Artisan Partners Asset Management Inc.
Form 10-K
February 20, 2019

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of $115 thousand and $85 thousand was paid on these TRA payments for the years ended December 31, 2018 and 2017, respectively.There were no uncertain tax positions recorded as of December?31, 2018 and December?31, 2017.Represents the net deferred tax assets associated with the merger described above and other miscellaneous deferred tax assets.Represents the unamortized step-up of tax basis from the merger described above, the purchase of common and preferred units by APAM, and the exchange of common and preferred units for Class A common shares of APAM.4,575,332 shares of Class A common stock subject to the agreement and all 8,645,249 outstanding shares of Class B common stock.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. 0001517302 2018-01-01 2018-12-31 0001517302 us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-01-01 2018-12-31 0001517302 us-gaap:CommonClassCMember 2019-02-14 0001517302 us-gaap:CommonClassAMember 2019-02-14 0001517302 2018-06-30 0001517302 us-gaap:CommonClassBMember 2019-02-14 0001517302 2017-12-31 0001517302 2018-12-31 0001517302 us-gaap:CommonClassAMember 2018-12-31 0001517302 us-gaap:CommonClassAMember 2017-12-31 0001517302 us-gaap:CommonClassCMember 2018-12-31 0001517302 us-gaap:CommonClassBMember 2017-12-31 0001517302 us-gaap:CommonClassCMember 2017-12-31 0001517302 us-gaap:CommonClassBMember 2018-12-31 0001517302 2016-01-01 2016-12-31 0001517302 2017-01-01 2017-12-31 0001517302 us-gaap:InvestmentPerformanceMember 2017-01-01 2017-12-31 0001517302 us-gaap:InvestmentPerformanceMember 2016-01-01 2016-12-31 0001517302 us-gaap:AssetManagement1Member 2017-01-01 2017-12-31 0001517302 us-gaap:AssetManagement1Member 2016-01-01 2016-12-31 0001517302 us-gaap:AssetManagement1Member 2018-01-01 2018-12-31 0001517302 us-gaap:InvestmentPerformanceMember 2018-01-01 2018-12-31 0001517302 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-12-31 0001517302 us-gaap:NoncontrollingInterestMember 2016-01-01 2016-12-31 0001517302 us-gaap:CommonClassCMember us-gaap:CommonStockMember 2016-01-01 2016-12-31 0001517302 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-12-31 0001517302 us-gaap:NoncontrollingInterestMember 2017-01-01 2017-12-31 0001517302 us-gaap:RetainedEarningsMember 2016-01-01 2016-12-31 0001517302 us-gaap:CommonClassCMember us-gaap:CommonStockMember 2017-01-01 2017-12-31 0001517302 us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-12-31 0001517302 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2016-01-01 2016-12-31 0001517302 us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0001517302 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2017-01-01 2017-12-31 0001517302 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2017-01-01 2017-12-31 0001517302 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2017-12-31 0001517302 us-gaap:NoncontrollingInterestMember 2016-12-31 0001517302 us-gaap:CommonClassBMember us-gaap:CommonStockMember 2016-12-31 0001517302 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-12-31 0001517302 2016-12-31 0001517302 us-gaap:CommonClassCMember us-gaap:CommonStockMember 2015-12-31 0001517302 us-gaap:RetainedEarningsMember 2016-12-31 0001517302 us-gaap:RetainedEarningsMember 2017-01-01 2017-12-31 0001517302 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001517302 2015-12-31 0001517302 us-gaap:RetainedEarningsMember 2015-12-31 0001517302 us-gaap:RetainedEarningsMember 2017-12-31 0001517302 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2015-12-31 0001517302 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2016-01-01 2016-12-31 0001517302 us-gaap:NoncontrollingInterestMember 2015-12-31 0001517302 us-gaap:CommonClassCMember us-gaap:CommonStockMember 2017-12-31 0001517302 us-gaap:NoncontrollingInterestMember 2017-12-31 0001517302 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001517302 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0001517302 us-gaap:CommonClassAMember us-gaap:CommonStockMember 2016-12-31 0001517302 us-gaap:AdditionalPaidInCapitalMember 2015-12-31 0001517302

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2017-10-01 2017-12-31 0001517302 2017-01-01 2017-03-31 0001517302 2017-07-01 2017-09-30 0001517302 us-gaap:SubsequentEventMember 2019-02-04 2019-02-04 0001517302 us-gaap:CommonClassAMember us-gaap:SubsequentEventMember 2019-02-04 2019-02-04 0001517302 us-gaap:SubsequentEventMember 2019-02-04 0001517302 apam:QuarterlyCashDividendMember us-gaap:CommonClassAMember us-gaap:SubsequentEventMember 2019-02-04 2019-02-04 0001517302 apam:SpecialAnnualDividendMember us-gaap:CommonClassAMember us-gaap:SubsequentEventMember 2019-02-04 2019-02-04 iso4217:USD xbrli:shares iso4217:USD apam:segment xbrli:shares xbrli:pure apam:vote

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

Form 10-K
(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**
OR	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission file number: 001-35826

Artisan Partners Asset Management Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-0969585**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
875 E. Wisconsin Avenue, Suite 800 Milwaukee, WI	**53202**
(Address of principal executive offices)	*(Zip Code)*

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Emerging growth company o

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

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

The aggregate market value of common equity held by non-affiliates of the registrant at June 29, 2018, which was the last business day of the registrant's most recently completed second fiscal quarter, was approximately$1,614,293,320 based on the closing price of $30.15 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 14, 2019 were 54,063,445, 8,645,249 and 14,226,435, 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").
- "Artisan Private Funds" refers to private investment funds sponsored by Artisan.

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- "client" and "clients" refer to investors who access our investment management services by investing in funds, including Artisan Funds, Artisan Global Funds, or Artisan Private Funds, or by engaging us to manage a separate account in one or more of our investment strategies (such accounts include collective investment trusts and other pooled investment vehicles for which we are investment adviser, each of which we manage on a separate account basis).
- "Company", "Artisan", "we", "us" or "our" refer to Artisan Partners Asset Management Inc. ("APAM") and, unless the context otherwise requires, its dire 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.
- "2017 Follow-On Offering" means the registered offering of 5,626,517 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on February 28, 2017.
- "2018 Follow-On Offering: means the registered offering of 644,424 shares of Class A common stock of Artisan Partners Asset Management Inc. completed on February 27, 2018.

Forward-Looking Statements

This report contains, and from time to time our management may make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements regarding future events and our future performance, as well as management's current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. In some cases, you can identify these statements by forward-looking words such as "may", "might", "will", "should", "expects", "intends", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue", the negative of these terms and other comparable terminolo Forward-looking statements are only predictions based on current expectations and projections about future events. Forward-looking statements are subject to a number of risks and uncertainties, and there are important factors that could cause actual results, level of activity, performance, actions or achievements to differ materially from the results, level of activity, performance, actions or achievements expressed or implied by the forward-looking statements. These factors include: the loss of key investment professionals or senior management, adverse market or economic conditions, poor performance of our investment strategies, change in the legislative and regulatory environment in which we operate, operational or technical errors or other damage to our reputation and other factors disclosed in the Company's filings with the Securities and Exchange Commission, including those factors listed under the caption entitled "Risk Factors" in Item 1A of this Form 10-K. We undertake no obligation to publicly update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report, except as required by law.

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

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

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Performance and Assets Under Management Information Used in this Report

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

We measure the results both of our individual funds and of our “composites”, which represent the aggregate performance of all discretionary client accounts, including funds, invested in the same strategy, except those accounts with respect to which we believe client-imposed investment restrictions (such as socially-based restrictions) may have a material impact on portfolio construction and those accounts managed in a currency other than U.S. dollars (the results of these excluded accounts, which represented approximately 11% of our assets under management at December 31, 2018, are maintained in separate composites, and are not presented in this report).

The performance of accounts with investment restrictions differs from the performance of accounts included in our principal composite for the applicable strategy because one or more securities may be omitted from the portfolio in order to comply with client restrictions and the weightings in the portfolio of other securities are correspondingly altered. The performance of non-U.S. dollar accounts differs from the performance of the principal composite for the applicable strategy because of the fluctuations in currency exchange rates between the currencies in which portfolio securities are traded and the currency in which the account is managed or U.S. dollars, respectively. Our assets under management in accounts with investment restrictions and non-U.S. dollar accounts represented approximately 2% and 9%, respectively, of our assets under management as of December 31, 2018. Results for any investment strategy described herein, and for different investment vehicles within a strategy, are affected by numerous factors, including: different material market or economic conditions; different investment management fee rates, brokerage commissions and other expenses; and the reinvestment of dividends or other earnings.

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

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

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The ICE BofAML US High Yield Master II Total Return Index is owned by ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC permits use of the ICE BofAML indices and related data on an "as is" basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or any data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing, and does not sponsor, endorse, or recommend Artisan Partners or any of its products or services.

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In this report, we present ratings from Morningstar, Inc., for the 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. The ratings which form the basis for the information reflected in this report, and the fund categories in which they are rated, relating to each Fund’s Investor Share Class are: Artisan Emerging Markets Fund—Diversified Emerging Markets; Artisan Global Equity Fund—World Stock; Artisan Global Opportunities Fund—World Stock; Artisan Global Value Fund—World Stock; Artisan High Income Fund—High Yield Bond; Artisan International Fund—Foreign Large Blend; Artisan International Small-Mid Fund—Foreign Small/Mid Growth; Artisan International Value Fund—Foreign Large Blend; Artisan Mid Cap Fund—Mid-Cap Growth; Artisan Mid Cap Value Fund—Mid-Cap Value; Artisan Small Cap Fund—Small Growth; Artisan Value Fund—Large Value. Morningstar ratings are initially given on a fund’s three year track record and change monthly.

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

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

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

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PART I
Item 1. Business
Overview
Founded in 1994, Artisan is an investment management firm focused on providing high valued added, active investment strategies to sophisticated clients globally. Our autonomous investment teams manage a broad range of U.S., non-U.S. and global investment strategies that are diversified by asset class, market cap and investment style.
Since our founding, we have maintained a business model that is designed to maximize our ability to produce attractive investment results for our clients, and we believe this model has contributed to our success in doing so. We focus on attracting, retaining and developing talented investment professionals by creating an environment in which each investment team is provided ample resources and support, transparent and direct financial incentives, and a high degree of investment autonomy. Each of our investment teams is led by one or more experienced portfolio managers and applies its own unique investment philosophy and process. We believe this autonomous structure promotes independent analysis and accountability among our investment professionals, which we believe promotes superior investment results.
The following table sets forth our revenues and our ending and average assets under management for the periods noted:

	For the Years Ended December 31,		
	2018	**2017**	**2016**
	(in millions)		
Total revenues	$829	$796	$721
Ending assets under management	$96,224	$115,494	$96,845
Average assets under management	$113,769	$108,754	$96,281

Additional information regarding our revenues and our assets under management during the past three years is contained in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, as well as our consolidated financial statements, which are included in Item 8 of this Form 10-K.
Each of our investment strategies is designed to have a clearly articulated, consistent and replicable investment process that is well-understood by clients and managed to achieve long-term performance. Over our firm’s history, we have created new investment strategies that can use a broad array of securities, instruments, and techniques (which we call degrees of freedom) to differentiate returns and manage risk.
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 our operational 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 by means of separate accounts and pooled vehicles. We access traditional institutional clients primarily through relationships with investment consultants. We access other institutional-like investors primarily through consultants, alliances with major defined contribution/401(k) platforms and relationships with financial advisors and broker-dealers. We derive essentially all of our revenues from investment management fees, which primarily are based on a specified percentage of clients’ average assets under management. These fees are determined by the investment advisory and sub-advisory agreements that are terminable by clients upon short notice or no notice.

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Investment Teams

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

The table below sets forth total assets under management and certain performance information for our investment teams and strategies as of December 31, 2018.

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Investment Team and Strategy	AUM as of December 31, 2018 (in millions)	Composite Inception Date	Value-Added Since Inception Date [1] as of December 31, 2018	Fund Rating[2] as of December 31, 2018
Growth Team				
Global Opportunities	14,740	February 1, 2007	537	«««««
Global Discovery	112	September 1, 2017	473	Not yet rated
U.S. Mid-Cap Growth	9,049	April 1, 1997	463	«««
U.S. Small-Cap Growth	2,350	April 1, 1995	164	««««
Global Equity Team[3]				
Global Equity	1,271	April 1, 2010	451	««««
Non-U.S. Growth	21,181	January 1, 1996	534	«««
Non-U.S. Small-Mid Growth	515	January 1, 2019		
U.S. Value Team				
Value Equity	2,172	July 1, 2005	(83)	«««
U.S. Mid-Cap Value	4,405	April 1, 1999	343	«««
International Value Team				
Non-U.S. Value	17,681	July 1, 2002	575	««««
Global Value Team				
Global Value	17,113	July 1, 2007	407	««««
Emerging Markets Team				
Emerging Markets	179	July 1, 2006	53	««««
Credit Team				
High Income	2,803	April 1, 2014	265	«««««
Credit Opportunities	57	July 1, 2017	Not disclosed	Not applicable
Developing World Team				
Developing World	1,993	July 1, 2015	236	««««
Thematic Team				
Thematic	448	May 1, 2017	1,968	Not yet rated
Thematic Long/Short	155	November 1, 2017	Not disclosed	Not applicable
Total AUM as of December 31, 2018	96,224			

(1) Value-added since inception date is the amount in basis points by which the average annual gross composite return of each of our strategies has outperformed or underperformed the broad-based market index most commonly used by our clients to compare the performance of the relevant strategy since its inception date. Value-added for periods less than one year are not annualized. The broad-based market indices used to compute the value added since inception date for each of our strategies are as follows: Non-U.S. Growth Strategy / Non-U.S. Value Strategy-MSCI EAFE Index; Global Equity Strategy / Global Opportunities Strategy / Global Value Strategy / Global Discovery Strategy-MSCI ACWI Index; Non-U.S. Small-Mid Growth Strategy-MSCI ACWI ex USA Small Cap Index; U.S. Mid-Cap Growth Strategy / U.S. Mid-Cap Value Strategy-Russell Midcap® Index; U.S. Small-Cap Growth Strategy-Russell 2000® Index; Value Equity Strategy-Russell 1000® Index; Developing World Strategy / Emerging Markets Strategy-MSCI Emerging Markets Index; High Income Strategy-ICE BofAML US High Yield Master II Total Return Index; Thematic Strategy-S&P® 500 Index. Unlike the ICE BofAML US High Yield Master II Total Return Index, the Artisan High Income strategy may hold loans and other security types. At times, this causes material differences in relative performance.

(2) The Overall Morningstar RatingTM for a fund is derived from a weighted average of the performance figures associated with its three-year, five-year, and ten-year (if applicable) Morningstar Ratings metrics.

(3) Effective December 4, 2018, the Non-U.S. Small-Cap Growth strategy was re-named the Non-U.S. Small-Mid Growth strategy and the strategy was given increased degrees of freedom to invest in both small and mid-cap companies around the world. In connection with that change, the strategy's prior composite was terminated, and a new composite began on January 1, 2019. As a result, performance information for the strategy has been omitted from this presentation.

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Growth Team

Our Growth team, which was formed in 1997 and is based in Milwaukee, Wisconsin, manages four investment strategies: Global Opportunities, Global Discovery, U.S. Mid-Cap Growth and U.S. Small-Cap Growth. James D. Hamel, Matthew H. Kamm, Craigh A. Cepukenas, and Jason L. White are the portfolio managers of all four strategies. Mr. Hamel is the lead portfolio manager of the Global Opportunities strategy; Mr. White is the lead portfolio manager of the Global Discovery strategy; Mr. Kamm is the lead portfolio manager of the U.S. Mid-Cap Growth strategy; and Mr. Cepukenas is the lead portfolio manager of the U.S. Small-Cap Growth strategy.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Global Opportunities (February 1, 2007)					
Average Annual Gross Returns	**(7.92)%**	**8.84 %**	**7.86 %**	**16.10 %**	**9.27 %**
MSCI ACWI® Index	(9.42)%	6.59 %	4.26 %	9.45 %	3.90 %
Global Discovery (September 1, 2017)					
Average Annual Gross Returns	**(1.93)%**	**—**	**—**	**—**	**2.94 %**
MSCI ACWI® Index	(9.42)%	—	—	—	(1.79)%
U.S. Mid-Cap Growth (April 1, 1997)					
Average Annual Gross Returns	**(2.74)%**	**5.95 %**	**5.64 %**	**16.06 %**	**14.18 %**
Russell Midcap® Index	(9.06)%	7.04 %	6.26 %	14.02 %	9.55 %
Russell Midcap® Growth Index	(4.75)%	8.59 %	7.41 %	15.11 %	8.59 %
U.S. Small-Cap Growth (April 1, 1995)					
Average Annual Gross Returns	**3.54 %**	**12.41 %**	**7.70 %**	**17.05 %**	**10.25 %**
Russell 2000® Index	(11.01)%	7.36 %	4.41 %	11.97 %	8.61 %
Russell 2000® Growth Index	(9.31)%	7.23 %	5.13 %	13.51 %	7.19 %

Global Equity Team

Our Global Equity team was formed in 1996 and is primarily based in San Francisco and New York. The Global Equity team manages three investment strategies: Global Equity, Non-U.S. Growth, and Non-U.S. Small-Mid Growth.

Mark L. Yockey serves as portfolio manager of the Global Equity and Non-U.S. Growth strategies. Charles-Henri Hamker and Andrew J. Euretig are also portfolio managers of the Global Equity strategy and associate portfolio managers of the Non-U.S. Growth strategy.

Prior to October 15, 2018, the Non-U.S. Small-Mid Growth strategy (formerly, the Non-U.S. Small-Cap Growth strategy) was managed by Mr. Yockey and Mr. Hamker and was closed to most new investors and client relationships. Effective October 15, Rezo Kanovich became sole portfolio manager of the strategy, and the strategy re-opened to new investors. During the fourth quarter of 2018, the strategy was given increased degrees of freedom to invest in both small and mid-cap companies around the world and the strategy was re-named the Non-U.S. Small-Mid Growth strategy to reflect this evolution. In connection with these changes, the strategy'sprior composite was terminated and a new composite began on January 1, 2019. As a result of the termination of the prior composite, historical performance information has been omitted from the table below.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Global Equity (April 1, 2010)					
Average Annual Gross Returns	**(1.95)%**	**9.16 %**	**6.83 %**	**—**	**11.30 %**
MSCI ACWI® Index	(9.42)%	6.59 %	4.26 %	—	6.79 %
Non-U.S. Growth (January 1, 1996)					
Average Annual Gross Returns	**(9.80)%**	**2.90 %**	**1.31 %**	**9.30 %**	**9.56 %**
MSCI EAFE® Index	(13.79)%	2.87 %	0.53 %	6.31 %	4.22 %

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U.S. Value Team

Our U.S. Value team, which was formed in 1997 and is based in Atlanta and Chicago, manages two investment strategies: Value Equity and U.S. Mid-Cap Value. James C. Kieffer, Thomas A. Reynolds, Daniel L. Kane and, effective January 31, 2019, Craig Inman are the portfolio managers for both strategies.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Value Equity (July 1, 2005)					
Average Annual Gross Returns	**(13.73)%**	**9.53 %**	**5.00 %**	**11.86 %**	**7.13 %**
Russell 1000® Index	(4.78)%	9.08 %	8.21 %	13.27 %	7.96 %
Russell 1000® Value Index	(8.27)%	6.95 %	5.94 %	11.17 %	6.49 %
U.S. Mid-Cap Value (April 1, 1999)					
Average Annual Gross Returns	**(12.53)%**	**7.19 %**	**2.91 %**	**12.14 %**	**12.03 %**
Russell Midcap® Index	(9.06)%	7.04 %	6.26 %	14.02 %	8.60 %
Russell Midcap® Value Index	(12.29)%	6.05 %	5.44 %	13.02 %	8.93 %

Global Value and International Value Teams

Effective October 1, 2018, what was then called the Global Value team separated into two distinct and autonomous investment teams—the Global Value team led by Daniel J. O'Keefe and the International Value team led by N. David Samra. Prior to October 1, the team, which was founded in 2002 by Mr. Samra and Mr. O'Keefe, managed two investment strategies—Global Value and Non-U.S. Value, with Mr. O'Keefe serving as lead portfolio manager of the Global Value strategy and Mr. Samra serving as lead portfolio manager of the Non-U.S. Value strategy.

From and after October 1, 2018, the current Global Value team has managed the Global Value strategy, with Mr. O'Keefe serving as lead portfolio manager and Justin V. Bandy and Michael J. McKinnon serving as co-portfolio managers.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Global Value (July 1, 2007)					
Average Annual Gross Returns	**(12.02)%**	**6.53 %**	**4.73 %**	**12.77 %**	**7.35 %**
MSCI ACWI® Index	(9.42)%	6.59 %	4.26 %	9.45 %	3.28 %

From and after October 1, 2018, the current International Value team has managed the Non-U.S. Value strategy, with Mr. Samra serving as lead portfolio manager and Ian P. McGonigle and Joseph Vari serving as co-portfolio managers.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Non-U.S. Value (July 1, 2002)					
Average Annual Gross Returns	**(14.71)%**	**4.40 %**	**2.71 %**	**11.07 %**	**11.12 %**
MSCI EAFE® Index	(13.79)%	2.87 %	0.53 %	6.31 %	5.37 %

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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.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Emerging Markets (July 1, 2006)					
Average Annual Gross Returns	**(14.20)%**	**12.33%**	**4.17%**	**8.66%**	**5.03%**
MSCI Emerging Markets Index℠	(14.58)%	9.24%	1.65%	8.02%	4.50%

Credit Team

Our Credit team, which was formed in 2014 and is based in Denver, Colorado, manages two investment strategies: High Income and Credit Opportunities. Bryan L. Krug is the portfolio manager for both strategies. Performance information for the Credit Opportunities strategy has been intentionally omitted.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
High Income (April 1, 2014)					
Average Annual Gross Returns	**(0.72)%**	**8.08%**	**—**	**—**	**6.03%**
ICE BofA Merrill Lynch U.S. High Yield Master II Total Return Index (Net)	(2.26)%	7.26%	—	—	3.38%

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.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Developing World (July 1, 2015)					
Average Annual Gross Returns	**(14.53)%**	**9.77%**	**—**	**—**	**4.51%**
MSCI Emerging Markets Index	(14.58)%	9.24%	—	—	2.15%

Thematic Team

Our Thematic team, which was formed in 2016 and is based in New York, manages two investment strategies: Thematic and Thematic Long/Short. Chris Smith is the portfolio manager for both strategies. Performance information for the Thematic Long/Short strategy has been intentionally omitted.

	As of December 31, 2018				
Investment Strategy (Composite Inception Date)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Inception**
Thematic (May 1, 2017)					
Average Annual Gross Returns	**11.55%**	**—**	**—**	**—**	**24.80%**
S&P 500 Index	(4.38)	—	—	—	5.12%

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Distribution, Investment Products and Client Relationships

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

We continue to expand our distribution efforts into non-U.S. markets, with our primary non-U.S. efforts focused currently on the United Kingdom, other European countries, Australia, Canada and certain countries in the Middle East, Africa, and Asia. 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, 2018, 21% 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, 2018, approximately 45% of our assets under management were attributed to clients represented by investment consultants.

As of December 31, 2018, 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, 2018, 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. U.S. 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, 2018, approximately 5% of our assets under management were sourced from investors we categorize as retail investors.

Access Through a Range of Investment Vehicles

Our clients access our investment strategies through a range of investment vehicles, including separate accounts and pooled vehicles. As of December 31, 2018, approximately 52% of our assets under management were in separate accounts, and Artisan Funds and Artisan Global Funds accounted for approximately 48% of our total assets under management.

Separate Accounts

We manage separate account assets within most of our investment strategies. As of December 31, 2018, we managed 211 separate accounts spanning 132 client relationships and our largest separate account relationship represented approximately 9% of our assets under management. Our separate account clients include both institutional and intermediary channel relationships. We generally require a minimum relationship of $20 million to $100 million, depending on the strategy, to manage a separate account. We also offer access to a number of our strategies through Artisan-branded collective investment trusts and through funds (both public and private) that we advise or sub-advise. The fees we charge our separate accounts vary by client, investment strategy and the size of the account. Fees are accrued monthly, but generally are paid quarterly in arrears.

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In our reporting materials, unless otherwise stated, our separate account AUM includes assets we manage in traditional separate accounts, as well as assets we manage in Artisan-branded collective investment trusts, in funds (both public and private) that we sub-advise, and in Artisan Private Funds.

Artisan Funds and Artisan Global Funds

U.S. investors that do not meet our minimum account size for a separate account, or who otherwise prefer to invest through a mutual fund, can invest in our strategies through Artisan Funds. We serve as the investment adviser to each series of Artisan Funds, SEC-registered mutual funds that offer no-load, no 12b-1 share classes designed to meet the needs of a range of investors. Each series of Artisan Funds corresponds to an investment strategy we offer to clients. We earn investment management fees, which are based on the average daily net assets of each Artisan Fund and are paid monthly, for serving as investment adviser to these funds.

We also serve as investment manager of Artisan Global Funds, a family of Ireland-based UCITS funds. Artisan Global Funds, which began operations in 2011, provides non-U.S. investors with access to a number of our investment strategies. We earn investment management fees, which are based on the average daily net assets of each sub-fund and are generally paid monthly, for serving as investment adviser to these funds.

Regulatory Environment and Compliance

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

U.S. 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, select counter-parties for principal transactions and negotiate counter-party compensation such as commissions and spreads. 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 a change in law or regulation or client pressure, our operating expenses would increase, potentially materially.

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, and typically does, inspect a registered adviser periodically to determine whether the adviser is conducting its activities (i) in accordance with applicable laws, (ii) in a manner that is consistent with disclosures made to clients and (iii) with adequate controls, systems and procedures to ensure compliance.

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For the year ended December 31, 2018, 61% of our revenues were derived from our advisory services to investment companies registered under the 1940 Act, including 59% from our advisory services to Artisan Funds. The 1940 Act imposes significant requirements and limitations on a registered fund, including with respect to its capital structure, investments and transactions. While we exercise broad discretion over the day-to-day management of the business and affairs of Artisan Funds and the investment portfolios of Artisan Funds and the funds we sub-advise, those 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 minimal notice, and are subject to annual renewal by each fund's board after the initial term of one to two years. The 1940 Act also imposes on the investment adviser to a mutual fund a fiduciary duty with respect to the receipt of the adviser's investment management fees. That fiduciary duty may be enforced by the SEC, by administrative action or by litigation by investors in the fund pursuant to a private right of action.

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

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

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, a number of our subsidiaries and certain non-U.S. operations are subject to regulation in non-U.S. jurisdictions. 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 are currently in the process of establishing a subsidiary in Ireland, which we expect will carry out distribution efforts in the European Union following Brexit and which will be regulated by the Central Bank of Ireland.

We may become subject to additional regulatory demands in the future to the extent we expand our business in existing and new jurisdictions. See "Risk Factors—Risks Related to our Industry—We are subject to extensive regulation" and "Risk Factors—Risks Related to our Industry—The regulatory environment in which we operate is subject to continual change, and regulatory developments designed to increase oversight may adversely affect our business."

Competition

In order to grow our business, we must be able to compete effectively for assets under management. Historically, we have competed to attract clients and investors 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 investing community.

We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. For additional information concerning the competitive risks that we face, see "Risks Factors—Risks Related to Our Industry—The investment management industry is intensely competitive."

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Operations, Systems and Technology

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

Employees

As of December 31, 2018, we employed approximately 425 full-time and part-time employees.

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, 2018, we owned approximately 70% of Artisan Partners Holdings, and the other 30% was owned by the limited partners of Artisan Partners Holdings.

IPO Reorganization

In March 2013, we completed our IPO. In connection with the IPO, we and Artisan Partners Holdings completed a series of reorganization transactions, which we refer to as the IPO Reorganization, in order to reorganize our capital structures in preparation for the IPO. The IPO Reorganization 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 pays to the Pre-H&F Corp Merger Shareholder (or its assignees) a portion of certain tax benefits APAM realizes as a result of the H&F Corp Merger. Pursuant to the second TRA, APAM pays to current or former limited partners of Artisan Partners Holdings (or their assignees) 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.

The diagram below depicts our organizational structure as of December 31, 2018:

(1) Our employees to whom we have granted equity have entered into a stockholders agreement with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future, pursuant to which they granted an irrevocable voting proxy to a stockholders committee currently consisting of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). The stockholders committee, by vote of a majority of its members, will determine the vote of all of the shares subject to the stockholders agreement. In addition to owning all of the shares of our Class B common stock, our employee-partners, together with our other employees, owned unvested restricted shares of our Class A common stock representing approximately 8% of our outstanding Class A common stock as of December 31, 2018.

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

Available Information

Our 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.

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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.

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 $21.2 billion, or 22%, of our assets under management as of December 31, 2018. 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 $17.7 billion, or 18%, of our assets under management as of December 31, 2018, is managed by N. David Samra (lead manager), Ian P. McGonigle (co-portfolio manager) and Joseph Vari (co-portfolio manager). Our Global Value strategy, which represented $17.1 billion, or 18%, of our assets under management as of December 31, 2018, is managed by Daniel J. O'Keefe (lead manager), Justin V. Bandy (co-portfolio manager) and Michael J. McKinnon (co-portfolio manager). 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 $9.1 billion, or 9%, and $14.7 billion, or 15%, respectively, of our assets under management as of December 31, 2018. The U.S. Mid-Cap Value strategy, of which James C. Kieffer, Thomas A. Reynolds, Daniel L. Kane, and Craig Inman are co-managers, represented $4.4 billion, or 5%, of our assets under management as of December 31, 2018.

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

We also depend on the contributions of our senior management team led by Eric R. Colson, and our senior marketing and client service personnel who have direct contact with our institutional clients, consultants, intermediaries 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 equity held by our key personnel decreases, our ability to retain these employees may be negatively impacted. Changes to our management structure, corporate culture and corporate governance arrangements could also negatively impact our ability to retain key personnel.

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

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

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

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

Over our firm's history we have used a variety of equity incentives to align the long-term interests of our investment professionals and other senior personnel with the interests of clients, investors, partners and shareholders. Until our IPO in 2013, firm equity awards were in the form of partnership profits interests, which entitled recipients to a percentage of future profits and future appreciation in the value of the firm. Award recipients had the right to cash out their profits interests only after the end of their careers, and 50% of the awards were subject to forfeiture if the recipient left Artisan without notice or was terminated. Prior to the IPO Reorganization, the profits interests were converted into partnership units and, as part of the IPO Reorganization, the 50% forfeiture feature was eliminated and employee-partners were given the right to liquidate a portion of their partnership units during each year that they remained employed with Artisan. At the time of our IPO, the partnership units held by employee-partners represented 53% of the ownership interests in our firm. At the time of this report, the partnership units held by employee-partners represented approximately 11% 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, death, disability or a change in control. For these purposes, a qualifying retirement generally requires that the employee have provided ten years of service or more at the date of retirement and offered one year's written notice (or eighteen months' written notice in the case of employees who are portfolio managers or executive officers) of the intention to retire, subject to our right to accept a shorter period of notice. Prior to February 2019, the eighteen months' written notice requirement was three years, subject to the Company's discretion to waive the period to no less than one year. In general, since 2014, excluding sign-on or walk away awards, approximately 50% of the awards we have made to our senior employees have been Career Shares, and the other 50% Standard Restricted Shares.

Unlike our pre-IPO profits interests, the APAM restricted stock awards are "full value" awards (as opposed to "option-style" awards) and the Standard Restricted Shares provide recipients with liquidity prior to the end of their careers. The percentage ownership in our firm represented by the newly granted restricted stock each year is less than the percentage ownership represented by the partnership units that employee-partners may exchange and sell each year. Therefore, the amount of our firm owned by employees, including our portfolio managers, is expected to continue to decline.

As we have since our founding, we continue to assess the effectiveness of our compensation arrangements and equity structures in aligning the long-term interests of our investment professionals, clients, investors, partners, and shareholders and whether different types of, or modified, awards or structures would enhance incentives for long-term growth and succession planning. In 2019, pending completion of final documentation, we introduced Franchise Shares for our investment professionals. Franchise Shares are identical to career awards, except with respect to the Franchise Protection Clause, which applies to current or future portfolio managers. The Franchise Protection Clause provides that the total number of franchise awards ultimately vesting will be reduced to the extent that cumulative net client cash outflows from the portfolio manager's investment team during a 3-year measurement period beginning on the date of the portfolio manager's retirement notice exceeds a set threshold.

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

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

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

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

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

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

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

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

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

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

The fees we earn under our investment management agreements are typically based on the market value of our assets under management, and to a much lesser extent based directly on investment performance. Investors in the mutual funds we advise can redeem their investments in those funds at any time without prior notice and our clients may reduce the aggregate amount of assets under management with us with minimal or no notice for any reason, including financial market conditions and the absolute or relative investment performance we achieve for our clients. In addition, the prices of the securities held in the portfolios we manage may decline due to any number of factors beyond our control, including, among others, a declining market, general economic downturn, political uncertainty or acts of terrorism. In connection with the severe market dislocations of 2008 and 2009, for example, the value of our assets under management declined substantially due to the 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. More recently, during the fourth quarter of 2018, our assets under management declined by 17% due to market conditions and $4.9 billion of net client cash outflows.

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

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

Our assets under management increased from $30.6 billion as of December 31, 2008 to $96.2 billion as of December 31, 2018. 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 September 30, 2018, and December 31, 2018, our assets under management declined from $116.6 billion to $96.2 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, selectively developing new, value-added investment strategies and the existence of market conditions in which our strategies are in demand. Our business growth will also depend on our success in achieving superior investment performance from our investment strategies, as well as our ability to maintain and extend our distribution capabilities, to deal with changing market conditions, to maintain adequate financial and business controls and to comply with new legal and regulatory requirements arising in response to both the increased sophistication of the investment management industry and the significant market and economic events of the last decade. We may not be able to manage our growing business effectively or be able to sustain the level of long-term growth we have achieved historically.

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

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

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

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

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

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

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

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

As of December 31, 2018, approximately 54% of our assets under management were invested in strategies that primarily invest in securities of non-U.S. companies. In addition, some of our other strategies also invest on a more limited basis in securities of non-U.S. companies.

Approximately 48% 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.

We may be forced to lower our fees in order to retain current, and attract additional, assets to manage. 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 most of 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, UCITS, and some other pooled investment vehicles that we advise or sub-advise may redeem their investments in those funds at any time without prior notice and investors in other types of pooled vehicles we advise or sub-advise may typically redeem their investments on fairly limited 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 tends to result in decreased purchases and increased redemptions. For the year ended December 31, 2018, we generated approximately 81% of our revenues from advising mutual funds and other pooled vehicles (including Artisan Funds, Artisan Global Funds, Artisan Private 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 primarily through consultants, 401(k) platforms, mutual fund platforms, broker-dealers and financial advisors through which shares of the funds are sold. We have relationships with some third-party intermediaries through which we access clients in multiple distribution channels. Our two largest relationships across multiple distribution channels represented approximately 9% and 8% of our total assets under management as of December 31, 2018.

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, at a minimum, all costs attributable to marketing and distribution of shares of Artisan Funds.

In the future, our expenses in connection with those intermediary relationships could increase if the portion of those fees determined to be in connection with marketing and distribution, or otherwise allocated to us or payable by us, increased. In addition, as the fees described above have declined and consistent with the experience of other investment managers, we have seen increased requests from intermediaries for alternative forms of compensation, which could over time be material. 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, 2018, 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 consultants.

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

Fifteen of our 17 existing investment strategies invest primarily in publicly-traded equity securities. Our Credit team, which primarily invests in fixed income securities, manages the High Income strategy and the Credit Opportunities strategy. Together, these strategies accounted for only $2.9 billion of our $96.2 billion in total assets under management as of December 31, 2018. Under market conditions in which there is a general decline in the value of equity securities, the assets under management in each of our 15 equity strategies is likely to decline. The amount of assets that we manage in strategies that can take short positions in equity securities, which could offset some of the poor performance of our long-only, equity strategies under such market conditions, accounted for less than $1.0 billion of our total assets under management as of December 31, 2018. 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 (including Artisan Global Funds), 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 trading, middle- and back-office functions, various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure of any key vendor to fulfill its obligations could result in financial losses for us and/or our clients.

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

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

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

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

Despite the measures we have taken and may in the future take to address and mitigate cybersecurity and technology risks, we cannot guarantee that our systems and networks will not be subject to breaches or interference. For example, 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, any required public notification of such incidents could exacerbate the harm to our business, financial condition or results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we may incur significant expenses in connection with our responses to any such attacks and the adoption and maintenance of additional appropriate security measures. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our or our vendors' systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems we use.

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

In 2014, prior to establishing the High Income strategy, 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 High Income strategy, we had not operated a fixed income strategy. During 2017, we established our second fixed income strategy, the Credit Opportunities strategy. Our fixed income strategies primarily invest in securities and instruments (such as high yield corporate bonds, secured and unsecured loans, revolving credit facilities and loan participations) and certain derivative securities (such as credit default swaps and futures) with which we previously had no or limited operational experience. The below-investment-grade instruments in which the strategies invest and the debtors to which the strategies are exposed present different risks and/or degrees of risk (including liquidity and legal risks) than our other strategies, which invest primarily in publicly-traded equity securities. In particular, the instruments in which the strategies invest may be less liquid than higher-rated bonds and are not as liquid as most of the publicly-traded equity securities in which our other strategies primarily invest. This potential lack of liquidity may make it more difficult for Artisan High Income Fund to accurately value these securities for purposes of determining the fund's net asset value per share and, under certain circumstances, may make it more difficult for the fund to manage redemption requests. In order to identify, monitor and mitigate our exposure to these new or increased risks, we implemented or modified a number of policies, procedures and systems and hired new individuals with relevant experience. However, neither the measures we have taken, nor the Credit team's investment decision-making and execution, can eliminate the risks associated with investing in the instruments described above. Any real or perceived problems with respect to our fixed income strategies (or any of our individual strategies) could negatively impact our reputation and business more generally.

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

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Offering private funds also poses risks associated with side by side management and the potential for real or perceived conflicts of interest, which, if not managed correctly, could cause reputational damage, litigation or regulatory proceedings or penalties. We have created or modified a number of policies and procedures, brought in expertise from third party advisors, and implemented training programs in order to identify and mitigate exposure to these new risks. However, we are unable to eliminate the risks associated with offering private funds.

New investment strategies and investment vehicles that we establish in the future will likely present new and different investment, regulatory, operational, distribution and other risks than those presented by our existing strategies. Any real or perceived problems with future strategies or investment 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 that matured in 2017, $50 million Series B notes maturing in 2019, and $90 million Series C notes maturing in 2022. In August 2017, we issued $60 million of Series D notes maturing in 2025, and used the proceeds to repay the $60 million Series A notes that matured on August 16, 2017. We also amended and extended the $100 million five-year revolving credit facility for an additional five-year period. As of December 31, 2018, no amounts were outstanding on the revolving credit facility. Nevertheless, we continue to have substantial indebtedness outstanding in the amount of $200 million in unsecured notes, which exposes us to risks associated with the use of leverage. Our substantial indebtedness may make it more difficult for us to withstand or respond to adverse or changing business, regulatory and economic conditions or to take advantage of new business opportunities or make necessary capital expenditures. In addition, our notes and revolving credit agreement contain financial and operating covenants that may limit our ability to conduct our business. To the extent we service our debt from our cash flow, such cash will not be available for our operations or other purposes. Because our debt service obligations are fixed, the portion of our cash flow used to service those obligations could be substantial if our revenues have declined, whether because of market declines or for other reasons. The Series B, Series C and Series D notes bear interest at a rate equal to 5.32%, 5.82% and 4.29% per annum, respectively, and each rate is subject to a 100 basis point increase in the event Artisan Partners Holdings receives a below-investment grade rating. Each series requires a balloon payment at maturity. Any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations. Our ability to repay the principal amount of our notes or any outstanding loans under our revolving credit agreement, to refinance our debt or to obtain additional financing through debt or the sale of additional equity securities will depend on our performance, as well as financial, business and other general economic factors affecting the credit and equity markets generally or our business in particular, many of which are beyond our control. Any such alternatives may not be available to us on satisfactory terms or at all.

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

Our note purchase agreements and revolving credit agreement contain financial and operating covenants that limit our business activities, including restrictions on our ability to incur additional indebtedness and pay dividends to our stockholders. For example, the agreements include financial covenants requiring Artisan Partners Holdings not to exceed specified ratios of indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (as defined in the agreements), or EBITDA, and interest expense to consolidated EBITDA. The agreements also restrict Artisan Partners Holdings from making distributions to its partners (including us), other than tax distributions or distributions to fund our ordinary expenses, if a default (as defined in the respective agreements) has occurred and is continuing or would result from such a distribution. In addition, if Artisan's average assets under management for a fiscal quarter is below $45 billion, Holdings is generally required to offer to pre-pay the unsecured notes. The failure to comply with any of these restrictions could result in an event of default, giving our lenders the ability to accelerate repayment of our obligations. As of December 31, 2018, we believe we are in compliance with all of the covenants and other requirements set forth in the agreements.

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

We provide a broad range of administrative services to Artisan Funds, including providing personnel to Artisan Funds to serve as a director and as officers of Artisan Funds and to serve on the valuation and liquidity committee of Artisan Funds, the preparation or supervision of the preparation of Artisan Funds' regulatory filings, maintenance of board calendars and preparation or supervision of the preparation of board meeting materials, management of compliance and regulatory matters, provision of shareholder services and communications, accounting services including the supervision of the activities of Artisan Funds' accounting services provider in the calculation of the funds' net asset values, supervision of the preparation of Artisan Funds' financial statements and coordination of the audits of those financial statements, tax services including calculation of dividend and distribution amounts and supervision of tax return preparation, and supervision of the work of Artisan Funds' other service providers. Although less extensive than the range of services we provide to Artisan Funds, we also provide a range of similar services, in addition to investment management services, to Artisan Global Funds and Artisan Private Funds, including personnel to serve as directors. In addition, from time to time we provide information to other funds we advise or sub-advise (or to a person or entity providing administrative services to such a fund) which may be used by those funds in their efforts to comply with various regulatory requirements.

The services we provide to Artisan Funds, Artisan Global Funds, Artisan Private Funds, and other funds may expose us to liability. For example, if we make a mistake in the provision of such services, a fund could incur costs for which we might be liable. In addition, if it were determined that a fund failed to comply with applicable regulatory requirements as a result of our action or our employees' failure to act, 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 inside and 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 Middle Eastern, Asian, and African countries. We serve as investment manager of Artisan Global Funds, a family of Ireland-based UCITS funds, that began operations during the first quarter of 2011. Our client relationships outside the United States have grown from 32 as of December 31, 2012 to 131 as of December 31, 2018. Clients outside the United States may be adversely affected by political, social and economic uncertainty in their respective home countries and regions, which could result in a decrease in the net client cash flows that come from such clients. These clients also may be less accepting of the U.S. practice of payment for certain research products and services through soft dollars or such practices may not be permissible in some jurisdictions. The Markets in Financial Instruments Directive II ("MiFID II"), effective on January 3, 2018, regulates the use of soft dollars to pay for research and other soft dollar services. MiFID II's soft dollar rules do not directly apply to our business because we currently conduct our investment management activities in the United States. However, in response to MiFID II and the industry-wide changes it may prompt or a change in our operations, we may eventually bear a significant portion or all of the costs of research that are currently paid for using soft dollars, which would increase our operating expenses, potentially materially.

Our expansion inside and outside of the United States has required and will continue to require us to incur a number of up-front expenses, including those associated with obtaining and maintaining regulatory approvals and office space, as well as additional ongoing expenses, including those associated with leases, the employment of additional support staff and regulatory compliance. Our U.S.-based employees routinely travel inside and outside the United States as a part of our investment research process, to market our services and to supervise and manage our business and may spend time in one or more states or non-U.S. jurisdictions. Their activities in such states or non-U.S. jurisdictions 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 state or non-U.S. taxes 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 may be higher than the effective rates applicable to our income allocated to the United States. In addition, costs related to our distribution and marketing efforts in non-U.S. markets have often been more expensive than comparable costs in the United States. To the extent that our revenues do not increase to the same degree our expenses increase in connection with our continuing expansion outside the United States, our profitability could be adversely affected. Expanding our business into non-U.S. markets may also place significant demands on our existing infrastructure and employees.

The U.K.'s exit from the European Union could affect our future operations in the U.K. and in the other countries of the European Union. Negotiations between the U.K. and the European Union are ongoing and, as a result, the terms of the impending separation remain unclear. We are currently in the process of establishing a subsidiary in Ireland which we expect will distribute our services in the European Union following Brexit and will be regulated by the Central Bank of Ireland. Brexit has added complexity and costs to our global operations and imposed additional risks. Moreover, it has led to regulatory changes and uncertainty and resulted in additional legal and compliance costs. However, we do not currently expect Brexit to have a major impact on our business.

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. The U.S. mutual funds we manage are registered with and regulated by the SEC as investment companies under the 1940 Act. 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 expanded and continue to expand our distribution effort into non-U.S. markets, including the United Kingdom, other European countries, Canada, Australia and certain Middle Eastern, African and Asian countries, among others. As a result of our activities in the United Kingdom, we are subject to regulation by the U.K. Financial Conduct Authority, which imposes a comprehensive system of regulation that is primarily principles-based (compared to the primarily rules-based U.S. regulatory system). As investment manager of Artisan Global Funds, we are subject to regulation by the Central Bank of Ireland which imposes requirements on Ireland-based UCITS funds. We are also subject to regulation in certain other markets in which shares of Artisan Global Funds are offered for sale. Certain Artisan Private Funds are regulated as mutual funds under the Mutual Funds Law (as amended) of the Cayman Islands, and the Cayman Islands Monetary Authority has supervisory and enforcement powers to ensure the funds' compliance with the Mutual Funds Law.

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We are also subject to the requirements of the Australian Securities and Investments Commission, where we operate pursuant to an order of exemption, and of the Canadian regulatory authorities in the Canadian provinces where we operate pursuant to exemptions from registration. In addition, we are currently in the process of establishing a subsidiary in Ireland, which will be regulated by the Central Bank of Ireland.

Our business is also subject to the rules and regulations of other countries in which we conduct distribution, marketing and investment management activities. Failure to comply with applicable laws and regulations (including private placement regimes) in the foreign countries where we invest and/or where our clients or prospective clients reside could result in a wide range of penalties and disciplinary actions, including fines, suspensions of personnel, revocations of authorizations, or other sanctions. The requirements imposed by these 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.

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/or subject to regulatory actions.

As a result of the extensive and complex regulatory environment in which we operate, we face risk of regulatory actions and litigation. While we have focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the U.S. or abroad could result in sanctions against us, which could adversely affect our reputation and business.

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, or changes in the interpretation or enforcement of existing laws or regulations, could be more difficult and expensive and affect the manner in which we conduct business.

Our ability to function in this frequently changing regulatory environment will depend on our ability to constantly monitor and promptly react to legislative and regulatory changes. There have been a number of highly publicized regulatory inquiries that have focused on the investment management industry. These inquiries already have resulted in increased scrutiny of the industry and new rules and regulations for mutual funds and investment managers. This regulatory scrutiny may limit our ability to engage in certain activities that might be beneficial to our stockholders. See “Regulatory Environment and Compliance”.

The investment management industry is intensely competitive.

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

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

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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.

Risks Related to Our Structure

Control by our stockholders committee of approximately 18% 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.

As of February 14, 2019, our employees to whom we have granted equity (including our employee-partners) held approximately 18% of the combined voting power of our capital stock and have entered into a stockholders agreement pursuant to which they granted an irrevocable voting proxy with respect to all shares of our common stock they have acquired from us and any shares they may acquire from us in the future to a stockholders committee. Any additional shares of our common stock that we issue to our employee-partners or other employees, including shares of common stock issued under our Omnibus Incentive Compensation Plan, will be subject to the stockholders agreement so long as the agreement has not been terminated. Shares held by an employee cease to be subject to the stockholders agreement upon termination of employment.

The stockholders committee currently consists of Eric R. Colson (Chairman and Chief Executive Officer), Charles J. Daley, Jr. (Chief Financial Officer) and Gregory K. Ramirez (Executive Vice President). All shares subject to the stockholders agreement are voted in accordance with the majority decision of those three members. The stockholders committee’s control of approximately 18% of the combined voting power gives the committee considerable influence in determining the outcome of any shareholder vote, including the election of directors and the approval of transactions.

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

In addition, because the majority of 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.

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However, its ability to make such distributions will be subject to its and its subsidiaries' operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution to its partners, its compliance with covenants and financial ratios related to existing or future indebtedness, including under our notes and our revolving credit agreement, its other agreements with third parties, as well as its obligation to make tax distributions under its partnership agreement (which distributions would reduce the cash available for distributions by Artisan Partners Holdings to us).

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

The second tax receivable agreement generally provides for the payment by APAM to current or former limited partners of Artisan Partners Holdings or their assignees of 85% of the applicable cash savings, if any, of U.S. federal, state and local income taxes that APAM actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of their partnership units sold to 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, 2018; and (iii) projected future purchases or exchanges of partnership units would aggregate to approximately $576 million over generally a minimum of 15 years, assuming the future purchases or exchanges described in clause (iii) occurred at a price of $22.11 per share of our Class A common stock, the closing price of our Class A common stock on December 31, 2018. Under such scenario we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or approximately $515 million, over generally a minimum of 15 years. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock at the time of purchase or exchange and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit. As of December 31, 2018, we recorded a $369.4 million liability, representing amounts payable under the tax receivable agreements equal to 85% of the tax benefit we expected to realize from the H&F Corp merger described above, our purchase of partnership units from limited partners of Holdings and the exchange of partnership units from March 2013 through December 31, 2018, assuming no material changes in the related tax law and that APAM earns sufficient taxable income to realize all tax benefits subject to the tax receivable agreements.

The liability will increase upon future purchases or exchanges of limited partnership units with the increase representing amounts payable under the tax receivable agreements equal to 85% of the estimated future tax benefits, if any, resulting from such purchases or exchanges. Payments under the tax receivable agreements are not conditioned on the counterparties' continued ownership of us. The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales or exchanges by the holders of limited partnership units, the price of the Class A common stock at the time of such sales or exchanges, whether such sales or exchanges are taxable, the amount and timing of the taxable income APAM generates in the future and the tax rate then applicable and the portion of APAM's payments under the tax receivable agreements constituting imputed interest or depreciable basis or amortizable basis. Payments under the tax receivable agreements are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest, depending on the tax receivable agreement and the circumstances. Any such benefits are covered by the tax receivable agreements and will increase the amounts due thereunder. In addition, the tax receivable agreements provide for interest, at a rate equal to one-year LIBOR plus 100 basis points, accrued from the due date (without extensions) of the corresponding APAM tax return to the actual payment date, provided that the actual payment date is on or before the payment due date, as specified in the tax receivable agreements. In addition, to the extent that we are unable to make payments when due under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest at a rate equal to one-year LIBOR plus 300 basis points until paid.

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

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

The tax receivable agreements provide that (i) upon certain mergers, asset sales, other forms of business combinations or other changes of control, (ii) in the event that we materially breach any of our material obligations under the agreements, whether as a result of failure to make any payment within six months of when due (provided we have sufficient funds to make such payment), failure to honor any other material obligation required thereunder or by operation of law as a result of the rejection of the agreements in a bankruptcy or otherwise, or (iii) if, at any time, we elect an early termination of the agreements, our (or our successor's) obligations under the agreements (with respect to all units, whether or not units have been exchanged or acquired before or after such transaction) would be based on certain assumptions. In the case of a material breach or if we elect early termination, those assumptions include that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreements. In the case of a change of control, the assumptions include that in each taxable year ending on or after the closing date of the change of control, our taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) will equal the greater of (i) the actual taxable income (prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) for the taxable year and (ii) the highest taxable income (calculated without taking into account extraordinary items of income or deduction and prior to the application of the tax deductions and tax basis and other benefits related to entering into the tax receivable agreements) in any of the four fiscal quarters ended prior to the closing date of the change of control, annualized and increased by 10% for each taxable year beginning with the second taxable year following the closing date of the change of control. In the event we elect to terminate the agreements early or we materially breach a material obligation, our obligations under the agreements will accelerate. As a result, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual benefits we realize in respect of the tax attributes subject to the agreements and (ii) if we materially breach a material obligation under the agreements or if we elect to terminate the agreements early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits, which payment may be made significantly in advance of the actual realization of such future benefits. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements. If we were to elect to terminate the tax receivable agreements associated with (i) the merger described above; (ii) the purchase or exchange of partnership units from March 2013 through December 31, 2018; and (iii) projected future purchases or exchanges of partnership units, as of December 31, 2018, 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 $393 million in the aggregate under the tax receivable agreements.

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

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

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

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

Risks Related to Our Class A Common Stock

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

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

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

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

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

The market price of our Class A common stock could decline as a result of future sales of a large number of shares of our Class A common stock, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

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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, 2018, our Class A limited partners owned approximately 7.2 million Class A common units and AIC owned approximately 3.5 million Class D common units.

For an employee-partner, in each one-year period, the first of which began in the first quarter of 2014, the partner is generally permitted to sell up to (i) a number of vested shares of our Class A common stock representing 15% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units (in each case, whether vested or unvested) he or she held as of the first day of that period or, (ii) if greater, vested shares of our Class A common stock having a market value as of the time of sale of $250,000, as well as, in either case, the number of shares such holder could have sold in any previous period or periods but did not sell in such period or periods. In February 2018, our Board approved the sale of additional shares by certain employee-partners. Those employee-partners were permitted to sell 20% of the aggregate number of common units and shares of Class A common stock received upon exchange of common units in 2018. We expect to permit them to sell the same number of shares during the first quarter of 2019, 2020, 2021 and 2022, subject to their maintaining a minimum dollar amount of firm equity. As of December 31, 2018, our employee-partners owned 8.6 million Class B common units. Approximately 3.0 million of those units are eligible for exchange and sale in the first quarter of 2019. An additional 2.4 million units are eligible for exchange and sale by retired employee-partners in the first quarter of 2019. We may waive or modify these restrictions.

In addition, we have filed a registration statement registering 15,000,000 shares of our Class A common stock for issuance pursuant to our 2013 Omnibus Incentive Compensation Plan and 2013 Non-Employee Director Plan. Including the January 2019 grant, we have awarded 8,552,161 restricted stock units or restricted shares of Class A common stock to our employees and employees of our subsidiaries. 5,407,343 of these awards vest pro rata over the five years from the date of issuance and may be sold upon vesting. 3,144,818 of these awards are career awards or franchise awards, which generally will only vest upon the grantee's qualifying retirement. We may increase the number of shares registered for this purpose from time to time. Once these shares have been issued and have vested, they will be able to be sold in the public market.

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

Anti-takeover provisions in our restated certificate of incorporation and amended and restated bylaws and in the Delaware General Corporation Law, as well as the terms of our equity awards, 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, as well as the terms of our equity awards, may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. Those provisions include:

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

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- Except with respect to awards held by our named executive officers, single trigger vesting upon a change in control for all unvested employee equity awards, including all unvested equity awards held by investment team members. Prior to February 2019, our awards generally included double-trigger vesting upon a change in control.

The market price of our Class A common stock could be adversely affected to the extent that the above 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