The $30.4 million decrease in net cash provided by operating activities was primarily due to decreased revenues and operating income resulting from the decrease in average AUM. For the year ended December 31, 2015, compared to the year ended December 31, 2014, our operating income, excluding share-based and pre-offering related compensation expenses, decreased $33.8 million.

Investing activities used net cash of $11.3 million and $7.8 million for the years ended December 31, 2015 and 2014, respectively. The $3.5 million increase in net cash used in investing activities was due to a $5.6 million increase in net purchases of investment securities, partially offset by a $2.3 million decrease in acquisitions of property and equipment and leasehold improvements.

Financing activities used net cash of $326.0 million and $373.3 million for the years ended December 31, 2015 and 2014, respectively. The $47.3 million decrease in net cash used by financing activities was primarily the result of an $84.7 million decrease in distributions to limited partners, partially offset by a $24.1 million increase in dividends paid and a $15.4 million increase in payments of amounts owed under the tax receivable agreements during the year ended December 31, 2015, compared to the year ended December 31, 2014.

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Certain Contractual Obligations

The following table sets forth our contractual obligations under certain contracts as of December 31, 2016.

| | 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 | $ 60.0 | $ 50.0 | $ — | $90.0 |
| TRAs [(1)] | 586.2 | — | — | — | — |
| Interest payable | 42.5 | 11.0 | 15.8 | 10.5 | 5.2 |
| Lease obligations | 72.6 | 10.1 | 19.2 | 16.5 | 26.8 |
| Partnership redemption payable | 0.5 | 0.5 | — | — | — |
| Total Contractual Obligations | $901.8 | $ 81.6 | $ 85.0 | $ 27.0 | $122.0 |

(1) The estimated payments under the TRAs as of December 31, 2016 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 $30 million in 2017 related to the TRAs.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2016.

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. 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.

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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 all 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.

Seed Investments - We generally make initial seed investments in sponsored investment portfolios at the portfolio's formation, which are made on the same terms as are available to other investors. 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 holding 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, 2016, all of our seed investments were accounted for as available-for-sale securities.

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. The investment management agreements for a small number of accounts provide for performance-based fees. Performance-based fees, if earned, are recognized on the contractually determined measurement date. Interest and dividend income is recognized when earned. Performance fees generally are not subject to clawback as a result of performance declines subsequent to the most recent measurement date. 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 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, 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.

With the exception of the assets in our High Income strategy (which represented approximately 1.9% of our AUM at December 31, 2016), 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.

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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, 2016, 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 $586.2 million as of December 31, 2016, 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 $96.8 billion as of December 31, 2016. 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 $72.6 million at our current weighted average fee rate of 75 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 $89.1 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 $53.3 million at the current weighted average fee rate across all of our separate accounts of 55 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 was $6.3 million as of December 31, 2016. We invested in certain of 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 $0.6 million at December 31, 2016. 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 $96.8 billion as of December 31, 2016. As of December 31, 2016, approximately 49% 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 43% 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. Because we believe that many of our clients invest in those strategies in order to gain exposure to non-U.S. currencies, or may implement their own hedging programs, we do not often hedge an investment portfolio’s exposure to a non-U.S. currency.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming that 43% 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 $4.2 billion, which would cause an annualized increase or decrease in revenues of approximately $31.2 million at our current weighted average fee rate of 75 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, 2016, we invested $64.2 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, 2016, there were no borrowings outstanding under the revolving credit agreement.

Our High Income strategy, which had $1.9 billion of AUM as of December 31, 2016, invests 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 Stockholders of Artisan Partners Asset Management Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Artisan Partners Asset Management Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these 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 these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

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, Wisconsin
February 21, 2017

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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, | |
|---|---|---|
| | 2016 | 2015 |
| ASSETS | | |
| Cash and cash equivalents | $156,777 | $166,193 |
| Accounts receivable | 59,739 | 60,058 |
| Investment securities | 6,297 | 10,290 |
| Prepaid expenses | 8,654 | 7,474 |
| Property and equipment, net | 20,018 | 17,995 |
| Restricted cash | 629 | 889 |
| Deferred tax assets | 678,518 | 678,537 |
| Other | 5,534 | 4,410 |
| Total assets | $936,166 | $945,846 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable, accrued expenses, and other | $15,609 | $18,052 |
| Accrued incentive compensation | 12,642 | 13,748 |
| Deferred lease obligations | 3,972 | 3,478 |
| Borrowings | 199,477 | 199,314 |
| Class B redemptions payable | 506 | 5,602 |
| Amounts payable under tax receivable agreements | 586,246 | 589,101 |
| Total liabilities | $818,452 | $829,295 |
| Commitments and contingencies | | |
| Common stock | | |
| Class A common stock ($0.01 par value per share, 500,000,000 shares authorized, 42,149,436 and 39,432,605 shares outstanding at December 31, 2016 and December 31, 2015, respectively) | 421 | 394 |
| Class B common stock ($0.01 par value per share, 200,000,000 shares authorized, 15,142,049 and 18,327,222 shares outstanding at December 31, 2016 and December 31, 2015, respectively) | 151 | 183 |
| Class C common stock ($0.01 par value per share, 400,000,000 shares authorized, 17,063,384 and 15,649,101 shares outstanding at December 31, 2016 and December 31, 2015, respectively) | 171 | 157 |
| Additional paid-in capital | 119,221 | 116,448 |
| Retained earnings | 13,395 | 13,238 |
| Accumulated other comprehensive income (loss) | (1,648) | (375) |
| Total stockholders' equity | 131,711 | 130,045 |
| Noncontrolling interest - Artisan Partners Holdings | (13,997) | (13,494) |
| Total equity | $117,714 | $116,551 |
| Total liabilities and equity | $936,166 | $945,846 |

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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Revenues | | | |
| Management fees | $719,778 | $803,701 | $827,651 |
| Performance fees | 1,081 | 1,768 | 1,050 |
| Total revenues | $720,859 | $805,469 | $828,701 |
| Operating Expenses | | | |
| Compensation and benefits | | | |
| Salaries, incentive compensation and benefits | 355,835 | 372,167 | 350,302 |
| Pre-offering related compensation - share-based awards | 28,080 | 42,071 | 64,664 |
| Total compensation and benefits | 383,915 | 414,238 | 414,966 |
| Distribution and marketing | 32,516 | 43,626 | 49,132 |
| Occupancy | 13,076 | 12,504 | 11,255 |
| Communication and technology | 32,125 | 25,487 | 21,002 |
| General and administrative | 24,993 | 27,229 | 25,443 |
| Total operating expenses | 486,625 | 523,084 | 521,798 |
| Total operating income | 234,234 | 282,385 | 306,903 |
| Non-operating income (loss) | | | |
| Interest expense | (11,653) | (11,706) | (11,572) |
| Net investment income and other | 1,253 | 445 | 399 |
| Net gain (loss) on the tax receivable agreements | 650 | (12,247) | (4,187) |
| Total non-operating income (loss) | (9,750) | (23,508) | (15,360) |
| Income before income taxes | 224,484 | 258,877 | 291,543 |
| Provision for income taxes | 51,483 | 46,771 | 48,829 |
| Net income before noncontrolling interests | 173,001 | 212,106 | 242,714 |
| Less: Net income attributable to noncontrolling interests - Artisan Partners Holdings | 99,971 | 130,305 | 173,085 |
| Net income attributable to Artisan Partners Asset Management Inc. | $73,030 | $81,801 | $69,629 |
| | | | |
| Basic and diluted earnings (loss) per share | $1.57 | $1.86 | $(0.37) |
| Basic and diluted weighted average number of common shares outstanding | 38,137,810 | 35,448,550 | 27,514,394 |
| Dividends declared per Class A common share | $2.80 | $3.35 | $3.83 |

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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Net income before noncontrolling interests | $173,001 | $212,106 | $242,714 |
| Other comprehensive income (loss), net of tax | | | |
| Unrealized gain (loss) on investment securities: | | | |
| Unrealized holding gain (loss) on investment securities, net of tax of ($20), ($146) and ($16), respectively | 974 | (301) | (241) |
| Less: reclassification adjustment for net gains included in net income | 1,073 | 424 | 295 |
| Net unrealized gain (loss) on investment securities | (99) | (725) | (536) |
| Foreign currency translation gain (loss) | (2,130) | (586) | (510) |
| Total other comprehensive income (loss) | (2,229) | (1,311) | (1,046) |
| Comprehensive income | 170,772 | 210,795 | 241,668 |
| Comprehensive income attributable to noncontrolling interests - Artisan Partners Holdings | 99,015 | 129,574 | 172,211 |
| Comprehensive income attributable to Artisan Partners Asset Management Inc. | $71,757 | $81,221 | $69,457 |

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 | Convertible Preferred Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Noncontrolling interest - Artisan Partners Holdings | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 198 | $ 253 | $ 252 | $ 34,909 | $ 6,388 | $ 1,401 | $ 378 | $ 38,060 | $ 81,839 |
| Net income (loss) | — | — | — | — | — | 69,629 | — | 173,085 | 242,714 |
| Other comprehensive income - foreign currency translation | — | — | — | — | — | — | (255) | (255) | (510) |
| Other comprehensive income - available for sale investments, net of tax | — | — | — | — | — | — | (175) | (243) | (418) |
| Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax | — | — | — | — | (10,481) | — | 258 | 10,105 | (118) |
| Amortization of equity-based compensation | — | — | — | — | 36,175 | — | — | 52,081 | 88,256 |
| Deferred tax assets, net of amounts payable under tax receivable agreements | — | — | — | — | 64,520 | — | — | — | 64,520 |
| Issuance of Class A common stock, net of issuance costs | 111 | — | — | — | 552,178 | — | — | — | 552,289 |
| Issuance of restricted stock awards | 14 | — | — | — | (14) | — | — | — | — |
| Employee net share settlement | — | — | — | — | (136) | — | — | (166) | (302) |
| Purchase of equity and subsidiary equity | — | (38) | (47) | (21,652) | (533,204) | — | — | 812 | (554,129) |
| Conversion of preferred stock and exchange of subsidiary equity | 19 | — | (33) | (13,257) | 23,289 | — | — | (10,018) | — |
| Distributions | — | — | — | — | — | — | — | (266,838) | (266,838) |
| Dividends | — | — | — | — | (45,191) | (54,613) | — | — | (99,804) |
| Balance at December 31, 2014 | $ 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) |
| | — | — | — | — | (5,463) | — | 29 | 5,399 | (35) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Cumulative impact of changes in ownership of Artisan Partners Holdings LP, net of tax | | | | | | | | | |
| 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 |

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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 | Accumulated Other Comprehensive Income (Loss) | Noncontrolling interest - Artisan Partners Holdings | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2016 | $ 394 | $ 183 | $ 157 | $116,448 | $13,238 | $ (375) | $ (13,494) | $116,551 |
| Net income (loss) | — | — | — | — | 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 Cash Flows
(U.S. dollars in thousands)

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Cash flows from operating activities | | | |
| Net income before noncontrolling interests | $173,001 | $212,106 | $242,714 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 5,272 | 4,519 | 3,250 |
| Deferred income taxes | 33,960 | 16,521 | 17,569 |
| Reinvested dividends | — | — | (364) |
| Capital gains on the sale of investments, net | (1,073) | (424) | (295) |
| Net (gain) loss on the tax receivable agreements | (650) | 12,247 | 4,187 |
| Loss on disposal of property and equipment | 108 | 40 | 362 |
| Amortization of debt issuance costs | 448 | 448 | 448 |
| Share-based compensation | 71,996 | 79,520 | 88,256 |
| Excess tax benefit on share-based awards | — | (1,300) | (1,114) |
| Change in assets and liabilities resulting in an increase (decrease) in cash: | | | |
| Accounts receivable | 318 | 9,303 | (5,599) |
| Prepaid expenses and other assets | (4,898) | (2,614) | (1,607) |
| Accounts payable and accrued expenses | (3,520) | (316) | 12,638 |
| Class B liability awards | (5,096) | (8,682) | (8,742) |
| Deferred lease obligations | 494 | (129) | (136) |
| Net cash provided by operating activities | 270,360 | 321,239 | 351,567 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | (2,933) | (3,794) | (4,797) |
| Leasehold improvements | (4,343) | (3,541) | (4,822) |
| Proceeds from sale of property and equipment | — | — | 4 |
| Proceeds from sale of investment securities | 8,961 | 2,724 | 11,611 |
| Purchase of investment securities | (4,014) | (6,750) | (10,031) |
| Change in restricted cash | 260 | 36 | 260 |
| Net cash used in investing activities | (2,069) | (11,325) | (7,775) |

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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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Cash flows from financing activities | | | |
| Partnership distributions | (133,876) | (182,175) | (266,838) |
| Dividends paid | (115,384) | (123,948) | (99,804) |
| Change in other liabilities | — | (46) | (66) |
| Payment of amounts owed under the tax receivable agreements | (27,685) | (20,040) | (4,645) |
| Net proceeds from issuance of common stock | — | 176,558 | 554,129 |
| Payment of costs directly associated with the issuance of Class A common stock | — | (427) | (2,806) |
| Purchase of preferred stock and subsidiary equity | — | (176,558) | (554,129) |
| Taxes paid related to employee net share settlement | (762) | (669) | (302) |
| Excess tax benefit on share-based awards | — | 1,300 | 1,114 |
| Net cash used in financing activities | (277,707) | (326,005) | (373,347) |
| Net increase (decrease) in cash and cash equivalents | (9,416) | (16,091) | (29,555) |
| Cash and cash equivalents | | | |
| Beginning of period | 166,193 | 182,284 | 211,839 |
| End of period | $156,777 | $166,193 | $182,284 |
| Supplementary information | | | |
| Noncash activity: | | | |
| Establishment of deferred tax assets | $33,941 | $132,516 | $392,058 |
| Establishment of amounts payable under tax receivable agreements | 25,480 | 107,740 | 328,667 |
| Cash paid for: | | | |
| Interest on borrowings | $11,108 | $11,019 | $11,108 |
| Income tax | 18,621 | 29,316 | 30,685 |

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 market cap and investment style. During the fourth quarter of 2016, Artisan established its eighth autonomous investment team, the Thematic team.

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, 2016, APAM held approximately 57% of the equity ownership interest in Holdings. APAM has been allocated a part of Holdings' net income since March 12, 2013, when it became Holdings' general partner.

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.

### Holdings Unit Exchanges

On a quarterly basis, certain 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 (the "Holdings Common Unit Exchanges"). The following partnership units were exchanged for APAM Class A common stock during the year ended December 31, 2016:

| Date of Exchange | Total Units Exchanged | Class A Common Units | Class B Common Units | Class E Common Units |
|---|---|---|---|---|
| March 3, 2016 | 764,971 | — | 754,971 | 10,000 |
| May 3, 2016 | 761,673 | — | 751,673 | 10,000 |
| August 2, 2016 | 67,426 | — | 42,426 | 25,000 |
| November 8, 2016 | 85,437 | — | — | 85,437 |
| Total Units Exchanged 2016 | 1,679,507 | — | 1,549,070 | 130,437 |

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 9, "Income Taxes and Related Payments".

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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. 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 for Artisan Partners Funds, Inc. ("Artisan Funds"), a family of mutual funds registered with the SEC under the Investment Company Act of 1940, and investment manager of Artisan Partners Global Funds plc ("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 all 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.

From time to time the Company makes investments in sponsored investment portfolios, including series of Artisan Funds and Artisan Global Funds, 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, 2016, APAM does not have a controlling financial interest in any sponsored investment portfolio or series of Artisan Funds or Artisan Global Funds and therefore does not consolidate these entities.

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, 2016, 2015 and 2014.

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Investment securities

Investment securities consist of investments in mutual funds for which Artisan is the investment adviser 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.

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.

The investment management agreements for a small number of accounts provide for performance-based fees. Performance-based fees, if earned, are recognized on the contractually determined measurement date.

Performance-based fees generally are not subject to claw back as a result of performance declines subsequent to the most recent measurement date. Investment management fees are presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

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.

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. As of January 1, 2016, 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.

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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 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 and marketing of Artisan Global Funds shares.

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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Total intermediary fees incurred related to Artisan Funds | $88,942 | $120,402 | $133,745 |
| Less: fees incurred by Artisan Funds | 59,654 | 80,390 | 89,372 |
| Fees incurred by Artisan | 29,288 | 40,012 | 44,373 |
| Global Funds distribution and other marketing expenses | 3,228 | 3,614 | 4,759 |
| Total distribution and marketing | $32,516 | $43,626 | $49,132 |

Accrued fees to intermediaries were $3.6 million and $4.6 million as of December 31, 2016 and 2015, respectively, 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, 2016, 2015, and 2014. 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.

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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.

Earnings per Share

Basic and diluted 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 dividends declared or paid to convertible preferred stockholders during the period and earnings (distributed and undistributed) allocated to participating securities, according to their respective rights to participate in those earnings. 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, (2) the Class A common shares issuable upon conversion of APAM convertible preferred stock and (3) unvested restricted share-based awards.

Recent accounting pronouncements

Accounting standards adopted as of January 1, 2016

In February 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-02, Amendments to the Consolidation Analysis. The ASU modified existing consolidation guidance for determining whether certain legal entities should be consolidated. The ASU eliminated the deferral under ASU 2010-10, Amendments for Certain Investment Funds, and, as a result, the Company must apply the new guidance to all entities, including investment companies. The presumption that a general partner controls a limited partnership was eliminated. In addition, fees paid to decision makers that meet certain conditions no longer cause the decision makers to consolidate VIEs, in certain instances. The new guidance was effective on January 1, 2016, and was adopted using a retrospective approach. Upon adoption, Artisan Partners Launch Equity LP ("Launch Equity") was deconsolidated as the Company no longer had a controlling financial interest in the private investment partnership based on the modified consolidation guidance. Launch Equity was previously accounted for as a consolidated VIE until its operations were dissolved in 2014.

Under the retrospective transition method, prior-period results have been restated to reflect the deconsolidation for all periods presented. The deconsolidation of Launch Equity had no impact on Net Income attributable to Artisan Partners Asset Management. Launch Equity was liquidated and dissolved in 2014 and, as a result, the adoption had no impact on the Consolidated Financial Statements for the years ended December 31, 2016 and 2015.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the note liability, rather than presented as an asset. The new guidance was effective on January 1, 2016, and requires a retrospective approach to adoption. At December 31, 2016 and December 31, 2015, the Company had approximately $0.5 million and $0.7 million, respectively, of debt issuance costs that met the criteria of this amendment and are now presented as a reduction to Borrowings in the Consolidated Statements of Financial Condition.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU is intended to simplify several aspects of the accounting for share-based payment transactions, including income tax consequences, classification on the statement of cash flows, and accounting for the forfeiture of share-based awards. The Company adopted the guidance as of January 1, 2016. As part of the guidance, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based awards) are now recognized as income tax

expense or benefit in the income statement. Previously, excess tax benefits were recognized in additional paid-in-capital. The amendment also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity. The amendments related to the recognition of excess tax benefits and presentation of excess tax benefits in the statement of cash flows are applied prospectively as of January 1, 2016.

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ASU 2016-09 also allows entities to elect as an accounting policy either to continue to estimate the total number of awards for which the requisite service period will not be rendered (as previously required) or to account for forfeitures when they occur. The Company has elected to account for forfeitures when they occur, since that approach is expected to better reflect periodic compensation costs. The change in accounting for forfeitures is applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity. As of January 1, 2016, retained earnings decreased by $0.4 million and additional paid-in-capital increased by $0.4 million to reflect the change in accounting principle.

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 will be effective on January 1, 2018 and allows for either a full retrospective or modified retrospective transition method. The Company is currently evaluating its transition method and the potential impact on the timing of performance fee revenue recognition and the potential capitalization of certain cash incentive compensation; however, based on current evaluations, the Company does not expect the adoption to have a material impact on its consolidated financial statements.

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 will be effective on January 1, 2018 and will result 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.

| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| December 31, 2016 | | | | |
| Mutual funds | $6,194 | $ 103 | $ — | $ 6,297 |
| December 31, 2015 | | | | |
| Mutual funds | $10,069 | $ 832 | $ (611) | $ 10,290 |

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, 2016, 2015 and 2014, Artisan redeemed seed investments for proceeds of $9.0 million, $2.7 million and $11.6 million, respectively, resulting in realized gains of $1.1 million, $0.4 million and $0.3 million, respectively.

As of December 31, 2015, the total fair value of investments in an unrealized loss position was $4.4 million. The unrealized losses on available-for-sale securities are considered temporary, based on the severity and duration of the unrealized losses. No impairment losses were recorded on these available-for-sale securities.

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. 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.

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- 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, 2016 and 2015:

| | Assets and Liabilities at Fair Value | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| December 31, 2016 | | | | |
| Assets | | | | |
| Cash equivalents | $64,170 | $64,170 | $ — | $ — |
| Mutual funds | 6,297 | 6,297 | — | — |
| | | | | |
| December 31, 2015 | | | | |
| Assets | | | | |
| Cash equivalents | $49,005 | $49,005 | $ — | $ — |
| Mutual funds | 10,290 | 10,290 | — | — |

Fair values determined based on Level 1 inputs utilize quoted market prices for identical assets. Level 1 assets generally consist of money market funds, marketable open-end mutual funds and UCITS funds. There were no Level 2 or Level 3 assets or liabilities recorded at fair value as of December 31, 2016 and 2015. 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, 2016 and 2015.

Note 5. Borrowings

Artisan's borrowings consist of the following as of December 31, 2016 and 2015:

| | Maturity | Outstanding Balance | Interest Rate Per Annum |
|---|---|---|---|
| Revolving credit agreement | August 2017 | — | NA |
| Senior notes | | | |
| Series A | August 2017 | 60,000 | 4.98 % |
| Series B | August 2019 | 50,000 | 5.32 % |
| Series C | August 2022 | 90,000 | 5.82 % |
| Total borrowings | | $ 200,000 | |

The fair value of borrowings was approximately $202.5 million as of December 31, 2016. 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".

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. 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 equal to, at the Company's election, (i) LIBOR adjusted by a statutory reserve percentage plus an applicable margin ranging from 1.50% to 3.00%, depending on Holdings' leverage ratio (as defined in the revolving credit agreement) or (ii) an alternate base rate equal to the highest of (a) prime rate plus 0.50%, (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 2.00%, depending on Holdings' leverage ratio. Unused commitments under

the revolving credit agreement bear interest at a rate that ranges from 0.175% to 0.625%, depending on Holdings' leverage ratio.

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As of and for the year-ended December 31, 2016, 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 $11.1 million for the years ended December 31, 2016, 2015 and 2014.

As of December 31, 2016, the aggregate maturities of debt obligations, based on their contractual terms, are as follows:

| | |
|---|---|
| 2017 | $60,000 |
| 2018 | — |
| 2019 | 50,000 |
| 2020 | — |
| 2021 | — |
| Thereafter | 90,000 |
| Total | $200,000 |

Note 6. 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, 2016, APAM held approximately 57% of the equity ownership interests in Holdings.

Subsequent to the IPO, APAM has completed registered primary offerings of shares of Class A common stock (the "Follow-On Offerings"). The entire net proceeds of the primary offerings were used to purchase units of Holdings and shares of APAM convertible preferred stock. The offerings resulted in an increase in APAM's equity ownership of Holdings, as well as an increase in deferred tax assets and amounts payable under tax receivable agreements. See Note 9, "Income Taxes and Related Payments" for the income tax impact of the offerings.

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, 2016, 2015 and 2014, 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, 2014 | 21,005,564 | 50,478,443 | 71,484,007 | 29 | % |
| Issuance of APAM Restricted Shares, Net | 1,438,808 | — | 1,438,808 | 2 | % |
| 2014 Follow-On Offering | 8,541,220 | (8,541,220) | — | 11 | % |
| H&F Conversion | 1,381,887 | (1,381,887) | — | 2 | % |
| Holdings Common Unit Exchanges | 1,865,924 | (1,865,924) | — | 3 | % |
| Delivery of Shares Underlying RSUs [1] | 4,728 | — | 4,728 | — | % |
| Balance at December 31, 2014 | 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 | % |
| 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 | % |
| Employee Terminations [1] | (52,718) | (91,383) | (144,101) | — | % |
| Balance at December 31, 2016 | 42,149,436 | 32,205,433 | 74,354,869 | 57 | % |

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

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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, | |
|---|---|---|
| | 2016 | 2015 |
| Additional paid-in capital | $(3,332) | $(5,463) |
| Noncontrolling interest - Artisan Partners Holdings | 3,378 | 5,399 |
| Accumulated other comprehensive income (loss) | (46) | 64 |
| 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 $3.9 million for the year ended December 31, 2016 and $5.8 million for the year ended December 31, 2015.

Note 7. Stockholders' Equity

APAM - Stockholders' Equity

As of December 31, 2016 and 2015, APAM had the following authorized and outstanding equity:

| | Authorized | Outstanding December 31, 2016 | Outstanding December 31, 2015 | Voting Rights [1] | Economic Rights |
|---|---|---|---|---|---|
| Common shares | | | | | |
| Class A, par value $0.01 per share | 500,000,000 | 42,149,436 | 39,432,605 | 1 vote per share | Proportionate |
| Class B, par value $0.01 per share | 200,000,000 | 15,142,049 | 18,327,222 | 5 votes per share | None |
| Class C, par value $0.01 per share | 400,000,000 | 17,063,384 | 15,649,101 | 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, 2016, Artisan's employees held 3,294,285 restricted shares of Class A common stock subject to the agreement and all 15,142,049 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, 2016, 2015 and 2014.

| Type of Dividend | Class of Stock | For the Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2016 | 2015 | 2014 |
| Quarterly | Common Class A | $2.40 | $2.40 | $2.20 |
| Special Annual | Common Class A | $0.40 | $0.95 | $1.63 |
| Quarterly | Convertible Preferred | $— | $— | $3.81 |

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The following table summarizes APAM's stock transactions for the years ended December 31, 2016, 2015 and 2014:

| | Total Stock Outstanding | Class A Common Stock | Class B Common Stock | Class C Common Stock | Convertible Preferred Stock |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | 71,484,007 | 19,807,436 | 25,271,889 | 25,206,554 | 1,198,128 |
| 2014 Follow-On Offering | — | 9,284,337 | (3,705,453) | (4,835,767) | (743,117) |
| H&F Conversion | — | 1,836,898 | — | (1,381,887) | (455,011) |
| Holdings Common Unit Exchanges | — | 1,865,924 | (10,260) | (1,855,664) | — |
| Restricted Share Award Grants | 1,444,688 | 1,444,688 | | | |
| Restricted Share Award Net Share Settlement | (5,880) | (5,880) | | | |
| Delivery of Shares Underlying RSUs [1] | 4,728 | 4,728 | | | |
| Employee Terminations | — | — | (93,143) | 93,143 | — |
| Balance at December 31, 2014 | 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 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 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 | — |

[1] There were 178,401, 122,990, and 20,612 restricted stock units outstanding at December 31, 2016, 2015, and 2014, 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 unvested Class B common units are forfeited. Generally, the employee-partner's vested Class B common units are exchanged for Class E common units. The employee-partner's shares of Class B common stock are canceled and 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, 2016, 2015 and 2014 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Holdings Partnership Distributions to Limited Partners | $133,876 | $182,175 | $266,838 |
| Holdings Partnership Distributions to APAM | $160,532 | $186,711 | $160,353 |
| Total Holdings Partnership Distributions | $294,408 | $368,886 | $427,191 |

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 8. Compensation and Benefits

Total compensation and benefits consists of the following:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Salaries, incentive compensation and benefits [1] | $312,676 | $335,700 | $327,154 |
| Restricted share-based award compensation expense | 43,159 | 36,467 | 23,148 |
| Total salaries, incentive compensation and benefits | 355,835 | 372,167 | 350,302 |
| Pre-offering related compensation - share-based awards | 28,080 | 42,071 | 64,664 |
| Total compensation and benefits | $383,915 | $414,238 | $414,966 |

[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 year ended December 31, 2016, was paid in 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. 9,263,590 shares of Class A common stock were reserved and available for issuance under the Plan as of December 31, 2016

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.

As of January 1, 2016, the Company's accounting policy is to record the impact of forfeitures when they occur. During the year ended December 31, 2016, previously recognized compensation expense was reversed for 52,718 forfeited restricted share-based awards.

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The following table summarizes the restricted share-based award activity for the years ended December 31, 2016, 2015 and 2014:

| | Weighted-Average Grant Date Fair Value | Number of Awards |
|---|---|---|
| Unvested at January 1, 2014 | $ 52.36 | 1,575,157 |
| Granted | 52.85 | 1,444,688 |
| Forfeited | — | — |
| Vested | 52.61 | (319,211 ) |
| 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 December 31, 2016 | $ 44.47 | 3,394,910 |

Compensation expense recognized related to the restricted share-based awards was $43.2 million, $36.5 million and $23.1 million for the years ended December 31, 2016, 2015, and 2014, respectively. The aggregate vesting date fair value of awards that vested during the years ended December 31, 2016 and 2015 was approximately $15.3 million and $22.0 million, respectively. The unrecognized compensation expense for the unvested restricted share-based awards as of December 31, 2016 was $111.1 million with a weighted average recognition period of 3.1 years remaining. The initial requisite service period and remaining weighted average recognition period for all types of restricted share-based awards are substantially equivalent.

During the years ended December 31, 2016 and 2015, the Company withheld a total of 28,225 and 14,276 restricted shares, respectively, as a result of net share settlements to satisfy employee tax withholding obligations. The Company paid $0.8 million and $0.7 million in employee tax withholding obligations related to these settlements during the years ended December 31, 2016 and 2015, 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 redemption payment liability for Class B awards of partners whose services to Holdings terminated prior to the IPO was $0.5 million as of December 31, 2016.

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 is recorded for unvested Class B awards on a straight-line basis over the remaining vesting period.

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The following table summarizes the activity related to unvested Class B awards for the years ended December 31, 2016, 2015 and 2014:

| | Weighted-Average Grant Date Fair Value | Number of Class B Awards |
|---|---|---|
| Unvested Class B awards at January 1, 2014 | $ 30.00 | 7,249,842 |
| Granted | — | — |
| Forfeited | — | — |
| Vested | 30.00 | (3,204,826) |
| 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 December 31, 2016 | $ 30.00 | 845,220 |

Compensation expense recognized related to the unvested Class B awards was $28.1 million, $42.1 million and $64.7 million for the years ended December 31, 2016, 2015, and 2014, respectively. The unrecognized compensation expense for the unvested Class B awards as of December 31, 2016 was $12.7 million with a weighted average recognition period of 0.5 years remaining.

Note 9. 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Current: | | | |
| Federal | $14,704 | $26,090 | $27,094 |
| State and local | 2,180 | 3,560 | 3,982 |
| Foreign | 639 | 600 | 184 |
| Total | 17,523 | 30,250 | 31,260 |
| Deferred: | | | |
| Federal | 32,124 | 22,916 | 21,402 |
| State and local | 1,836 | (6,395) | (3,833) |
| Total | 33,960 | 16,521 | 17,569 |
| Income tax expense | $51,483 | $46,771 | $48,829 |

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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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| U.S. federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Non-deductible share-based compensation | 2.4 | 2.9 | 3.1 |
| Rate benefit from the flow through entity | (15.7) | (17.7) | (21.1) |
| Change in deferred state tax rate | — | (3.0 ) | (1.7 ) |
| Other | 1.2 | 0.9 | 1.4 |
| Effective tax rate | 22.9 % | 18.1 % | 16.7 % |

The effective tax rate includes a rate benefit attributable to the fact that approximately 47%, 50% and 60% of Artisan Partners Holdings' taxable earnings were attributable to other partners and not taxable to APAM for the years ended December 31, 2016, 2015 and 2014, respectively. This favorable impact is partially offset by the impact of certain permanent items, primarily attributable to pre-IPO share-based compensation expenses, that are not deductible for tax purposes.

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.

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.

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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, 2016 and 2015 is summarized as follows:

| | Amounts Payable Under Tax Receivable Agreements | Deferred Tax Asset - Amortizable Basis |
|---|---|---|
| December 31, 2014 | $ 489,154 | $ 551,952 |
| 2015 Follow-On Offering and Holdings Common Unit Exchanges | 107,740 | 126,753 |
| Amortization | — | (33,128) |
| Payments under TRAs[1] | (20,040) | — |
| Change in estimate | 12,247 | 14,677 |
| December 31, 2015 | 589,101 | 660,254 |
| 2016 Holdings Common Unit Exchanges | 25,480 | 29,977 |
| Amortization | — | (35,953) |
| Payments under TRAs[1] | (27,685) | — |
| Change in estimate | (650) | (336) |
| December 31, 2016 | $ 586,246 | $ 653,942 |

[1] Interest payments of $127 thousand and $179 thousand were paid in addition to these TRA payments for the years ended December 31, 2016 and 2015, respectively.

Net deferred tax assets comprise the following:

| | As of December 31, 2016 | As of December 31, 2015 |
|---|---|---|
| Deferred tax assets: | | |
| Amortizable basis [1] | $ 653,942 | $ 660,254 |
| Other [2] | 24,576 | 18,283 |
| Total deferred tax assets | 678,518 | 678,537 |
| Less: valuation allowance [3] | — | — |
| Net deferred tax assets | $ 678,518 | $ 678,537 |

[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, 2016 and December 31, 2015.

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, 2016, U.S. federal income tax returns for the years 2013 through 2015 are open and

therefore subject to examination. State and local tax returns are generally subject to examination from 2012 to 2015. Foreign tax returns are generally subject to examination from 2012 to 2015.

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Note 10. 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, 2016 | As of December 31, 2015 |
|---|---|---|
| Unrealized gain on investments, net of tax | $ 37 | $ 77 |
| Foreign currency translation gain (loss) | (1,685) | (452) |
| Accumulated Other Comprehensive Income (Loss) | $ (1,648) | $ (375) |

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 11. Earnings (Loss) Per Share

The computation of basic and diluted earnings per share under the two-class method for the years ended December 31, 2016, 2015 and 2014 were as follows:

| Basic and Diluted Earnings Per Share | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Numerator: | | | |
| Net income attributable to APAM | $ 73,030 | $ 81,801 | $ 69,629 |
| Less: Convertible preferred stock deemed dividends | — | — | 22,694 |
| Less: Subsidiary preferred equity deemed dividends | — | — | 27,619 |
| Less: Allocation to participating securities | 13,059 | 16,033 | 29,616 |
| Net income (loss) available to common stockholders | $ 59,971 | $ 65,768 | $ (10,300) |
| Denominator: | | | |
| Weighted average shares outstanding | 38,137,813 | 35,448,550 | 27,514,394 |
| Earnings (loss) per share | $ 1.57 | $ 1.86 | $ (0.37) |

The consideration Artisan paid to purchase shares of its convertible preferred stock and its subsidiary preferred equity in connection with the 2014 Follow-On Offering exceeded the carrying amount of the equity on Artisan's consolidated balance sheet; the excess was subtracted from net income as a deemed dividend to arrive at income available to common stockholders in the earnings per share calculation. Allocation to participating securities in the table above generally represents dividends paid to holders of unvested restricted share-based awards and convertible preferred stock and also reduces net income available to common stockholders.

There were no dilutive securities outstanding during the years ended December 31, 2016, 2015 and 2014. 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 anti-dilutive because they are considered participating securities. Convertible preferred stock was anti-dilutive in 2014 because all potential common shares are considered anti-dilutive in periods with a net loss available to common stockholders. 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Holdings limited partnership units | 32,784,750 | 34,960,945 | 42,194,109 |
| Convertible preferred stock | — | — | 355,228 |
| Unvested restricted share-based awards | 3,566,784 | 3,052,630 | 2,131,068 |
| Total | 36,351,534 | 38,013,575 | 44,680,405 |

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Note 12. 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, 2016, 2015, and 2014 were $6.0 million, $5.5 million and $4.9 million, respectively, and are included in compensation and benefits in the Consolidated Statements of Operations.

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, 2016, 2015, and 2014 were $0.1 million, $0.2 million and $1.2 million, respectively, and are included in compensation and benefits in the Consolidated Statements of Operations. The liability at December 31, 2016 and 2015 for these plans was $0.3 million and $1.1 million, respectively.

Note 13. Indemnifications

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

Note 14. Property and Equipment

The composition of property and equipment at December 31, 2016 and 2015 are as follows:

| | As of December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Computers and equipment | $8,197 | $7,551 |
| Computer software | 5,366 | 4,966 |
| Furniture and fixtures | 7,920 | 6,892 |
| Leasehold improvements | 23,207 | 19,673 |
| Total Cost | 44,690 | 39,082 |
| Less: Accumulated depreciation | (24,672 ) | (21,087 ) |
| Property and equipment, net of accumulated depreciation | $20,018 | $17,995 |

Depreciation expense totaled $5.2 million, $4.5 million, and $3.2 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Note 15. 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, 2016, 2015 and 2014 was $9.8 million, $9.7 million and $9.4 million, respectively.

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At December 31, 2016, the aggregate future minimum payments for leases for each of the following five years and thereafter are as follows:

| | |
|---|---|
| 2017 | $10,131 |
| 2018 | 10,303 |
| 2019 | 8,882 |
| 2020 | 8,321 |
| 2021 | 8,200 |
| Thereafter | 26,778 |
| Total | $72,615 |

Note 16. 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, 2016 and 2015, accounts receivables included $0.9 million and $0.6 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Investment management fees: | | | |
| Artisan Funds | $453,579 | $528,098 | $561,202 |
| Fee waiver / expense reimbursement: | | | |
| Artisan Funds | $719 | $444 | $63 |

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. At December 31, 2016 and December 31, 2015, accounts receivable included $1.8 million and $1.3 million due from Artisan Global Funds.

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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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Investment management fees: | | | |
| Artisan Global Funds | $16,981 | $15,218 | $14,172 |
| Fee waiver / expense reimbursement: | | | |
| Artisan Global Funds | $381 | $441 | $493 |

Note 17. Concentration of Credit Risk and Significant Relationships

Services provided to the following Artisan Funds generated over ten percent of total revenues for the periods presented. Fees for managing the Funds and the percentage of total revenues are as follows:

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| Artisan Fund | 2016 | | 2015 | | 2014 | |
| Artisan Mid Cap Fund | $74,029 | | $88,175 | | $90,683 | |
| Percent of total revenues | 10.3 | % | 11.0 | % | 10.9 | % |
| Artisan Mid Cap Value Fund | $42,707 | | $75,445 | | $106,463 | |
| Percent of total revenues | 5.9 | % | 9.4 | % | 12.9 | % |
| Artisan International Fund | $148,135 | | $176,695 | | $156,537 | |
| Percent of total revenues | 20.5 | % | 21.9 | % | 18.9 | % |
| Artisan International Value Fund | $104,992 | | $105,600 | | $108,837 | |
| Percent of total revenues | 14.6 | % | 13.1 | % | 13.1 | % |

Artisan generates a portion of its revenues from clients domiciled in various countries outside the United States. For the years ended December 31, 2016, 2015 and 2014, approximately 11%, 10% and 9% of Artisan's investment management fees, respectively, were earned from clients located outside of the United States.

Note 18. 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 19. Selected Quarterly Financial Data (Unaudited)

The following table presents unaudited quarterly results of operations for 2016 and 2015. 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, 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 Share: | | | | |
| Basic and diluted | $0.35 | $ 0.38 | $ 0.41 | $ 0.42 |

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| | For the Quarters Ended | | | |
|---|---|---|---|---|
| | March 31, 2015 | June 30, 2015 | Sept. 30, 2015 | Dec. 31, 2015 |
| Total revenues | $203,575 | $ 211,573 | $ 198,313 | $ 192,008 |
| Operating income | $67,829 | $ 78,313 | $ 70,555 | $ 65,688 |
| Net income attributable to noncontrolling interests-Artisan Partners Holdings | $33,932 | $ 35,522 | $ 31,674 | $ 29,177 |
| Net income attributable to Artisan Partners Asset Management Inc. | $19,514 | $ 23,736 | $ 18,474 | $ 20,077 |
| Earnings per Share: | | | | |
| Basic and diluted | $0.43 | $ 0.50 | $ 0.44 | $ 0.47 |

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

Note 20. Subsequent Events

Restricted share-based awards

On January 27, 2017, the board of directors of APAM approved the grant of 1,268,500 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 $35.9 million, which will be recognized on a straight-line basis over the requisite service period.

Distributions and dividends

On January 27, 2017, APAM, acting as the general partner of Artisan Partners Holdings, declared a distribution by Artisan Partners Holdings of $38.2 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 $0.36 per share of Class A common stock. Both common stock dividends, a total of $0.96 per share, are payable on February 28, 2017 to shareholders of record as of February 14, 2017.

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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, 2016. 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, 2016, 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, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016, 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, 2016.

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, 2016, 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, 2017:

| Name | Age | Position |
|---|---|---|
| Matthew R. Barger | 59 | Independent Director |
| Seth W. Brennan | 46 | Independent Director |
| Tench Coxe | 59 | Independent Director |
| Stephanie G. DiMarco | 59 | Independent Director |
| Jeffrey A. Joerres | 57 | Independent Director |
| Andrew A. Ziegler | 59 | Lead Director |
| Eric R. Colson | 47 | President, Chief Executive Officer and Chairman of the Board |
| Charles J. Daley, Jr. | 54 | Executive Vice President, Chief Financial Officer and Treasurer |
| Sarah A. Johnson | 45 | Executive Vice President, Chief Legal Officer and Secretary |
| Jason A. Gottlieb | 47 | Executive Vice President |
| James S. Hamman, Jr. | 47 | Executive Vice President |
| Gregory K. Ramirez | 46 | 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 since that 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 also a member of the Presidio Institute Advisory Committee. 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 boards of Johnson Controls, Inc. and 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 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 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. He has been a managing director of Artisan Partners 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. Ms. Johnson was named a managing director of Artisan Partners in March 2010. Prior to joining the firm 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 and corporate development. Prior to his current role, Mr. Hamman was responsible for providing legal advice with respect to various aspects of Artisan's advisory business. He has also served as a director of Artisan Partners Global Funds since June 2010. 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 currently serves as chief financial officer for Artisan Partners Funds, Inc. and Head of Vehicle Administration for Artisan Partners. He has also served as a director of Artisan Partners Global Funds since June 2010. His prior roles with Artisan Partners include controller, chief accounting officer and director of client accounting and administration. Mr. Ramirez was named a managing director of Artisan Partners in April 2003. 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 59% 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, Mr. Colson and Mr. Ziegler. Under the agreement, Artisan is required to use its best efforts to elect Mr. Barger, Mr. Colson and Mr. Ziegler, 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, 2016, our directors, officers and owners of more than 10% of a registered class of our equity securities complied with all applicable filing requirements.

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 | |

*Our Board has determined that each of Matthew R. Barger, Seth W. Brennan, Tench Coxe, Stephanie G. DiMarco and Jeffrey A. Joerres 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 named executive officers with respect to 2016, 2015 and 2014. 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, 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% |
| | 2014 | 250,000 | 5,500,000 | 873,510 | 6,623,510 | 96% |
| Charles J. Daley, Jr., 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% |
| | 2014 | 250,000 | 2,000,000 | 423,520 | 2,673,520 | 91% |
| Sarah A. Johnson, 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% |
| | 2014 | 250,000 | 1,025,000 | 423,520 | 1,698,520 | 85% |
| Gregory K. Ramirez, Executive Vice President | 2016 | 250,000 | 1,025,000 | 141,500 | 1,416,500 | 82% |
| | 2015 | 250,000 | 1,150,000 | 305,100 | 1,705,100 | 85% |
| | 2014 | 250,000 | 1,075,000 | 370,580 | 1,695,580 | 85% |
| James S. Hamman, Jr., Executive Vice President | 2016 | 250,000 | 1,000,000 | 283,000 | 1,533,000 | 84% |
| Dean J. Patenaude, Former Executive Vice President | 2016 | 177,100 | 2,000,000 | — | 2,177,100 | 92% |
| | 2015 | 250,000 | 2,200,000 | 305,100 | 2,755,100 | 91% |
| | 2014 | 250,000 | 2,200,000 | 370,580 | 2,820,580 | 91% |

The cash bonuses, restricted share grants, and total compensation paid to Mr. Colson, Mr. Daley, Ms. Johnson, and Mr. Ramirez with respect to 2016 were lower than the amounts paid to them with respect to 2015. The year-over-year decline reflects the fact that, in 2016, despite a number of accomplishments that we believe position the firm for continued long-term success, our financial performance declined compared to 2015 and we experienced net client cash outflows. Our average assets under management and revenues each declined by 10%, our adjusted net income declined by 20%, and our adjusted operating margin declined from 40.3% to 36.4%. We also experienced $4.8 billion of net client cash outflows in 2016. While our financial performance declined compared to 2015, there were a number of business and financial accomplishments in 2016, including:

- The maintenance of an environment and culture that supports our investment professionals continued effort to deliver strong investment performance. At year-end, the 10-year average annual returns of each of our 8 investment strategies with a 10-year track record exceeded the returns of its applicable benchmark. Our Global Opportunities and Global

Equity strategies, both of which are open to new clients and investors and have realizable capacity, beat their benchmarks by over 500 and 300 basis points, respectively, over the trailing 5-year period. Our two newest strategies, High Income and Developing World, continued to perform well and gather assets.

- The hiring and on-boarding of our eighth investment team, the Thematic team, which we expect will eventually manage multiple strategies. These strategies will be consistent with our high value added philosophy and reflect our goal of launching new strategies with high degrees of freedom that are not easily replicated with passive products.
- During the year, four of our seven investment teams experienced net client cash inflows.

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- In January 2017, the Global Value team was recognized again with their sixth nomination for Morningstar International-Stock Fund Manager of the Year in the U.S.
- We continued to increase the geographic diversification of our business. At year-end, $18 billion, or 18%, of our total assets under management were from clients domiciled outside the U.S.
- We declared and distributed dividends of $2.80 per share of Class A common stock during 2016, which represents all of our adjusted earnings and non-cash expenses.
- Maintaining and enhancing relationships and communication with clients, investors, employees, and potential new investment talent.

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.
- Approximately one-half of the restricted shares awarded to our executive officers 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.
- Our post-IPO equity grants include double-trigger change in control provisions.
- We do not provide “golden parachute” tax gross ups.
- None of our named executive officers have bonus guarantees.
- We do not offer retirement 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.

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.

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 2016. Our

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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. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a publicly-traded corporation that pays compensation in excess of $1 million to any of its named executive officers (other than the chief financial officer) in any taxable year, unless the compensation plan and awards meet certain requirements. Section 162(m) did not apply to our compensation prior to our IPO in March 2013. Under the transition rules, in general, compensation paid under a plan that existed while we were private is exempt from the $1 million deduction limit until the earliest to occur of: (i) the expiration of the plan; (ii) the material modification of the plan; (iii) the issuance of all available shares and other compensation that has been allocated under the plan; and (iv) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which our IPO occurred (i.e., the first meeting of stockholders after December 31, 2016). We have relied on this exemption from the time of our IPO. Notwithstanding the foregoing, we reserve the right to pay amounts that are not deductible under Section 162(m) during any period when Section 162(m) is applicable to us.

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 2016. The $250,000 annual base salary for named executive officers has remained unchanged over the last decade. We will continue to annually review the base salaries of our named executive officers.

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 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. In its decision-making process for 2016, the Compensation Committee considered the execution of certain key strategic priorities, as well as business and financial metrics.

At its April 2016 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 2016. At each subsequent meeting, the Compensation Committee reviewed the status of the strategic priorities and assessed the business and financial metrics.

During its July meeting, the Compensation Committee discussed the results of the Company's first advisory votes on executive compensation and frequency of advisory votes on executive compensation. The advisory votes, which occurred in connection with the Company's 2016 annual meeting of stockholders, resulted in the approval of the Company's 2015 executive compensation and the approval of a frequency of executive compensation advisory votes of every three years. The Compensation Committee determined not to make changes to the executive compensation program in response to the votes.

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During its October 2016 meeting, the Compensation Committee discussed the unexpected death of Dean J. Patenaude, who, prior to his death, served as Executive Vice President and Head of Global Distribution. Mr. Patenaude had been a named executive officer since our IPO in March of 2013 and would have been a named executive officer for 2016, but for his death in September 2016. The Compensation Committee considered the contributions made by Mr. Patenaude to the firm, including his efforts to build out the firm's global distribution model and team, and the Company's performance through September 30, 2016 and determined to award $2,000,000 to Mr. Patenaude's estate. In addition, as noted in the tables below, upon Mr. Patenaude's death, all of his outstanding equity compensation awards fully vested pursuant to their terms.

In January 2017 the Compensation Committee determined annual cash bonuses for the 2016 named executive officers based on its assessment of the named executive officers' execution of strategic priorities and our 2016 business and financial results. In shaping its decisions with respect to all of the named executive officers, the Compensation Committee considered the following:

- The maintenance of an environment and culture that supports our investment professionals continued effort to deliver strong investment performance. At year-end, the 10-year average annual returns of each of our 8 investment strategies with a 10-year track record exceeded the returns of its applicable benchmark. Our Global Opportunities and Global Equity strategies, both of which are open to new clients and investors and have realizable capacity, beat their benchmarks by over 500 and 300 basis points, respectively, over the trailing 5-year period. Our two newest strategies, High Income and Developing World, continued to perform well and gather assets.
- The hiring and on-boarding of our eighth investment team, the Thematic team, which we expect will eventually manage multiple strategies. These strategies will be consistent with our high value added philosophy and reflect our goal of launching new strategies with high degrees of freedom that are not easily replicated with passive products.
- During the year, four of our seven investment teams experienced net client cash inflows.
- In January 2017, the Global Value team was recognized again with their sixth nomination for Morningstar International-Stock Fund Manager of the Year in the U.S.
- We continued to increase the geographic diversification of our business. At year-end, $18 billion, or 18%, of our total assets under management were from clients domiciled outside the U.S.
- We declared and distributed dividends of $2.80 per share of Class A common stock during 2016, which represents all of our adjusted earnings and non-cash expenses.
- Maintaining and enhancing relationships and communication with clients, investors, employees, and potential new investment talent.

Despite these achievements, in 2016, our average assets under management and revenues each declined by 10%, our adjusted net income declined by 20%, and our adjusted operating margin declined from 40.3% to 36.4%. We also experienced $4.8 billion of net client cash outflows in 2016.

Based on these achievements and our financial and business performance, the Compensation Committee determined to pay 2016 cash incentive awards as follows: $4,800,000 for Mr. Colson; $1,750,000 for Mr. Daley; $1,050,000 for Ms. Johnson; $1,025,000 for Mr. Ramirez, and $1,000,000 for Mr. Hamman. The cash bonuses paid to Mr. Colson, Mr. Daley, Ms. Johnson, and Mr. Ramirez with respect to 2016 were lower than the amounts paid to them with respect to 2015 because of the firm's financial performance in 2016 compared to 2015.

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 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. We believe that the contractual restrictions on the ability of our named executive officers to sell existing equity have a similar effect as stock ownership guidelines and retention requirements, making the adoption of such additional formal policies unnecessary.

In 2014 we introduced a new component to our equity compensation program: 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 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 to not less than one year at our discretion); and (iii) remains at the company through the retirement notice period.

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Career shares and standard restricted shares will also vest upon a termination of employment due to death or disability. In addition, 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 after a change in control, the shares will fully vest.

We believe that career shares will 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.

In January 2017, our Compensation Committee recommended, and our Board subsequently approved, equity grants in respect of 2016 performance to certain of our employees, including to our named executive officers. The aggregate award constituted a total of 1.3 million shares, of which a total of 35,000 shares (or 3% of the total grant) were awarded to our named executive officers as follows: 5,000 standard restricted shares and 5,000 career shares for Mr. Colson; 2,500 standard restricted shares and 2,500 career shares for Mr. Daley; 2,500 standard restricted shares and 2,500 career shares for Ms. Johnson; 2,500 standard restricted shares and 2,500 career shares for Mr. Ramirez, and 3,928 standard restricted shares and 6,072 career shares for Mr. Hamman. The value of the equity granted to each of Mr. Colson, Mr. Daley, Ms. Johnson, and Mr. Ramirez with respect to 2016 was less than the value granted to them with respect to 2015 because of the firm's financial performance in 2016 compared to 2015. 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 2016 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 for our named executive officers to hold, over the long term, 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 2016 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.

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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.

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 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, 2014, 2015 and 2016 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 reflect the awards made in January 2016. Because we believe the value of the equity awards we made in January 2016 and 2017 should be considered a part of each named executive officer's compensation for 2015 and 2016, respectively, we have included those values in the table at the beginning of this Item 11, as well as in the first footnote below. Awards made in 2014 were made in July of 2014 and we believe are appropriately considered a part of each named executive officer's 2014 compensation. As a consequence of the SEC rules, in the table below, the value of the stock awards and total compensation paid to Mr. Colson, Mr. Daley, Ms. Johnson and Mr. Ramirez for 2016 is greater than the value of the stock awards and total compensation paid to them in 2015. As discussed above and shown in the first footnote below, the stock awards and total compensation paid to those officers with respect to 2016 were less than the amounts paid to them in 2015, as a result of the firm's financial performance in 2016 compared to 2015.

| Name & Principal Position | Year | Salary | Bonus [2] | Stock Awards[3] | All Other Compensation[4] | Total |
|---|---|---|---|---|---|---|
| Eric R. Colson | 2016 | $250,000 | $4,800,000 | 915,300 | $ 147,884 | $6,113,184 |
| Chief Executive Officer | 2015 | 250,000 | 5,500,000 | — | 168,041 | 5,918,041 |
| | 2014 | 250,000 | 5,500,000 | 873,510 | 58,845 | 6,682,355 |
| Charles J. Daley, Jr. | 2016 | 250,000 | 1,750,000 | 305,100 | 89,991 | 2,395,091 |
| Chief Financial Officer | 2015 | 250,000 | 2,000,000 | — | 106,383 | 2,356,383 |
| | 2014 | 250,000 | 2,000,000 | 423,520 | 56,610 | 2,730,130 |
| Sarah A. Johnson | 2016 | 250,000 | 1,050,000 | 305,100 | 81,956 | 1,687,056 |
| Chief Legal Officer | 2015 | 250,000 | 1,200,000 | — | 79,152 | 1,529,152 |
| | 2014 | 250,000 | 1,025,000 | 423,520 | 60,392 | 1,758,912 |
| Gregory K. Ramirez | 2016 | 250,000 | 1,025,000 | 305,100 | 81,108 | 1,661,208 |
| Executive Vice President | 2015 | 250,000 | 1,150,000 | — | 87,073 | 1,487,073 |
| | 2014 | 250,000 | 1,075,000 | 370,580 | 60,375 | 1,755,955 |
| James S. Hamman, Jr., [5] Executive Vice President | 2016 | 250,000 | 1,000,000 | 305,100 | 56,532 | 1,611,632 |
| Dean J. Patenaude [6] | 2016 | 177,100 | 2,000,000 | 305,100 | 85,844 | 2,568,044 |
| Former Executive Vice President | 2015 | 250,000 | 2,200,000 | — | 98,426 | 2,548,426 |
| | 2014 | 250,000 | 2,200,000 | 370,580 | 61,086 | 2,881,666 |

[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 January 2016 and 2017 with respect to 2015 and 2016 performance, respectively.

| Name | Year | Salary | Bonus | Stock Awards | All Other Compensation | Total |
|---|---|---|---|---|---|---|
| Eric R. Colson | 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 |
| | 2014 | 250,000 | 5,500,000 | 873,510 | 58,845 | 6,682,355 |
| Charles J. Daley, Jr. | 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 |
| | 2014 | 250,000 | 2,000,000 | 423,520 | 56,610 | 2,730,130 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Sarah A. Johnson | 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 |
| | 2014 | 250,000 | 1,025,000 | 423,520 | 60,392 | 1,758,912 |
| Gregory K. Ramirez | 2016 | 250,000 | 1,025,000 | 141,500 | 81,108 | 1,497,608 |
| | 2015 | 250,000 | 1,150,000 | 305,100 | 87,073 | 1,792,173 |
| | 2014 | 250,000 | 1,075,000 | 370,580 | 60,375 | 1,755,955 |
| James S. Hamman, Jr. | 2016 | 250,000 | 1,000,000 | 283,000 | 56,532 | 1,589,532 |
| Dean J. Patenaude | 2016 | 177,100 | 2,000,000 | — | 85,844 | 2,262,944 |
| | 2015 | 250,000 | 2,200,000 | 305,100 | 98,426 | 2,853,526 |
| | 2014 | 250,000 | 2,200,000 | 370,580 | 61,086 | 2,881,666 |

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(2) Amounts in this column represent the annual discretionary cash bonus compensation earned by our named executive officers in 2016, 2015 and 2014, as applicable. The amounts were paid in February following each year presented with the exception of Mr. Patenaude's 2016 bonus which was paid to his estate in November 2016.

(3) As discussed above, we believe the value of the equity awards we made in January 2016 and 2017 should be considered a part of each named executive officer's compensation for 2015 and 2016, 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. Awards made

in 2014 were made in July 2014 and we believe are appropriately considered a part of each named executive officer's 2014 compensation. 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 (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 2016;(b) reimbursement for 2016 self-employment payroll tax expense as follows: $102,717 for Mr. Colson; $46,198 for Mr. Daley; $36,333 for Ms. Johnson; $35,484 for Mr. Ramirez; and $46,811 for Mr. Patenaude and (c) a payment of $12,772 to Mr. Hamman pursuant to an employee incentive plan that has since been discontinued.

(5) Because Mr. Hamman first became an executive officer in 2016, no disclosure is included for 2015 or 2014.

(6) Mr. Patenaude ceased to be an executive officer of the Company on September 11,

2016, when he unexpectedly passed away.

Grants of Plan-Based Awards During 2016

The following table provides information regarding plan-based awards granted to each of our named executive officers in the year ended December 31, 2016.

| 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 | 1/26/2016 | 30,000 | $915,300 |
| Charles J. Daley, Jr. | 1/26/2016 | 10,000 | 305,100 |
| Sarah A. Johnson | 1/26/2016 | 10,000 | 305,100 |
| Gregory K. Ramirez | 1/26/2016 | 10,000 | 305,100 |
| James S. Hamman, Jr. | 1/26/2016 | 10,000 | 305,100 |
| Dean J. Patenaude | 1/26/2016 | 10,000 | 305,100 |

(1) Represents the number of restricted shares of our Class A common stock granted in January 2016, which were awarded as follows:

| Name | Standard Restricted Shares | Career Shares |
|---|---|---|
| Eric R. Colson | 15,000 | 15,000 |
| Charles J. Daley, Jr. | 5,000 | 5,000 |
| Sarah A. Johnson | 5,000 | 5,000 |
| Gregory K. Ramirez | 5,000 | 5,000 |
| James S. Hamman, Jr. | — | 10,000 |
| Dean J. Patenaude | 5,000 | 5,000 |

(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, 2016

The following table provides information about the outstanding equity-based awards held by each of our named executive officers as of December 31, 2016.

| 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 | 63,171 | $ 1,879,337 |
| Charles J. Daley, Jr. | 34,747 | 1,033,723 |
| Sarah A. Johnson | 20,622 | 613,505 |
| Gregory K. Ramirez | 20,566 | 611,839 |
| James S. Hamman, Jr. | 17,364 | 516,579 |
| Dean J. Patenaude [3] | — | — |

[1] Represents the number of unvested restricted shares (both career shares and standard restricted shares) of Class A common stock and unvested Class B common units as of December 31, 2016:

| Name | Standard Restricted Shares [A] | Career Shares [B] | Class B Common Units[C] |
|---|---|---|---|
| Eric R. Colson | 28,950 | 23,250 | 10,971 |
| Charles J. Daley, Jr. | 11,600 | 9,000 | 14,147 |
| Sarah A. Johnson | 9,400 | 9,000 | 2,222 |
| Gregory K. Ramirez | 9,100 | 8,500 | 2,966 |
| James S. Hamman, Jr. | 4,455 | 12,909 | — |
| Dean J. Patenaude | — | — | — |

(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. The following number of standard restricted shares were granted to each of our named executive officers in 2014 as follows: 8,250 shares for Mr. Colson; 4,000 shares for Mr. Daley; 4,000 shares for Ms. Johnson; 3,500 shares for Mr. Ramirez; and 3,500 shares for Mr. Patenaude. The number of standard restricted shares granted in January 2016 are disclosed in the "Grants of Plan-Based Awards During 2016" table above.

(B) Career shares vest as described above in "-Compensation Discussion and Analysis - Equity-Based Compensation." The following number

of career shares were granted to each of our named executive officers in 2014 as follows: 8,250 shares for Mr. Colson; 4,000 shares for Mr. Daley; 4,000 shares for Ms. Johnson; 3,500 shares for Mr. Ramirez; and 3,500 shares for Mr. Patenaude. The number of career shares granted in January 2016 are disclosed in the "Grants of Plan-Based Awards During 2016" table above.

(C) The unvested Class B common units vest in installments over a five-year period from the grant dates, provided that the holder remains employed through the vesting dates. The units will also vest upon a termination of employment on account of the holder's death or disability and upon the occurrence of a change in control, subject to continued employment through such occurrence. Generally, Class B common units are exchangeable for shares of our Class A common stock on a one-for-one basis. However, generally, a holder of Class B common units that remains employed by us may only exchange and sell up to 15% of the total number of Class B common units (both vested and unvested) held by the employee at the beginning of any one-year period, plus any amounts that the holder could have sold in prior years but did not.

(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 30, 2016, which was $29.75. Unvested Class B common units were also valued based on the closing price of our Class A common stock on the NYSE on December 30, 2016, as the Class B common units are generally exchangeable for shares of Class A common stock on a one-for-one basis.

(3) All of Mr. Patenaude's unvested shares and units automatically vested upon his death in September 2016, pursuant to the terms of each of the award agreements under which the restricted shares of Class A common stock and Class B common units were granted.

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Equity Awards Vested During the Year Ended December 31, 2016

The following table provides information about the value realized by each of our named executive officers during the year ended December 31, 2016, upon the vesting of equity awards.

| Name | Number of Shares or Units Acquired Upon Vesting(#)[1] | Value Realized on Vesting($)[2] |
|---|---|---|
| Eric R. Colson | 38,313 | $ 1,219,660 |
| Charles J. Daley, Jr. | 17,047 | 474,219 |
| Sarah A. Johnson | 4,022 | 111,874 |
| Gregory K. Ramirez | 4,666 | 129,791 |
| James S. Hamman, Jr. | 1,818 | 50,559 |
| Dean J. Patenaude [3] | 51,796 | 1,409,385 |

[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, 2016:

| Name | Vested Shares of Class A Common Stock | Vested Class B Common Units |
|---|---|---|
| Eric R. Colson | 6,150 | 32,163 |
| Charles J. Daley, Jr. | 2,900 | 14,147 |
| Sarah A. Johnson | 1,800 | 2,222 |
| Gregory K. Ramirez | 1,700 | 2,966 |
| James S. Hamman, Jr. | 1,818 | — |
| Dean J. Patenaude | 22,000 | 29,796 |

Generally, Class B common units are exchangeable for shares of our Class A common stock on a one-for-one basis. However, generally, a holder of Class B common units that remains employed by us may only exchange and sell up to 15% of the total number of Class B common units (both vested and unvested) held by the employee at the beginning of any one-year period, plus any amounts that the holder could have sold in prior years but did not.

[2] The value of the restricted shares of Class A common stock and Class B common units that vested during 2016 is based on the stock price of our Class A common stock on each respective vesting date.

[3] All of Mr. Patenaude's unvested shares and units automatically vested upon his death in September 2016, pursuant to the terms of each of the award agreements under which the restricted shares of

Class A common stock and Class B common units
were granted.

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 2016 and 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, 2016 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, 2016, 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.

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| | Death or Disability | Qualifying Termination in Connection with Change in Control | Accelerated Vesting Upon Change in Control | Retirement |
|---|---|---|---|---|
| Eric R. Colson | | | | |
| Unvested Class B Common Units[1] | $ 326,387 | — | $ 326,387 | — |
| Standard Restricted Shares [2] | 861,263 | $ 861,263 | — | — |
| Career Shares[3] | 691,688 | 691,688 | — | $ 98,175 |
| Charles J. Daley, Jr. | | | | |
| Unvested Class B Common Units[1] | 420,873 | — | 420,873 | — |
| Standard Restricted Shares [2] | 345,100 | 345,100 | — | — |
| Career Shares[3] | 267,750 | 267,750 | — | — |
| Sarah A. Johnson | | | | |
| Unvested Class B Common Units[1] | 66,105 | — | 66,105 | — |
| Standard Restricted Shares [2] | 279,650 | 279,650 | — | — |
| Career Shares[3] | 267,750 | 267,750 | — | 47,600 |
| Gregory K. Ramirez | | | | |
| Unvested Class B Common Units[1] | 88,239 | — | 88,239 | — |
| Standard Restricted Shares [2] | 270,725 | 270,725 | — | — |
| Career Shares[3] | 252,875 | 252,875 | — | 41,650 |
| James. S. Hamman, Jr. | | | | |
| Standard Restricted Shares [2] | 132,536 | 132,536 | — | — |
| Career Shares[3] | 384,043 | 384,043 | — | — |
| Dean J. Patenaude[4] | | | | |
| Unvested Class B Common Units | 400,756 | — | — | — |
| Standard Restricted Shares | 293,210 | — | — | — |
| Career Shares | 228,650 | — | — | — |

[1] Represents the value of the accelerated vesting of Class B common units, which was based on the closing price of our Class A common stock on the NYSE on December 30, 2016, which was $29.75 per share, as the Class B common units are generally exchangeable for shares of Class A common stock on a one-for-one basis. Any unvested Class B common units will become fully vested upon the holder's death or disability or upon the occurrence of a change in control (subject to continued employment through such occurrence).

[2] 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 30, 2016, which was $29.75 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).

[3] 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 30, 2016, which was $29.75 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.

(4) Represents the value of the accelerated vesting of Class B common units, standard restricted shares and career shares as of September 12, 2016, upon the death of Mr. Patenaude.

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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 2016, 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 2016, 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 2016, 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 2016, 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 2016.

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 2016 compensation of each non-employee director who served in fiscal year 2016.

| 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, 2016, Mr. Barger had 14,785 restricted stock units outstanding.

[2] On December 31, 2016, Mr. Brennan had 7,939 restricted stock units outstanding.

[3] On December 31, 2016, Mr. Coxe had 12,667 restricted stock units outstanding.

(4) On December 31, 2016, Ms. DiMarco had 15,314 restricted stock units outstanding.
(5) On December 31, 2016, Mr. Joerres had 14,785 restricted stock units outstanding.
(6) On December 31, 2016, Mr. Ziegler had 12,286 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, 2017, for:

- each person known by us to beneficially own more than 5% of any class of our outstanding shares, as of February 16, 2017;
- each of our named executive officers;
- each of our directors; and
- all of our named executive officers and directors as a group.

Each share of our Class A common stock and Class C common stock is entitled to one vote per share. Each share of Class B common stock initially entitles its holder to five votes per share. The number of votes per share of Class B common stock will decrease from five to one when holders of Class B common stock collectively hold less than 20% of the aggregate number of outstanding shares of common stock. As of February 16, 2016, the holders of Class B common stock collectively held more than 20% of the aggregate number of outstanding shares of common stock.

Each share of our Class C common stock corresponds to a Class A common unit, Class D common unit or Class E common unit of Artisan Partners Holdings, and each share of Class B common stock corresponds to a Class B common unit of Artisan Partners Holdings. Subject to certain restrictions, common units are exchangeable for shares of our Class A common stock on a one-for-one basis, and upon any such exchange, the corresponding shares of Class C or Class B common stock, as applicable, are canceled.

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 43,603,792 shares of Class A common stock (including 218,089 restricted stock units that are currently outstanding), 15,142,049 shares of Class B common stock and 17,063,384 shares of Class C common stock outstanding at February 16, 2017. 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 136,159,332 total votes attributed to 75,591,136 total shares of outstanding common stock.

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] | 5,107,607 | 11.7 | 15,142,049 | 100% | — | — | 59.3% |
| Eric R. Colson[3] | 79,000 | * | 667,768 | 4.4% | — | — | — |
| Charles J. Daley, Jr.[3][4] | 28,900 | * | 135,333 | * | — | — | * |
| James S. Hamman, Jr.[3] | 30,286 | * | — | — | — | — | — |
| Sarah A. Johnson[3] | 32,000 | * | 94,464 | * | — | — | * |
| Gregory K. Ramirez[3] | 28,400 | * | 79,864 | * | — | — | * |
| Matthew R. Barger[5] | 21,547 | * | — | — | 1,242,002 | 7.3% | * |
| Seth W. Brennan[5][6] | 25,778 | * | — | — | — | — | * |
| Tench Coxe[5][7] | 40,417 | * | — | — | — | — | * |
| Stephanie G. DiMarco[5][8] | 93,510 | * | — | — | — | — | * |
| Jeffrey A. Joerres[5] | 25,047 | * | — | — | — | — | * |
| Andrew A. Ziegler[5][9] | 19,404 | * | — | — | 6,955,973 | 40.8% | 5.1% |
| Directors and executive officers as a group (11 persons) | 5,440,985 | 12.5% | 15,142,049 | 100% | 8,197,975 | 48.0% | 65.6% |
| 5+% Stockholders: | | | | | | | |
| Artisan Investment Corporation[9] | — | — | — | — | 6,955,973 | 40.8% | 5.1% |
| MLY Holdings Corp.[3][10] | — | — | 3,218,277 | 21.3% | — | — | — |
| LaunchEquity Acquisition Partners, LLC [3][11] | — | — | 2,069,928 | 13.7% | — | — | — |
| N. David Samra[3] | 779,607 | 1.8% | 1,360,853 | 9.0% | — | — | — |
| Daniel J. O'Keefe[3] | 860,560 | 2.0% | 1,329,655 | 8.8% | — | — | * |
| James C. Kieffer [3] | 221,641 | * | 1,255,970 | 8.3% | — | — | — |
| George Sertl[3] | — | — | 1,252,950 | 8.3% | — | — | — |
| James D. Hamel[3] | 185,126 | * | 966,066 | 6.4% | — | — | — |
| Scott C. Satterwhite | — | — | — | — | 1,383,768 | 8.1% | 1.0% |
| Patricia Christina Hellman Survivor's Trust | — | — | — | — | 1,330,738 | 7.8% | * |
| Arthur Rock 2000 Trust | — | — | — | — | 1,153,280 | 6.8% | * |
| Thomas F. Steyer 2017 GRAT I | — | — | — | — | 1,082,314 | 6.3% | * |
| Kayne Anderson Rudnick Investment Management LLC[12] | 4,296,505 | 9.9% | — | — | — | — | 3.2% |
| The Vanguard Group[13] | 3,095,649 | 7.1% | — | — | — | — | * |
| Eaton Vance Management[14] | 2,590,631 | 5.9% | — | — | — | — | 1.9% |
| Wells Fargo & Company[15] | 2,213,614 | 5.1% | — | — | — | — | 1.2% |

*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 (including Mr. Colson, Mr. Daley, Mr. Hamman, Ms. Johnson and Mr. Ramirez) 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. 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 9, 2017 by Kayne Anderson Rudnick Investment Management LLC which states that Kayne Anderson Rudnick Investment Management had voting and dispositive power over 4,296,505 shares of Class A common stock as of December 31, 2016. 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 9, 2017 by The Vanguard Group, Inc. which states that Vanguard Group had voting power over 27,459 shares and dispositive power over 3,095,649 shares of Class A common stock as of December 31, 2016. 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 15, 2017 by Eaton Vance Management which states that Eaton Vance Management had voting and dispositive power over 2,590,631 shares of Class A common stock as of December 31, 2016. The address of Eaton Vance Management is 2 International Place, Boston, MA 02110.

(15) This information has been derived from the Schedule 13G filed with the SEC on January 27, 2017 by Wells Fargo and Company which states that Wells Fargo & Company had voting power over 1,654,627 shares and dispositive power over 2,213,614 shares of Class A common stock as of December 31, 2016. The address of Wells

Fargo & Company is 420 Montgomery Street, San Francisco, CA 94163.

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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 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 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, 2017, 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 are permitted 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, our Board may waive the restrictions on exchange described above.

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, 2016, holders of Class A, Class B and Class E common units exchanged an aggregate of 1,679,507 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.

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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, 2016, AIC owned 6,955,973 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, 2016, our employee-partners owned an aggregate of 15,142,049 Class B common units. 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. Approximately 3.6 million Class B common units are eligible for exchange and sale in the first quarter of 2017. 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. 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 unvested Class B common units are forfeited. Generally, the employee-partner's vested 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, 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).

As of December 31, 2016, former employee-partners owned an aggregate of 2,236,984 Class E common units, 1,299,383 of which may currently be sold.

As of December 31, 2016, our initial outside investors who are holders of Class A common units owned an aggregate of 7,870,427 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.

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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 (whether or not vested). 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 59% of the combined voting power of our capital stock) 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, 2016, the holders of the Class A common units beneficially owned approximately 11% of our outstanding capital stock.
- A director nominee, initially Mr. Ziegler, designated by AIC, so long as AIC beneficially owns at least 5% of our outstanding capital stock. As of December 31, 2016, AIC beneficially owned approximately 9% 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. For so long as the parties whose shares are subject to the agreement hold at least a majority of the combined voting power of our capital stock, the committee will be able to elect all of the members of our Board (subject to the obligation of the committee to vote in support of the nominees described above) and will thereby control our management and affairs. Because each share of Class B common stock initially entitles its holder to five votes, the stockholders committee will control our management and affairs even though the employees whose

shares are subject to the agreement hold less than a majority of the number of outstanding shares of our common stock.

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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.

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 or the value of our convertible preferred stock, as the case may be, 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, 2016, we recorded a $586.2 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expect to realize from the following (which exclude prior TRA payments and adjustments to the TRA liability due to changes in estimates):

- The merger described above and our purchase of Class A common units in connection with our IPO.
- Our purchase of preferred units from the H&F holders in November 2013.
- Our purchase of common and preferred units in connection with an offering of Class A common stock in March 2014.
- The H&F holders' conversion in June 2014 of their remaining shares of convertible preferred stock into, and exchange of all of their remaining preferred units of Artisan Partners Holdings for, shares of Class A common stock.
- Our purchase of common units in connection with the 2015 Follow-On Offering.
- The quarterly exchanges made by certain limited partners pursuant to the Exchange Agreement.

Those amounts assume 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 2016, we made payments under the tax receivable agreements totaling approximately $28 million in the aggregate. Of that amount, $16.5 million was paid to certain of our directors or entities affiliated with certain directors and $7.0 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.

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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, 2016; and (iii) future purchases or exchanges of partnership units would aggregate to approximately $1.2 billion over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of $29.75 per share of our Class A common stock, the closing price of our Class A common stock on December 30, 2016.

Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately $1.1 billion, 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.

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.

Corporate Hospitality Tent

We have 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 will pay the USGA a rental and admission fee. Erin Hills, which is owned by Mr. Ziegler, is 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 is immaterial to Mr. Ziegler, he has waived the revenue that Erin Hills would otherwise be entitled to in connection with the Company’s tent.

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 or not 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 and Jeffrey A. Joerres 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, 2016 and 2015 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 2016 | Fiscal Year 2015 |
|---|---|---|
| Audit Fees | $880,400 | $881,000 |
| Audit Related Fees | 57,000 | 152,100 |
| Tax Fees | 438,500 | 414,700 |
| All Other Fees | 3,600 | 16,200 |
| Total | $1,379,500 | $1,464,000 |

Audit Fees for the fiscal years ended December 31, 2016 and 2015 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, 2016 and 2015 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).

Tax Fees for the fiscal years ended December 31, 2016 and 2015 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 2016, $130,600 of the tax fees related to tax return compliance and preparation.

Other Fees for the fiscal years ended December 31, 2016 and 2015 were for consultations related to regulatory matters and 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 2016 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) |
| 10.8 | Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan(1) |
| 10.9 | Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan(1) |
| 10.10 | Artisan Partners Asset Management Inc. Bonus Plan(1) |
| 10.11 | Amended and Restated Artisan Partners Asset Management Inc. Bonus Plan |
| 10.12 | Form of Artisan Partners Holdings LP Restated Class B Common Units Grant Agreement(1) |
| 10.13 | Employment Agreement of Andrew A. Ziegler(1) |
| 10.14 | Form of Indemnification Agreement(1) |
| 10.15 | Form of Indemnification Priority Agreement(1) |
| 10.16 | Five-Year Revolving Credit Agreement, dated as of August 16, 2012, among Artisan Partners Holdings LP, the lenders named therein and Citibank, N.A., as Administrative Agent(2) |
| 10.17 | Note Purchase Agreement, dated as of August 16, 2012, among Artisan Partners Holdings LP and the purchasers listed therein(2) |
| 10.18 | Form of Artisan Partners Asset Management Inc. 2013 Non-Employee Director Plan - Restricted Share Unit Award Agreement (1) |
| 10.19 | Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Restricted Stock Award Agreement (1) |
| 10.20 | Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Restricted Share Award Agreement (1) |
| 10.21 | Form of Artisan Partners Asset Management Inc. 2013 Omnibus Incentive Compensation Plan - Career Restricted Share Award Agreement (1) |
| 10.22 | Form of Unit Purchase Agreement (1) |
| 10.23 | Second Amended and Restated Investment Advisory Agreement between Artisan Partners Limited Partnership and Artisan Partners Funds, Inc. |
| 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, 2016 and 2015; (ii) the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014; (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014 and (vi) the Notes to Consolidated Financial Statements as of and for the years ended December 31, 2016, 2015 and 2014 |

(1) incorporated by reference to Form 10-K filed by Artisan Partners Asset Management Inc. on February 25, 2016

(2) incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-1 filed by Artisan Partners Asset Management Inc. on December 18, 2012

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, 2017
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, 2017.

| Signature | Title |
|---|---|
| /s/ Matthew R. Barger<br>Matthew R. Barger | Director |
| /s/ Seth W. Brennan<br>Seth W. Brennan | Director |
| /s/ Tench Coxe<br>Tench Coxe | Director |
| /s/ Stephanie G. DiMarco<br>Stephanie G. DiMarco | Director |
| /s/ Jeffrey A. Joerres<br>Jeffrey A. Joerres | Director |
| /s/ Andrew A. Ziegler<br>Andrew A. Ziegler | Director |