

Artio International Equity Fund II

Performance (%) as of 6/30/10

	Inception Date	1 Mo	3 Mo	YTD	1 Yr	3 Yr *	5 Yr *	Since Inception *	Gross Exp. Ratio †	Net Exp. Ratio †
Class A:										
JETAX	May 4, 2005	-1.44	-12.90	-12.38	6.79	-12.51	2.46	2.64	1.28	1.24 [†]
Class I:										
JETIX	May 4, 2005	-1.43	-12.83	-12.31	7.05	-12.28	2.76	2.93	1.03	0.98 [†]
MSCI ACWI (ex-US)	N/A	-1.28	-12.45	-11.06	10.43	-10.70	3.38	3.46	N/A	N/A

Class A = Retail Shares Class I = Institutional Shares

* Annualized

† As stated in the prospectus dated 3/1/10

1. Reflects a voluntary expense reduction agreement that may be discontinued at any time. 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.

International markets strengthened in July due in part to the positive results of stress tests across all significant eurozone banks. Regulators requested that each lender reveal their exposure to central and local government debt in 30 countries in the region, including Greece, Spain, Ireland, Italy and Portugal. The tests were meant to see if the institutions can survive potential losses from both a recession and a decline in the value of their government bond holdings (though, perversely, they did not include the stress that would result from a very plausible Greek default). Toward the end of July, the Committee of European Banking Supervisors reported that only 7 of 91 European Union banks failed their stress test.

However, earlier in the month, Moody's Investor Service cut the credit rating for both Portugal (two notches) and Ireland (one notch). While both countries still retain their investment grade status, it was noted that Portugal's national debt had risen sharply relative to gross domestic product (GDP) as a result of stimulus spending and that anticipated weak growth would burden government finances for two to three years. In Ireland, a weak banking system and rising debt were cited as reasons for the downgrade and in addition, Moody's changed the outlook on the country's ratings from stable to negative.

In July, the Artio International Equity Fund II (Class A Shares) returned 7.31%, underperforming the 9.03% return of the MSCI ACWI (ex-US). Broadly speaking, developed market stock selection detracted from relative monthly returns, as did currency exposure.

Positively impacting returns was our underweight position to the Japanese market and emerging market holdings.

Our positioning in gold and gold mining stocks had been a significant contributor in the second quarter, but given the steep drop in the price of gold in July, relative performance suffered in the month. We have long believed that metals-related holdings (including gold) are important given long-term demands from emerging markets as well as concerns over potential currency debasement and central bank malfeasance within many developed markets. This became particularly apparent during the European sovereign debt crisis. The Chinese and Indians have also been buyers of gold, with China diversifying their huge reserves. Partially offsetting gold exposure were holdings in other metals, such as iron ore, that held strong in July amid the dip in other commodity prices. During the month we took steps to reduce gold-related holdings but not to the level that we could completely avoid the general downturn.

We remain positive toward mining companies and believe some of the concerns expressed by investors over the potential for China's economy to completely derail were overdone. There remain huge infrastructure initiatives in China and India increasing the demand for electricity generation, transmission and distribution. These activities are heavily metals-intensive, particularly with copper. As a result, we remain optimistic toward a number of mining-related companies in developed and emerging markets.

Returns were also impacted by our initial underweight positioning in the eurozone bank sector. In the early part of the second quarter, the underweight bolstered relative returns but in July, it was one of the benchmark's best performers. The region's recent stress tests and release of new Basel III capital requirements have been seen as victories for the banking industry, as the new rules are more lenient than expected and banks have until 2018 to comply. As a consequence, market confidence in the banks rose and it should become significantly easier for them to raise capital in the public markets. With many companies trading at just above tangible book value, the sector does not appear expensive. The banks now must address loan growth, but we are becoming more constructive for these prospects as well. However, we remain somewhat cautious given the uncertain process around the sovereign debt issue. In the UK, consolidation has led to reduced competition and improving margins and we have increased exposure there as well.

Elsewhere in Europe, pharmaceutical companies appear cheap, but we view many of them as potential value traps. While appealing from a valuation perspective, intense pressures as a result of government budget deficits will place a lid on the prices for many drugs. What we do find attractive are companies that are involved in generic drugs and/or have specific products for distribution within emerging markets. One of our favored holdings is a world leader in generic pharmaceuticals, producing a wide menu of drugs for developed and emerging markets. Another company we like is one of the world's leading producers of insulin. Based in Denmark, the company provides critical drugs to key markets such as China, where diabetes is on the rise.

For the first time this year, the Japanese market lagged other developed nations and our underweight positioning helped. We continue to believe the country's demographic, debt and political issues will plague the overall economic picture. Additionally, we have concerns about the sustainability of domestic growth and we expect to continue the focus of investments to be on companies we deem global players.

In emerging markets, exposure to Asia, particularly technology related holdings in Taiwan was beneficial. Also, holdings in Eastern Europe, namely the Czech Republic, Poland and Russia were strong. Within China, we are drawn to the retail property development sector and shopping malls as an interesting way to capture value creation. We believe companies able to lock up local distribution channels would provide them with a long term competitive advantage. One such company is a large developer of premium shopping malls in up-and-coming, second-tier cities. We believe that given an opportunity for expanding sales and rental incomes coupled with their prime locations provides this company with insulation from future competition. Rental growth for its shopping malls is expected to remain strong, driven by solid demand in the luxury retail sector. The company recently opened a shopping mall in Shenyang, in the northeastern province of Liaoning with close to full occupancy.

Within India, in addition to infrastructure-related companies, we are drawn to the banking sector. With the per capita penetration of credit within India at just a fraction of levels seen in the US (on a purchasing power parity basis), we see significant opportunity for credit demand. We are also drawn to the retail sector where we see the prospect for local players with scale to organize this fragmented market. One company we favor is a large retail operator headquartered in Mumbai with the resources and capabilities to capitalize on the evolving market.

As we mentioned in previous commentaries, mounting pressure on the euro and Central and Eastern European currencies led us to hedge a portion of our exposure during most of the second quarter which proved beneficial to results. As declines in the euro began to recede late in the quarter and into July, we reduced and ultimately closed out of those hedges. However, they detracted from results for the month.

Investing internationally involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulation and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity and other factors. These risks are greater in the emerging markets. Stocks of mid-capitalization companies are slightly less volatile than those of small-capitalization companies but both still involve substantial risk and they will be subject to more abrupt or erratic movements than large-capitalization companies. In order to achieve its investment goals and objectives, the Fund may invest in derivatives such as futures, options, and swaps to a very substantial extent. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments and are fully disclosed in the prospectus. As of 7/31/10, the Fund invested approximately -0.83% of its net assets in derivatives (excluding forward foreign exchange contracts).

The MSCI ACWI (ex-US) is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets excluding the US. It is not possible to invest directly in an index.

The Artio International Equity Fund II 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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The Artio International Equity Fund II investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 800 387 6977 or visiting the Fund’s website at www.artiofunds.com. Please read the prospectus carefully before investing.

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