Trends Impacting the Asset Management Industry

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Select Trends in Asset Management

- Degrees of Freedom
- Technology
- Transparency
Degrees of Freedom
Degrees of Freedom—Evolving Asset Allocation Dynamic

The diagram is not intended to, and does not, represent any particular data set. It is a simplified representation of Artisan management’s view of historical and new distributions of asset allocations. The dollar amount of assets under management for Passive, Active and Alternative categories are 2015 estimates from “Global Asset Management 2016: Doubling Down on Data” by Boston Consulting Group (BCG). The dollar amounts as they are described and categorized by Artisan may not align with BCG’s category definitions.
There Are Now More Indices Than Stocks

Today, there are roughly 5,000 US-based equity indices.²
Degrees of Freedom—Convergence

The diagram illustrates the relationship between Regulated Funds and Private Funds along dimensions of Liquidity, Transparency, and Degrees of Freedom. It highlights the convergence of traditional and alternative asset management strategies.

- **Regulated Funds** include:
  - Passive Funds & ETFs
  - Long Only
  - Unconstrained Long

- **Private Funds** include:
  - Long/Short Equities
  - Opportunistic Strategies
  - Liquid Long/Short

- **Alternative Managers** and **Traditional Managers** are positioned on a spectrum, indicating varying levels of Liquidity and Transparency.

- **Hedge Funds** and **Real Assets** are shown in separate clusters.

- **Private Equity** is represented as a separate category.

The diagram uses symbols to distinguish between traditional asset managers, hedge fund managers, private equity firms, and opportunities.
Sophisticated investors will continue to search for and allocate assets to strategies that are differentiated and outcome-oriented, with greater degrees of freedom and more tools for risk management.

We believe offering these strategies within our firm’s culture and environment will be compelling to the sophisticated clients we serve.

Artisan Partners Asset Management Inc. 2016 Annual Report, pg. 7
Technology
## Technology—Disruption and Opportunity

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Disruption and Opportunity—Investments

Quantitative Hedge Funds
- Black boxes of finance
- Use of algorithmic or systematic strategies for implementation of trading decisions

High-Frequency Trading
- High speed for generating, routing and executing orders
- Use of complex algorithms
- Short timeframes

Factor-Based Investing
- Rules-based framework that integrates factor-exposure decisions into the portfolio construction process
- $356 billion in US equity smart beta ETP assets*

Quantamental Investing
- Combines fundamental and quantitative analysis in a true integrated data-driven approach that leverages quantitative insights and judgment

Disruption and Opportunity—Operations

Cloud Computing
- Technology infrastructure is now often rented instead of built
- Technology adoption and innovation can occur more quickly

Cybersecurity
- Threats becoming increasingly more sophisticated and frequent
- Global information security spend expected to exceed $113 billion by 2020*

Digitalization
- Internet of Things drives outcomes-based economy
- Output captures insights on client behavior and preferences

Mobility
- Any data, anytime, anywhere
- Mobile revolution has largely been client-led and generational

Disruption and Opportunity—Data

We think about

- Depth, breadth and quality of trusted, governed data
- Optimization of data sources and market data providers
- How advanced digital technologies and techniques can create competitive advantages and strengthen research and operations capabilities
Technology

- We will continue to invest in technology to support our investment teams, distribution efforts and scalable operations.

- Specifically, our technology efforts have included a focus on information security to protect our business from increasing cyber threats, mobile technology to support employee and client interests, and continued digitalization through our website, videos, client relationship management platform and other forms of digital content.
Transparency
## Transparency Matters

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<td>Corporate Governance</td>
<td>Public company status has naturally increased firm and business transparency.</td>
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<td>Fees, Expenses and Remuneration</td>
<td>Investors want to understand how much they are paying to whom, and what value they are receiving in return.</td>
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<td>Liquidity Rules</td>
<td>New SEC rule is designed to protect against the risk that a fund could not meet requests to redeem shares without material dilution of remaining investors' interests.</td>
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<td>Real-Time Access to Data</td>
<td>Real-time access to data can at once be beneficial and destructive.</td>
</tr>
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<td>US and Non-US Regulatory Oversight</td>
<td>Regulatory oversight of investment firms is a global concern.</td>
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</table>
Artisan is first and foremost an investment management firm. We believe clients and investors have always been able to easily assess whether our investment teams add value. We welcome changes across the financial services industry that make it easier for investors to compare performance and fees, as well as changes that place greater pressure on intermediaries to provide their clients with access to the best performing investment strategies.

Artisan Partners Asset Management Inc. 2016 Annual Report, pg. 11
Q & A
Notes and Disclosures

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