Artio Global Investors

artiofunds.com 800 387 6977

Commentary

Mutual Fund

4Q11

Artio Global High Income Fund

Performance (%) as of 12/31/11

	Inception Date	1 Mo	3 Mo	YTD	1 Yr	3 Yr *	5 Yr *	Since Inception *	30-Day SEC Yield	Dividend Yield	Gross Exp. Ratio †	Net Exp. Ratio †
Class A:									8.65[1]			
BJBHX	12/17/02	1.70	4.79	-0.17	-0.17	20.10	6.47	9.33	8.63[2]	7.56	1.00	1.00[3]
Class I:									8.95[1]			
JHYIX	1/30/03	1.66	4.83	0.09	0.09	20.39	6.72	9.62	8.95[2]	8.10	0.74	0.74[3]
BofA ML								A: 10.15				
GHYC ‡	N/A	1.98	5.34	2.61	2.61	23.71	7.26	I: 9.78	N/A	N/A	N/A	N/A

Class A = Retail Shares Class I = Institutional Shares

* Annualized. † As stated in the prospectus dated 3/1/10. From January 1 to February 29, more current information may also be found in the Financial Highlights section of the Fund's Annual Report dated October 31. ‡ BofA Merrill Lynch Global High Yield Constrained Index 1. Subsidized. 2. Unsubsidized. 3. The Investment Adviser has contractually agreed to reimburse certain expenses of the Fund through 2/29/12. The Investment Adviser has also agreed to waive a portion of its management fees; this waiver may be discontinued at any time by the Fund's board. Additional expenses are net of reductions related to custody offset arrangements.

The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting www.artiofunds.com. Investment performance reflects fee waivers. In the absence of such waivers, total return would be reduced.

Index	4Q11	2011
Global High Yield	5.78%	3.12%
US High Yield	6.19%	4.37%
European High Yield	4.05%	-2.57%
Global High Yield BB	5.08%	4.57%
Global High Yield B	6.13%	3.25%
Global High Yield CCC	7.15%	-2.78%
Distressed	6.67%	-6.61%
Busted Convertibles	1.31%	-1.73%
Institutional Leveraged Loans	2.70%	2.53%

Index	4Q11	2011
Emerging Market Sovereign	4.81%	4.63%
Emerging Market Corporate	5.59%	2.73%
Local Emerging Market Sovereign	2.62%	8.11%
Investment Grade Corporate	1.60%	5.16%
Equity	11.80%	2.10%

All returns expressed in local currency terms. Past performance is not indicative of future returns. Please see disclosures for complete index names.

Past performance is not indicative of future returns. Indices in order of appearance are as follows (all in local currency terms): BofA Merrill Lynch Global High Yield Constrained Index, BofA Merrill Lynch US High Yield Constrained Index, BofA Merrill Lynch European Currency High Yield Constrained Index, BofA Merrill Lynch BB Global High Yield Constrained Index, BofA Merrill Lynch Single-B Global High Yield Constrained Index, BofA Merrill Lynch CCC & Lower Global High Yield Constrained Index, BofA Merrill Lynch US Distressed High Yield Index, BofA Merrill Lynch All Yield Alternatives US Convertibles Index, Credit Suisse Leveraged Loan Index BofA Merrill Lynch Global Emerging Markets Sovereign Index, BofA Merrill Lynch Global Emerging Markets Credit Index, JP Morgan Government Bond Index-Emerging Markets (GBI-EM) Broad Unhedged, BofA Merrill Lynch Global Broad Market Index, S&P 500 Index. It is not possible to invest directly in an index or average.

Market Review

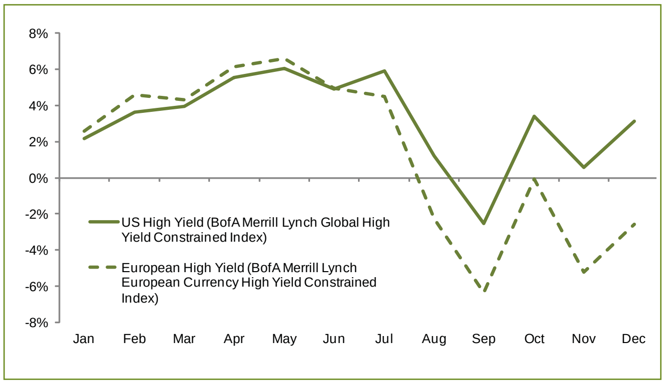
High yield credit markets finished a roller coaster year in the fourth quarter with an undulating flourish that was a fitting miniature reflection of the entire year (see Exhibit 1). October brought almost a 6% total return rebound from the harrowing downward slope of the prior two months. In November this bump was partially reversed with a 2.2% decline, but December brought yet another reversal, as the market rose almost 2.5%. The net result of all these countervailing moves was a positive fourth quarter total return for our benchmark (the BofA Merrill Lynch Global High Yield Constrained Index) of 5.34%. When appended to the prior nine month version of the same ride, these final three months generated a total return of 2.61% for the year.

The option adjusted spread of the index over "riskless" governments ended the year at 778 basis points, 80 basis points tighter on the quarter but 230 basis points wider than where the year began. This spread widening reflects an average decline in government yields of about 100 basis points on the year, most of which was accomplished by September, coupled with an increase in the yields of high yield bonds of approximately another 100 basis points.

The fourth quarter drew its volatility mostly from the crescendoing European debt crisis. The world held its breath for much of the period while European leaders sorted out differences over the role of monetary versus fiscal intervention, cajoled and threatened Greece and Italy into passing stringent government budgets, and struggled to find ways to increase the power of their euro-wide

Exhibit 1

2011 High Yield Roller Coaster

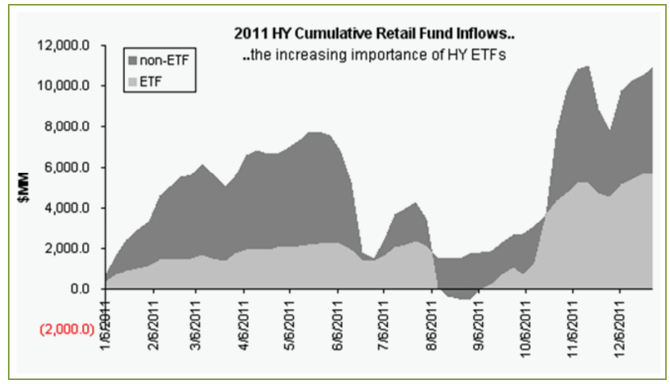


Source: Bloomberg

"financial stability" mechanisms. By the end of October, European leaders had held their fourteenth crisis meeting in twenty-one months and emerged with the outlines of an intergovernmental pact which, if passed by a sufficient number of members, will ostensibly contain strict budgetary limits overseen by Brussels-based euro technocrats. Investors seemed to take heart from this newfound display of Franco-German leadership muscle, particularly around the resignation of Italian Prime Minister Berlusconi and subsequent Italian budget measures. In the post-summit December period, the European Central Bank (ECB) also began providing liquidity more aggressively to the European banking system, culminating in the provision of three year low interest loans. This followed US Federal Reserve Bank moves in November which reduced rates on interbank currency swaps. Together these initiatives helped ease, but by no means eliminate, widespread concerns over banking system access to credit. Providing further impetus to the late-year mini-rally, market participants began taking notice of marginally better US economic numbers, mostly on the consumer front.

All of this drama on the big stage filtered its way through to the credit markets in alternating inflows and outflows of funds. On net, these flows were positive in the fourth quarter to the tune of $11.7 billion (as measured by AMG Data Services), but were met with fairly tepid new issuance volume of $24 billion (representing approximately 0.5% of the market versus more typical fourth quarter levels in the 2% to 8% range). Secondary market activity was also muted given the inflows. Market-wide, managers were reluctant to invest new cash without some sense that world events or investor fickleness would not reverse once again. Likewise, issuers did not feel compelled to come to the market given the still high spreads, the fact that much refinancing has already been done, and the uncertainty that now hovers over any longer-term capital spending or acquisition plans. The normal connection between fund flows and market activity was further colored by two other phenomena. First, an unusual percentage of fund inflows went to high yield ETFs or exchange traded funds (see Exhibit 2). These entities are notoriously quixotic and do not contribute a great deal of stability and confidence to the market backdrop. Secondly, dealers have become increasingly skittish about providing liquidity. Much blame is heaped on the formation of the "Volker rule" which is an attempt to exorcise the proprietary demon from the dealer corpus. We believe the phenomenon may have more to do with the more general reluctance to take risks in this environment as well as the steady decline in the raw number of large dealers.

2011 High Yield Cumulative Retail Fund Inflows - The Increasing Importance of High Yield ETFs



Source: Credit Suisse

As would be expected of a market whose attention is almost entirely drawn to macroeconomics and which may have been increasingly driven by less long-term oriented participants, there were very few distinctions drawn both for the entire year and during the final quarter, apart from those that would be expected from a purely top-down view. Geographic and rating sectors, industries, and specific issues behaved as the prevailing macroeconomic sentiments dictated. Europe, not surprisingly, turned in a negative total return for the year of -2.57%, in sharp contrast to a positive total return from US high yield of 4.37% (as measured by the BofA Merrill Lynch European Currency High Yield Constrained Index and BofA Merrill Lynch US High Yield Constrained Index, respectively). Europe fared slightly better during the more hopeful fourth quarter, when it lagged the US by 2.14%, returning 4.05% to the US 6.19%. In December it even managed to outperform the US, rallying 2.81% versus the US return of 2.48%. Along the quality spectrum, lower rated credits outperformed at the start of the year, then severely underperformed in August and September, only to reverse course in the final quarter. For the fourth quarter, CCCs returned 7.15%, Bs gained 6.13%, and BBs were up 5.08% (as measured by the BofA Merrill Lynch CCC & Lower Global High Yield Constrained Index, the BofA Merrill Lynch Single-B Global High Yield constrained Index and the BofA Merrill Lynch BB Global High Yield Constrained Index, respectively). This was a mirror image of the results for the year, which reflected the heavier burden of the scarier macroeconomic opera of mid-summer. In 2011, CCCs returned -2.78%, Bs gained 3.25%, and BBs rose 4.57%. Industry returns followed a similar pattern, with more cyclical industries underperforming for the year but recovering some in the fourth quarter. The one exception was shipping, which turned in bottom of the barrel performance for both the quarter and year. This industry has managed to compound the normal macroeconomic headwinds with overbuilding of its own.

The volatility in returns across all these dimensions belied an underlying credit trend which was generally stable to improving – another sign that the market was reacting to intermittent fears rather than facts on the ground. In general, corporate issuers in our universe incrementally improved their coverage and leverage ratios through the year, while many refinanced their capital structure, moving maturities out.

Fund Overview

The Artio Global High Income Fund (Class A Shares) returned 4.79% for the fourth quarter versus the 5.34% return of the benchmark BofA Merrill Lynch Global High Yield Constrained Index. The underperformance is attributable to a roughly 18% allocation to senior secured loans which, given their more conservative positioning in the capital structure and low duration, do not rally as strongly as more subordinated bonds in an market such as we had in the quarter that, on balance, experienced spread contraction. Over the full year, this loan "sub-portfolio" helped our performance. Also, the portfolio suffered some drag during the quarter from a lower duration exposure in what was a marginally falling interest rate environment. Finally, the relatively small (and declining) cash balances we carried also detracted.

Partially offsetting these negatives, our relative returns benefitted from our continued hedging of what euro exposure the portfolio had. Most of the relatively small emerging market currency exposures were also hedged during the quarter. In addition, issue selection kicked back in on the positive side of the ledger during the last three months of the year. Some of this contribution results from a B and slight CCC rating bias. Some also results from specific issues, including loan issues of a major auto original equipment manufacturer and a Spanish television network as well as the bonds of telecommunications provider. These were offset by underperformance from bonds of a major airline which suffered by association with another carrier that filed for bankruptcy in December, the loans of a consumer service company and the bonds of emerging market agricultural producer.

During the final quarter, as has been the case for much of the past year, both our weighting to Europe and our issue selection within the European sector helped versus the benchmark and, we believe, helped when compared with most other truly global high yield managers. However, this sector continues to be an impediment versus the typical universe of more US centric high yield managers. We think, as do most investors at this juncture, that a recession is the best outcome for Europe over the next year. However, we also continue to believe that the markets have sold this portion of the world down with little regard for industry or issuer distinctions, creating opportunities for those with a longer term horizon.

Given the importance of European positioning and both our short and longer term goals, this was the only portion of the portfolio where we made any measurable changes during the final quarter of the year. We sold what we believe were our remaining relatively more cyclical and "euro-centric positions". At the same time, we added marginally to some positions in what we term "nearby Europe" – the UK and Eastern Europe. On balance, these moves reduced our European exposure from about 15% to 13% of the portfolio. Even before the quarter began, only about 1% of the portfolio was in the more problematic periphery of the Continent, and that was almost entirely composed of our ownership of bonds issued by Italy's second largest telecommunications company, which we have chosen to retain. Fully a third of our European exposure now consists of positions outside the euro zone in the UK, Eastern Europe, and Scandinavia. Of the positions that are in "core" Europe, we are exposed to either large, global firms that manufacture and sell products worldwide, or companies that are in what we consider more stable, less cyclical industries such as healthcare and cable.

Market Outlook and Portfolio Strategy

As we enter the new year, corporate credit markets are being pulled by contradictory fundamental and technical trends that are likely to persist for the foreseeable future. On the fundamental front, there is precious little encouraging news. Europe's difficulties are far from resolved, and the best that can be expected of its economy over the next year is a mild recession. In the US, in the meantime, there have been incipient signs of improvement, mostly centered on the spending habits and job prospects of the consumer. These nascent rumblings will have to become far stronger in order to buck the headwinds of likely fiscal restraint, recession in one of our major trading partners, and the ongoing politically induced freeze on any progress with longer-run policy initiatives. In all likelihood, the US should continue to grow in the low single digits. In the emerging markets the outlook should be better, but these economies cannot entirely escape the effects of slower growth in the developed world. What is more, many of them, although arguably in better fiscal shape than we, are still not without their own debt burdens.

The health of high yield corporate issuers has improved substantially from the depths of the credit crisis, but further improvement for the bulk of the universe may be difficult in this type of economy. That said, at year-end, the high yield markets are sporting a weighted average yields of 8.37% in the US and 11.29% in Europe. These yields translate into spreads over "riskless" government curves of 754 and 1053 basis points, respectively. These levels are above historic averages but, given the slow growth global economic environment, we feel they provide just enough return to pay for likely default costs and still generate an excess return consonant with historic averages.

While fundamentals suggest that the yields being paid for credit risk is high but fair, technical's may nonetheless put upward pressure on the market throughout 2012. Monetary authorities have made holding cash a painful losing proposition after inflation, but there is still a lot of it sloshing around. As long as the economy "muddles along", as uninspiring as it may be, and the more time that passes without any of the many "outlier" risks that haunt investors coming to fruition, significant amounts of this cash is likely to find its way to the credit markets. At least initially, we do not expect it to be met with inordinate amounts of new issuance, since most of the sources of such issuance are quiescent. There is little new merger and acquisition activity among companies in our universe. Although there is still some refinancing to be done, a lot of the remaining funding tends to be in problematic credits and thus may be fodder more for the distressed markets (in one form or another) than for the more traditional high yield credit markets.

This kind of environment is a tricky one for investors, since the impetus of technically driven buying, especially if it moves prices clearly beyond fundamental values, can quickly evaporate, especially in a world that is unusually sensitive to tail risks. The slightest hiccup from Europe or the Middle East, or surprises as yet unanticipated, could readjust levels quickly. We believe that, as long as spreads are fair, as we believe they now are, it pays to stay invested in the credit space. Within credit, we believe that best place to take advantage of market inflows right now is in the single-B universe. However, regardless of rating, all investments need to be made with an even greater eye on the particulars of the issuer than normal. By geography, we have turned cautious on Europe and are conservatively positioned, as outlined above. Even in Europe, however, we see individual situations whose potential returns outstrip the risk. Emerging market corporates look attractive from a top-down perspective. Spreads in this sector moved dramatically wider in September and have not fully recovered. Fundamentally, emerging market corporates should be in better shape than most developed corporate issuers. However, it is often difficult to validate this macro view with specific issues, many of which are poorly structured and opaque. From an industry perspective, we believe that energy, broadly defined, stands out. However, yields are often already tight among energy issuers, so, once again, we must be very selective.

As we enter the new year, we are 76% invested in US and Canadian bonds and loans, 13% in European bonds and loans, and 7% in various emerging market domiciles. We have 19% of the portfolio in loans, with the balance almost entirely in straight bonds. By rating category the portfolio currently has 4% in BBB rated securities, 15% in BBs, 55% in Bs, 19% in CCCs, and 4% in non-rated positions, with the balance in cash. We had a non-dollar exposure net of forward hedges of 4.2% - approximately 3% in emerging market currencies and the balance in British pounds and Canadian dollars. The portfolio had no significant industry concentrations apart from normal index distributions.

High Yield (HY) Ratings			
Moodys	**S&P**	**Fitch**	
Ba1	BB+	BB+	Considered speculative and are subject to substantial credit risk
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Considered speculative and are subject to high credit risk
B2	B	B	
B3	B-	B-	
Caa	CCC	CCC	Very high credit risk, likely in, or very near, default
Ca	CC	CC	
C	C	C	
D	D	D	Defaulted obligations

The securities in which the Fund will invest may be considered more speculative in nature and are sometimes known as "junk bonds." These securities tend to offer higher yields than higher rated securities of comparable maturities because the historic financial condition of the issuers of these securities is usually not as strong as that of other issuers. High yield fixed income securities can present a greater risk of loss of income and principal than higher rated securities. Investors in these securities should carefully consider these risks and should understand that high yield fixed income securities are not appropriate for short-term investors.

Investing internationally involves additional risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity. These risks are greater for emerging markets. In order to achieve its investment objectives, the Fund may use certain types of exchange traded funds or investment derivatives such as futures, forwards, and swaps. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. These risks are fully disclosed in the prospectus.

Investments in asset backed securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments.

Past performance is no guarantee of future results.

Shares of the Fund are not deposits or obligations of, nor guaranteed by, any banking institution nor are they insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

The BofA Merrill Lynch Global High Yield Constrained Index contains all securities in The BofA Merrill Lynch Global High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch US High Yield Constrained Index contains all securities in The BofA Merrill Lynch US High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch European Currency High Yield Constrained Index contains all securities in The BofA Merrill Lynch European Currency High Yield Index but caps issuer exposure at 3%. Index constituents are capitalization weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 3%.

The BofA Merrill Lynch BB Global High Yield Constrained Index contains all securities in The BofA Merrill Lynch Global High Yield Index that are rated BB1 through BB3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch Single-B Global High Yield Constrained Index contains all securities in The BofA Merrill Lynch Global High Yield Index that are rated B1 through B3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch CCC & Lower Global High Yield Constrained Index contains all securities in The BofA Merrill Lynch Global High Yield Index that are rated CCC1 and lower, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

The BofA Merrill Lynch US Distressed High Yield Index is a subset of The BofA Merrill Lynch US High Yield Index including all securities with an option-adjusted spread greater than or equal to 1,000 basis points.

The BofA Merrill Lynch All Yield Alternatives US Convertibles Index is comprised of issues greater than or equal to US$50 million aggregate market value at issuance, sold into the US market and publicly traded in the US, not currently in bankruptcy and convertible into US dollar denominated common stock, ADRs or cash equivalent.

The Credit Suisse Leveraged Loan Index is designed to mirror the investible universe of the US dollar-denominated leveraged loan market.

The BofA Merrill Lynch Global Emerging Markets Sovereign Index tracks the performance of US dollar and euro denominated below investment grade sovereign debt. Qualifying countries must have a BB1 or lower foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P and Fitch).

The BofA Merrill Lynch Global Emerging Markets Credit Index tracks the performance of US dollar and euro denominated emerging market quasi-government and corporate debt publicly issued in the eurobond or US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch) and a below investment grade country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings).

The JP Morgan Government Bond Index-Emerging Markets (GBI-EM) Broad Unhedged is a all-encompassing emerging market debt benchmark that tracks local currency bonds issued by emerging market governments.

The BofA Merrill Lynch Global Broad Market Index tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch).

The S&P 500 Index is a capitalization-weighted index of 500 widely held equity securities, designed to measure broad US equity performance.

The Citigroup Economic Surprise Index measures actual economic releases compared to consensus prior to their release.

Primary credit rating utilized is S&P. If S&P does not rate a holding then Moody's or another nationally recognized credit agency is used. In the event of a split credit rating among agencies the higher rating is utilized.

Diversification does not assure a profit or protect against loss in a declining market.

It is not possible to invest directly in an index.

Basis point (bps) is a unit of measure equal to 1/100th of 1%.

Free cash flow represents the cash that a company has left over after it has paid all of its expenses, including investments.

Correlation is a statistical measure of how two securities move in relation to each other.

Fund holdings, sector allocations, and geographic allocations are subject to change and are not a recommendation to buy or sell any security. **Current and future portfolio holdings are subject to risk.**

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Must be preceded or accompanied by a prospectus.

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