Artio US Smallcap Fund

Performance (%) as of 12/31/11

	Inception Date	1 Mo	3 Mo	YTD	1 Yr	3 Yr *	5 Yr *	Since Inception *	Gross Exp. Ratio †	Net Exp. Ratio †
Class A: JSCAX	7/24/06	0.37	18.37	-5.81	-5.81	23.39	3.76	6.31	1.56	1.50[1]
Class I: JSCIX	7/24/06	0.50	18.55	-5.37	-5.37	23.84	4.10	6.65	1.27	1.20[1]
Russell 2000	N/A	0.66	15.47	-4.18	-4.18	15.62	0.15	2.69	N/A	N/A

Class A = Retail Shares Class I = Institutional Shares
* Annualized
† As stated in the prospectus dated 3/1/11
1. 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 fee waivers.

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.

US equity markets closed the year with a strong fourth quarter as evidenced by most major indexes posting positive returns. Smaller capitalization companies saw the strongest results followed by mid and large sized firms (as measured by the Russell 2000, Russell Midcap and Russell 1000 Indexes respectively). However, for the full calendar year, the exact opposite held true with the larger end of the capitalization spectrum posting positive results and the mid and small indexes in negative territory. This reversal helps to underscore the volatility that the overall US market saw during the course of 2011.

For the first time in many years, action in the US markets began to persistently pivot off of European news. US investors, already put through the ringer in 2008 and 2009 with an assortment of credit-related issues, wanted little to do with the risks around European sovereign debt issues. This scenario resulted in generally choppy market conditions and increased correlations among stocks of all sizes. In general, we saw stock movements decouple from their fundamentals, and instead, trade together based on macro headlines, especially those emanating from Europe.

As bottom up stock pickers, high correlations can be frustrating because it becomes more difficult to add value in a short period of time, like a year. (Yes, we believe one year is a short period of time.) 2011 was indicative of how challenging it is to maintain a long-term investment focus. Spikes in volatility and high stock correlations are testing many investors' stamina and conviction levels, especially when investment time horizons seem to be getting shorter and shorter.

At Artio Global, our process is to leverage our experience and perspective to maintain a focus on what's important and filter out superfluous information. Our team of analysts visits hundreds of companies each year to hone their industry, competitive and company knowledge. Doing this year after year is a good way for us to develop the right amount of perspective and confidence to make important investment decisions.

A key aspect of our investment strategy is to be diversified across multiple sectors and avoid being dramatically overweight or underweight the majority of the economic sectors. By making mostly benign sector bets, we purposely place the performance burden on our team of analysts to rely on stock picking to add value.

As we enter 2012, we are most excited by some great opportunities we see in the technology sector, where a combination of semiconductor industry inventory reductions, reduced capital spending in telecommunications networks and low valuations are creating some compelling investment opportunities. We also are reviewing the specialty retail industry for opportunities as it has recently underperformed. Lastly, over the past two years we have slowly narrowed the Fund's financials underweight and hope that 2012 will be a better year for the sector as it has been the worst performer over the last two years. We will see if a combination of low valuations and an environment where the "bad news is priced in" may allow for financials to experience better relative performance.

At the end of this year, the market outlook was more uncertain than it was in January and in our opinion, is discounting lower US and global economic growth. The second half of the year was more volatile than the first half, owing to the European debt crisis and the issue is unlikely to go away any time soon. A coordinated global central bank intervention in late November 2011 was one of the latest attempts to quell investor angst. To us, it is clear that the central bankers are faced with two equally unpleasant choices to reduce outstanding leverage in the financial system: either let banks and countries default on their outstanding debts or induce inflation to allow asset values, wages and overall price levels to rise. In the US, it is clear which path we have chosen – the printing presses are running and the US Federal Reserve Bank continues to be wildly accommodative, injecting liquidity into the monetary system. Europe is trickier because Germany has little interest in inflating the economy. We believe their position differs from most of the European Union members and that of the United States when it comes to monetary policy. In fact, we will take it a step further and say that we believe Germany will do what we think is best for Germany and wouldn't be surprised if they departed from the European Union. Either way, the uncertainty around how the debt crisis in Europe will be managed will continue to have an overhang on the US stock market. Greater economic uncertainty erodes confidence and reduces investment and spending activity. If economic activity remains below average, then it will be very important to correctly identify companies that are gaining market share at the expense of weaker or weakening competitors or have products and services that change consumer or business spending behavior. We think a low-growth economic environment is fertile ground to identify such opportunities, as long as markets do not experience downside volatility and are not characterized by highly correlated stock movements. We need markets to discriminate companies that are gaining market share and creating shareholder value from those that are losing share.

During the quarter, the Artio US Smallcap Fund (Class A Shares) returned 18.37% outperforming the Russell 2000 Index, which rose 15.47%. Given that investment decisions are based on a bottom-up approach to stock selection, it is not unusual that stock selection was a significant contributor to relative performance. This was lead by the healthcare sector followed by technology. Sector allocation was also positive but to a much lesser extent with an underweight to energy companies having a negative impact. In addition, given the market's strong returns, even our small cash position was detrimental.

The healthcare company that had the most meaningful impact on returns was an ophthalmic pharmaceutical concern that was the target of a takeover. In December, the company saw its share price rise after its suitor increased their bid. At this point, it is worth noting that this is not a takeover portfolio, but such actions certainly contribute to its success as well as that of the benchmark. Merger and acquisition activity often benefits the smaller capitalization segment of the market more so than their large counterparts. We believe that takeover activity will continue to pick up in 2012 for several reasons including the fact that companies are now holding sizeable amounts of cash on their balance sheets, credit is becoming more readily available than it has been in several years and private equity firms that have largely sat on the sidelines through much of the market turmoil appear eager to get back into the game.

Remaining within healthcare, other holdings posting strong returns included a manufacturer of dental equipment that announced that it expected fourth quarter revenue to be above analysts' expectations at the same time they said they would initiate a $150 million stock repurchase program. A position in a biotech firm also posted strong returns. During the quarter, not only did they complete the acquisition of a rival but they received approval from US health regulators for a new and expanded label for one of the antibiotics the company produces.

In similar fashion, the technology sector saw one holding significantly outperform the benchmark. During the period, the company, which provides services for accelerating and improving the delivery of content and applications over the Internet, issued fourth quarter guidance in line with analysts' expectations. They also received a boost in share price when in December, announced their intention to acquire a company whose products accelerate website and mobile sites. Given the increase in online applications and the Internet's inability to handle the amount of bandwidth consumed today, along with the fact that the company has a strong balance sheet with sizeable cash reserves and no debt make this holding one we feel has good growth potential.

The consumer discretionary sector had the largest negative impact on relative results and can mainly be attributed to two speciality retailers. Both only recently became public companies and have not performed up to our expectations. In retrospect, it may have made sense to eliminate these names and wait until we felt investors would become more constructive on these "riskier" stocks. However, this would have required some nimble market timing and the conundrum is really which is more difficult: timing exit and re-entry points to achieve profits or absorbing short-term underperformance – maybe even buying more of a stock at a lower price – and waiting for such investments to flourish? We have a tendency to exercise the latter methodology and it sometimes results in short-term underperformance. With one holding in particular, we continue to like the firm's characteristics. They have an aggressive new store development program that is supported by low debt levels, solid liquidity and growing cash flow and believe our decision to continue holding the stock should prove beneficial over the long-term.

Stock selection in the industrials sector also detracted in large part due to a position in a manufacturer of truck and specialty vehicle parts. In November, the firm announced that it expected revenue to be below analysts' expectations for both the fourth quarter and next fiscal year.

Despite today's uncertain global economic environment, our research team continues to focus on companies we think should deliver strong long-term results irrespective of short-run uncertainty. Our goal is to construct a diversified portfolio of stocks that offer beneficial reward-to-risk tradeoffs. We are excited about the values we are seeing in the market today and feel the portfolio is positioned well as we head into 2012.

Stocks of small capitalization companies are more volatile, less liquid, involve substantial risks, and are subject to more abrupt or erratic movements than mid or large capitalization companies. In order to achieve its investment objective, 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.

The views expressed solely reflect those of Artio Global Management LLC ("Artio Global") and the managers of the fund, and do not necessarily reflect the views of any affiliated companies. The material contains forward-looking statements regarding the intent, beliefs, or current expectations. Readers are cautioned that such forward-looking statements are not a guarantee of future performance, involve risks and uncertainties, and actual results may differ materially from those statements as a result of various factors. The views expressed are subject to change based on market and other conditions. Furthermore, the opinions expressed do not constitute investment advice or recommendation by the managers, Artio Global, the Fund, or any affiliated company.

Fund holdings and sector 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.**

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index, with all values expressed in US dollars.

The Russell Midcap Index measures the performance of approximately the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index, with all values expressed in US dollars.

The Russell 1000 Index measures the performance of the 1,000 largest US companies based on total market capitalization, which represents approximately 92% of the investable US equity market, with all values expressed in US dollars.

It is not possible to invest directly in an index.

The Fund's 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 can be obtained by calling 800 387 6977, or visiting www.artiofunds.com. Read it carefully before investing.

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