

# Annual Report

Artio International Equity (Cayman) Fund Ltd.

May 31, 2011

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**FINANCIAL STATEMENTS**

**MAY 31, 2011**

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## REPORT OF INDEPENDENT AUDITOR

**To the Shareholders of  
Artio International Equity (Cayman) Fund Ltd.**

We have audited the accompanying financial statements of Artio International Equity (Cayman) Fund Ltd. (the "Company"), which comprise the statement of financial position as at May 31, 2011, and the statements of comprehensive income, changes in net assets attributable to holders of participating shares and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

September 2, 2011

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**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**STATEMENT OF FINANCIAL POSITION**

**AS AT MAY 31, 2011**

(Expressed in United States dollars)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 7 and 9)	\$ 8,474,627	\$ 10,362,784
Receivable for securities sold	256,559	1,395,615
Financial assets at fair value through profit and loss (Cost: \$134,219,107 (2010: \$142,492,362)) (Notes 3, 4 and 9)	157,038,698	134,437,669
Net unrealized gain on forward exchange contracts (Note 9)	-	1,724,462
Dividends receivable	296,392	510,974
Other receivables	<u>100</u>	<u>100</u>
 Total assets	 <u>166,066,376</u>	 <u>148,431,604</u>
 <b>EQUITY (Note 8)</b>	 <u>100</u>	 <u>100</u>
<b>LIABILITIES</b>		
Payable for securities purchased	251,357	3,135,228
Accrued expenses (Note 5)	309,126	301,808
Net unrealized depreciation on futures contracts (Note 9)	-	61,109
Net unrealized loss on open forward exchange contracts (Note 9)	155,250	-
Redemptions payable	<u>425,000</u>	<u>550,000</u>
 Liabilities (excluding net assets attributable to holders of Participating Shares)	 <u>1,140,733</u>	 <u>4,048,145</u>
 Net assets attributable to holders of Participating Shares (Notes 8 and 9)	 <u>\$164,925,543</u>	 <u>\$144,383,359</u>

**Comprised of:**

107,314.1183 (2010: 149,005.6099) Participating Class A Shares at \$143.90 (2010: \$116.78) per share

737,712.1384 (2010: 773,790.3279) Participating Class B Shares at \$202.63 (2010: \$164.11) per share

Approved for issuance on behalf of the Investment Manager of Artio International Equity (Cayman) Fund Ltd. by:

Alex Bogaenko

.....) Authorized signatories of Artio Global Management LLC

September 2, 2011

.....) Date:

The accompanying notes on pages 6 to 18 are an integral part of these financial statements.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED MAY 31, 2011**

(Expressed in United States dollars)

	<u>2011</u>	<u>2010</u>
<b>Investment Income</b>		
Dividend income	\$ 3,108,291	\$ 4,365,051
Securities lending income (Note 7)	162,674	227,935
Interest on bank deposits	237	11,305
Other income	-	1,548
Net realized gain/(loss) on:		
Equities	3,562,320	24,455,970
Forward foreign exchange contracts, futures contracts and foreign currency transactions	( 519,003)	( 1,116,927)
Net change in unrealized (loss)/gain on:		
Equities	30,874,284	( 11,098,245)
Forward foreign exchange and futures contracts	( 1,818,603)	( 641,813)
Foreign currencies and other assets and liabilities denominated in foreign currency	( 493)	( 38,775)
 Total investment income	 <u>35,369,707</u>	 <u>16,166,049</u>
 <b>Expenses</b>		
Management fees (Note 5)	1,288,528	1,548,302
Administration fees (Note 5)	342,293	407,761
Custody and banking fees (Note 7)	584,206	621,850
Interest expense	913	15,907
Other expenses	<u>47,267</u>	<u>17,673</u>
 Total operating expenses	 <u>2,263,207</u>	 <u>2,611,493</u>
 <b>Operating profit</b>	 <u>33,106,500</u>	 <u>13,554,556</u>
 Withholding tax on dividends	 <u>( 470,155)</u>	 <u>( 737,867)</u>
 <b>Increase in net assets attributable to holders of Participating Shares from operations</b>	 <u>\$ 32,636,345</u>	 <u>\$ 12,816,689</u>

The accompanying notes on pages 6 to 18 are an integral part of these financial statements.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO  
HOLDERS OF PARTICIPATING SHARES**

**YEAR ENDED MAY 31, 2011**

(Expressed in United States dollars)

	<b><u>For the year ended May 31, 2011</u></b>			<b><u>For the year ended May 31, 2010</u></b>		
	<b><u>Class A</u></b>	<b><u>Class B</u></b>	<b><u>Total</u></b>	<b><u>Class A</u></b>	<b><u>Class B</u></b>	<b><u>Total</u></b>
<b>Changes in net assets attributable to holders of Participating Shares:</b>						
Opening balance, beginning of year	<u>17,400,354</u>	<u>126,983,005</u>	<u>144,383,359</u>	<u>28,966,304</u>	<u>168,847,037</u>	<u>197,813,341</u>
Increase in net assets attributable to holders of Participating Shares resulting from operations	3,864,389	28,771,956	32,636,345	2,582,465	10,234,224	12,816,689
Issue of Participating Shares	1,135,627	2,048,017	3,183,644	2,280,662	7,493,947	9,774,609
Redemption of Participating Shares	<u>( 6,958,092)</u>	<u>( 8,319,713)</u>	<u>( 15,277,805)</u>	<u>( 16,429,077)</u>	<u>( 59,592,203)</u>	<u>( 76,021,280)</u>
Net (decrease)/increase in net assets attributable to holders of Participating Shares	<u>( 1,958,076)</u>	<u>22,500,260</u>	<u>20,542,184</u>	<u>( 11,565,950)</u>	<u>( 41,864,032)</u>	<u>( 53,429,982)</u>
Net assets attributable to holders of Participating Shares, end of year	<u>\$ 15,442,278</u>	<u>\$149,483,265</u>	<u>\$164,925,543</u>	<u>\$ 17,400,354</u>	<u>\$126,983,005</u>	<u>\$144,383,359</u>

The accompanying notes on pages 6 to 18 are an integral part of these financial statements.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MAY 31, 2011**

(Expressed in United States dollars)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Dividends received	\$ 3,322,873	\$ 4,630,490
Interest received	237	11,305
Securities lending income	162,675	227,935
Other income received		1,548
Interest paid	( 913)	( 15,907)
Operating expenses paid	( 2,254,976)	( 2,630,672)
Withholding taxes paid	( 470,155)	( 737,864)
Purchase of securities	(148,008,663)	(260,493,991)
Proceeds from sale of securities	158,099,440	306,641,027
Net realized loss on futures, forward foreign exchange contracts/foreign currencies	( 519,003)	( 1,116,927)
Net cash provided by operating activities	<u>10,331,515</u>	<u>46,516,944</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of Class A Participating shares	1,010,627	2,757,162
Redemption of Class A Participating shares	( 6,958,092)	( 16,429,077)
Proceeds from issue of Class B Participating shares	2,047,999	7,493,947
Redemption of Class B Participating shares	( 8,319,713)	( 59,655,790)
Net cash used in financing activities	<u>( 12,219,179)</u>	<u>( 65,833,758)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>( 1,887,664)</u>	<u>( 19,316,814)</u>
Movement in revaluation of foreign currency accounts	( 493)	( 38,778)
<b>Cash and cash equivalents at beginning of year</b>	<u>10,362,784</u>	<u>29,718,376</u>
Cash and cash equivalents at end of year	<u>\$ 8,474,627</u>	<u>\$ 10,362,784</u>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	8,429,758	9,342,500
Foreign cash at bank	44,869	766,154
Cash on margin call	<u>                    </u>	<u>244,130</u>
	<u>\$ 8,474,627</u>	<u>\$ 10,362,784</u>

The accompanying notes on pages 6 to 18 are an integral part of these financial statements.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**1. Incorporation and principal activities**

Artio International Equity (Cayman) Fund Ltd. (the "Fund") was incorporated as Baer International Equity Fund Ltd. in the Cayman Islands on May 17, 2002 and commenced operations on June 15, 2002. On May 31, 2002 it was registered under The Mutual Funds Law, as revised, of the Cayman Islands.

The Fund is an open-ended investment company which may issue and redeem its Class A and Class B shares at a price based on the underlying net asset value. The registered office of the Fund is Windward III, Regatta Office Park, P.O. Box 30745, Grand Cayman, KY1-1206, Cayman Islands.

The investment objective of the Fund is long-term capital appreciation which the Fund will seek to achieve by investing in a portfolio of primarily listed equity instruments and index securities issued internationally, normally excluding the United States. The Fund may invest in equity and interest rate warrants of international issuers, and in American, Global and European Depository Receipts. The Fund may enter into currency forward contracts, currency and interest rate futures contracts and options on such futures contracts and options on currencies.

It is not the intention of the Fund to pay dividends but instead all earnings will be reinvested.

**2. Significant accounting policies**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

All references to net assets throughout this document refer to net assets attributable to holders of Participating Shares unless otherwise stated. Net assets per share information for each class of Participating Shares as disclosed in Note 8 has been determined as total assets less total liabilities (excluding net assets attributable to holders of Participating Shares) divided by the number of outstanding shares of each class of Participating Shares.

There are no new standards or amendments to existing standards which are effective from January 1, 2010 that have a material impact on the Fund's financial statements.

The following standards or amendments to existing standards that are relevant to the Fund's financial statements, but not effective until future dates are as follows:

- IFRS 9 Financial Instruments. This new standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged from IAS 39. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The new standard is not effective until 2013 and is not expected to have a significant impact on the Fund's financial position or performance when it is adopted in 2013, as it is expected that the Fund will continue to classify its investments (both long and short) as being at fair value through profit or loss.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**2. Significant accounting policies (continued)**

- IFRS 7 Amendments: Disclosures – Transfers of Financial Assets. The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve the securitization of financial assets. An entity shall provide the required disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. The impact of the disclosures on the Fund's financial statements when it is adopted in 2012 will depend on the Fund's facts and circumstances at the reporting date during the year of adoption.
- Revised IAS 24 Related Party Disclosures. This revision is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This revision is not expected to have a significant impact on the Fund's financial statements when it is adopted by the Fund in 2011.

The significant accounting policies of the Fund, which have been consistently applied to all years presented (unless otherwise stated), are as follows:

**Financial assets and liabilities at fair value through profit and loss:** The Fund's investments and derivatives are considered trading securities and consequently categorized as financial assets or liabilities at fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the security. The Fund records security transactions on a trade date basis, recognizing the cost or sales proceeds of securities sold or purchased on an average basis. Transactions costs are expensed as incurred and have been included in realized and unrealized gains/losses on financial assets and liabilities at fair value through profit and loss. Realized and unrealized gains or losses are recorded in the statement of comprehensive income as revenue.

Investments in securities which are traded on recognized exchanges are valued at fair value, by reference to prices quoted on the exchange upon which such securities are traded, as of the close of business on the day of valuation. When applicable, the fair value of restricted securities such as warrants and structured notes, for which market quotations are not readily available, is estimated in good faith by the Directors, after consultation with the Investment Manager (Note 5). All fair valuations may differ significantly from the values that would have been used had ready markets existed, and the differences could be material.

**Securities lending:** Loaned securities are included in investment in securities in the balance sheet and are valued and accounted for based on the preceding accounting policies.

**Forward foreign exchange contracts:** The unrealized gain or loss on open forward foreign exchange contracts is calculated as the difference between the contracted rate and the rate to close out the contract at the valuation date. Realized gains or losses are recognized when contracts are settled.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**2. Significant accounting policies (continued)**

**Futures contracts:** Futures are recorded on the trade date (date the order to buy or sell is executed). Realized gains or losses on closed contracts are determined on the specific identification method. Transaction costs are expensed as incurred and have been included in realized gains/(losses) on futures contracts in the statement of comprehensive income. Changes in the contract value of open contracts are recognised for financial statement purposes as unrealized gains or losses by marking-to-market the positions based upon the closing price supplied by the exchange on which each contract is traded. If a futures contract cannot be liquidated on a day as of which the Fund determines its Net Assets, the Fund shall assign a value to such futures contract as it, in its discretion, shall deem to represent fair value. In the event a contract cannot be liquidated because of the operation of daily price limits or the operation of other rules of the futures exchange on which the contract is normally traded, the fair value shall be the settlement price on the first subsequent day on which the contract can be liquidated. Initial margin deposits are made upon entering into futures contracts and can be made in either cash or securities. Variation margin payments are made or received depending on whether unrealized losses or gains are incurred.

**Translation of foreign currency amounts:** Assets and liabilities denominated in currencies other than United States dollars ("USD") are translated at the rate of exchange prevailing on the day of valuation. Foreign currency income and expenditure items are converted at the rate of exchange on the date of the transaction. Gains and losses on foreign currencies are included in the statement of comprehensive income in the period in which they arise. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

**Functional and presentation currency:** Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the United States dollar, which reflects the Fund's primary currency in which subscriptions and redemptions of Participating Shares are transacted, and the currency in which expenses are paid. In addition, the Fund has adopted the United States dollar as its presentation currency.

**Investment income and expenses:** Interest income and expense is recognised in the statement of comprehensive income using the effective interest method. Dividend income is accrued on the ex-dividend date. Expenses are accrued through each valuation date.

**Cash and cash equivalents:** For the purposes of the statement of cash flows, cash and cash equivalents comprise all cash on demand and on short notice, short-term bank overdrafts and fixed term deposits with original terms to maturity not more than 90 days.

**Dividend income:** Dividend income is recorded on the ex-dividend date when the Fund's right to receive payments is established.

**Participating Shares and Founder Shares:** Participating Shares are redeemable at the shareholder's option and are classified as financial liabilities. Participating Shares can be put back to the Fund by the holder based on the terms described in Note 8 and the Confidential Offering Memorandum for cash equal to a proportionate share of the Fund's net assets. Participating Shares are carried at the redemption amount that is payable at the date of the balance sheet if the shareholder had exercised its right to put the shares back to the Fund. Founder shares are not redeemable and do not participate in the net income or dividends of the Fund and are classified as equity, as per the Fund's articles of association.

**Income taxes:** Under the current laws of the Cayman Islands, there are no income, estate, transfer sales or other Cayman Island taxes payable by the Fund. As a result, no provision for income taxes has been made in the financial statements. Dividend income earned by the Fund is generally subject to foreign withholding tax at source. Withholding taxes on dividends are shown as a separate line item in the statement of comprehensive income.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**3. Investment in securities**

At May 31, 2011 and 2010, the portfolio of investments was comprised of the following securities segregated by sector and country of issue:

	<u>2011</u>		<u>2010</u>	
	<u>Fair</u>	<u>% of total</u>	<u>Fair</u>	<u>% of total</u>
	<u>value</u>	<u>portfolio</u>	<u>value</u>	<u>portfolio</u>
<b>By sector:</b>				
Equity positions				
Consumer staples	\$ 27,530,153	18%	\$ 31,657,507	24%
Consumer discretionary	26,171,854	17%	12,095,824	9%
Financial	24,371,920	16%	23,179,746	17%
Industrials	22,259,983	14%	17,104,004	13%
Materials	19,951,076	13%	16,233,678	12%
Energy	16,432,504	10%	8,896,322	7%
Communication/Telecom services	13,897,042	9%	6,718,275	5%
Other	3,817,592	2%	2,540,411	1%
Technology	1,167,982	1%	5,521,825	4%
Utilities	<u>868,412</u>	<u>0%</u>	<u>2,632,923</u>	<u>2%</u>
Total equity positions	<u>156,468,518</u>	<u>100%</u>	<u>126,580,515</u>	<u>94%</u>
Index exchange traded funds	<u>570,180</u>	<u>0%</u>	<u>7,857,154</u>	<u>6%</u>
Total investment in securities, at fair value	<u>\$157,038,698</u>	<u>100%</u>	<u>\$134,437,669</u>	<u>100%</u>
<b>By country of issue:</b>				
Europe (except United Kingdom)	\$ 45,863,118	29%	\$ 48,715,647	36%
Emerging Markets	36,343,548	23%	27,402,445	20%
Asia/Pacific	30,897,616	20%	24,596,527	18%
United Kingdom	27,882,212	18%	17,291,741	13%
Other	<u>16,052,204</u>	<u>10%</u>	<u>16,431,309</u>	<u>13%</u>
Total investment in securities, at fair value	<u>\$157,038,698</u>	<u>100%</u>	<u>\$134,437,669</u>	<u>100%</u>

At May 31, 2011, the portfolio consisted of 159 long positions (2010: 271 long positions), with no concentration of investments in single issuers representing more than 3.67% (2010: 5.2%) of the total investment in securities.

The Fund may lend its securities to its custodian, Bank Julius Baer & Co. Ltd., Zurich (the "Bank") in exchange for a negotiated loan fee. No collateral is received for the loaned securities and the Fund bears the risk of delay in recovery or even loss of rights in the loaned securities should the custodian fail financially. At May 31, 2011, the Fund loaned securities having a total fair value of \$ Nil (2010: \$22,001,748).

From time to time a portion of these assets may be pledged to the Bank for use as collateral for permitted borrowings (see Note 7).

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**4. Fair value disclosure**

As discussed at Note 2, IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial instrument.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at May 31, 2011:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets held for trading:</b>				
Listed equity securities	\$ 154,753,634	\$ 1,714,884	\$ -	\$ 156,468,518
Exchange traded funds	<u>570,180</u>	<u>-</u>	<u>-</u>	<u>570,180</u>
<b>Total assets</b>	<u>\$ 155,323,814</u>	<u>\$ 1,714,884</u>	<u>\$ -</u>	<u>\$ 157,038,698</u>
<b>Financial liabilities held for trading:</b>				
Open forward contracts	<u>-</u>	<u>155,250</u>	<u>-</u>	<u>155,250</u>
	<u>\$ -</u>	<u>\$ 155,250</u>	<u>\$ -</u>	<u>\$ 155,250</u>

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at May 31, 2010:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets held for trading:</b>				
Listed equity securities	\$125,456,019	\$ 1,124,496	\$ -	126,580,515
Exchange traded funds	7,857,154	-	-	7,857,154
Open forward contracts	<u>-</u>	<u>1,724,462</u>	<u>-</u>	<u>1,724,462</u>
<b>Total assets</b>	<u>\$133,313,173</u>	<u>\$ 2,848,958</u>	<u>\$ -</u>	<u>\$136,162,131</u>
<b>Financial liabilities held for trading:</b>				
Open futures contracts	<u>\$ 61,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,109</u>

Investments whose values are based on quoted market prices in active markets and therefore classified within Level 1, include active listed equities and exchanged traded derivatives, such as futures. The Fund does not adjust the quoted prices for these instruments.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**4. Fair value disclosure (continued)**

Level 2 includes financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. These may include investment grade corporate bonds and investments in share baskets/warrants where underlying securities are listed equities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no significant transfers between levels during the years ended May 31, 2011 and May 31, 2010.

**5. Investment management and administration agreements**

Under the investment services agreement dated May 31, 2002, the Investment Manager, Artio Global Management LLC (formerly Julius Baer Investment Management LLC until June 15, 2008) is responsible for managing the assets of the Fund and monitoring compliance of the portfolio with the investment strategies and restrictions.

Under the Administrative Services Agreement dated May 31, 2002 (superceded October 1, 2009), the Administrator of the Fund is Swiss & Global Fund Administration (Cayman) Ltd. Swiss & Global Fund Administration (Cayman) Ltd. is a wholly owned subsidiary of GAM Holding Ltd., a company listed on the SIX Swiss Exchange and formed to undertake the asset management services previously provided under the Julius Baer Group. The Administrator is responsible for maintaining the financial books and records, calculating and publishing the net asset value, handling shareholder communications and supervising the payment of expenses by the Fund. The Administrator is also the Fund's registrar and transfer agent.

The Fund pays the following expenses:

(i) Investment management fees:

Class A Shares are charged an investment management fee, accrued at each Valuation Date and payable quarterly in arrears equal to 0.90% per annum of the net asset value of the Fund attributable to Class A Shares.

Class B Shares are charged an investment management fee, accrued at each Valuation Date and payable quarterly in arrears equal to 0.80% per annum of the net asset value of the Fund attributable to Class B Shares.

The Investment Manager and Board of Director agreed to waive a portion of the management fees attributable to certain Class B shareholders.

(ii) Administration fees:

Class A Shares are charged an administration fee, accrued at each Valuation Date and payable quarterly in arrears equal to 0.30% per annum of the net asset value of the Fund attributable to Class A Shares subject to a minimum of \$60,000 per annum.

Class B Shares are charged an administration fee, accrued at each Valuation Date and payable quarterly in arrears equal to 0.20% per annum of the net asset value of the Fund attributable to Class B Shares subject to a minimum of \$60,000 per annum.

The Investment Manager and Administrator are each responsible for compensating the Fund for half of the annual audit fees it incurs.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**5. Investment management and administration agreements (continued)**

The Administrator is responsible for paying the annual statutory fees of the Fund from the above fees and also deems to be compensated for the provision of director services (Note 6).

The management fee expense consists of \$159,377 (2010: \$233,313) charged to Class A shareholders and \$1,129,151 (2010: \$1,314,988) charged to Class B shareholders. As at May 31, 2011, accrued expenses included \$225,902 (2010: \$229,467) attributable to investment management fees.

Administration fee expense consists of \$60,009 (2010: \$78,538) charged to Class A shareholders and \$282,284 (2010: \$329,223) charged to Class B shareholders. As of May 31, 2011 accrued expenses included operating fees of \$60,435 (2010: \$60,402) attributable to the Administrator.

**6. Director's fees**

The sole director of the Fund is Directorate Inc. which was 100% owned by Julius Baer Bank and Trust Company Ltd. Since the appointment of the new Administrator on October 1, 2009, Swiss & Global Fund Administration (Cayman) Ltd., Directorate Inc. is now a wholly owned subsidiary of the Administrator. The Director receives an annual fee of \$10,000 from the Administrator.

**7. Custody and banking arrangements**

Up until January 15, 2010, Julius Baer Bank & Trust Company Ltd. ("JBBT"), a related party of the Fund served as custodian and banker, with Bank Julius Baer & Co. Ltd., Zurich ("the Bank") as appointed sub-custodian to the Fund. As a consequence, the cash and securities of the Fund were held at the Bank. With effect from January 15, 2010, the Bank was appointed custodian in its own right. The Bank receives a custody fee of 0.05% per annum of the value of the cash and portfolio held, calculated monthly, and charged quarterly in arrears directly to the Fund. The Fund pays the Bank security transaction fees ranging from CHF 40 to CHF 200 per trade, depending on the denomination of the security. The Bank pays the Fund security lending commission at negotiated rates (see Note 3). The Bank has a first charge over the assets of the Fund and the Fund has pledged its assets for use as collateral in any of its operations performed through the Bank. As at May 31, 2011 and 2010, all cash balances were held with the Bank. As of May 31, 2011 accrued expenses included custody fees of \$22,789 (2010: \$11,938).

Credit Suisse First Boston LLC ("CSFB") provides broker services for the futures trading to the Fund. CSFB is registered with the United States Commodity Futures Trading Commission as a futures commission merchant and is a member of the National Futures Association. At May 31, 2011, there is a cash on margin balance with CSFB of \$Nil (2010: \$365,081).

**8. Participating Shares and Founder Shares**

**Authorised:**

	<u>2011</u>	<u>2010</u>
100 Founder Shares of \$1 par value each	\$ 100	\$ 100
4,990,000 Participating Shares of \$0.01 par value each	<u>49,900</u>	<u>49,900</u>
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**8. Participating Shares and Founder Shares (continued)**

**Issued and fully paid:**

	<u>2011</u>	<u>2010</u>
	<u>Number of Shares</u>	
<b>Founder Shares at May 31, 2011 and 2010</b>	<u>100</u>	<u>100</u>
<b>Participating Shares</b>		
<b>Class A</b>		
At beginning of year	149,005.61	259,739.19
Shares issued	9,571.56	19,145.16
Shares redeemed	( 51,263.05)	( 129,878.74)
At end of year	<u>107,314.12</u>	<u>149,005.61</u>
<b>Class B</b>		
At beginning of year	773,790.33	1,079,585.97
Shares issued	10,192.27	40,424.20
Shares redeemed	( 46,270.46)	( 346,219.84)
At end of year	<u>737,712.14</u>	<u>773,790.33</u>

The Founder Shares are held exclusively by Swiss & Global Fund Administration (Cayman) Ltd. (Note 5), who holds all the voting power of the Fund but is entitled only to a return of capital in the event of liquidation. The holders of Participating Shares are entitled to the residual equity of the Fund.

The Fund has 2 classes in issue, Class A and Class B. Effective January 2, 2007, the Fund started to offer Class C shares, which were not in issue as of May 31, 2011 and 2010. All share classes rank equally with each other except that Class A shares have a lower minimum subscription requirement (\$100,000) than Class B and Class C shares (\$1,000,000) as well as different fee arrangements than Class B and Class C (Note 5). Class C shares have the same fee structure as Class B shares and are charged a distribution fee. The minimum amount for subsequent subscriptions is \$10,000 for Class A shares and \$250,000 for Class B or Class C shares.

Subsequent issues and redemptions or repurchases may be made for Participating Shares on each Dealing Day, which is each business day following a Valuation Day, at the Net Asset Value per share of the relevant class calculated as at the immediately preceding Valuation Day (generally every Friday which is a business day), provided that the required notification is received. It is intended that the redemption or repurchase proceeds will be paid within 3 business days following the relevant Dealing Day. The net asset value per share for each class for any Valuation Day is determined by dividing the value of the assets of the class of the Fund less its liabilities at the close of business on such Valuation Date by the number of Participating Shares of the class outstanding on that date.

In accordance with the Confidential Offering Memorandum, net realized and unrealized gains and losses on investments and trading income and expenses, disregarding any allocations which are related to a specific class, are allocated on the Valuation Day to each of the classes on a pro rata basis based on the relative Net Asset Value of each class at the beginning of each valuation period. Fees and expenses, and any income and losses, assets and liabilities which the Director determines, in its sole discretion, are attributable to a specific class are allocated directly to the applicable class. There were not any specific allocations to Class A or Class B for the years ended May 31, 2011 and 2010.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**8. Participating Shares and Founder Shares (continued)**

The Fund's capital is primarily represented by the Participating Shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 9, the Fund endeavors to invest the subscriptions received from Participating Shareholders into appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of listed securities where necessary.

**9. Financial risk management**

The following is not intended to be a comprehensive summary of all risks and investors should refer to the Fund's current offering document for a more detailed discussion of the risks inherent in investing in the Fund.

The Fund's investment objectives and activities involve exposures to varying degrees and types of risk: market risk (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's performance. The Fund uses derivative financial instruments to moderate certain risk exposures.

Market risk: Market risk represents the potential loss that can be caused by a change in the market value of the financial instrument. The Fund's exposure to market risk is determined by a number of factors, including market volatility (price risk) and foreign currency exchange rates (currency risk) because the strategy of the Fund involves the concentration of investments in markets outside the United States.

The trading volume of some non-U.S. markets, especially those of emerging markets, may be substantially less than the stock markets of the United States. Consequently risks exist that the Fund might not be able to readily dispose of its holdings in such markets or investments when it chooses and also the price attained on a disposal may be below the amount at which such investments are included in the Fund's net assets.

At May 31, the Fund's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements

Price risk: The Fund's investments and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Investment Manager provides the Fund with investment recommendations that are consistent with the Fund's overall objectives. Market price risk is managed through diversification of the investment portfolio ratios by exposures. The overall market exposures on investments as at May 31, 2011 and 2010 are presented in Note 3, while the notional future exposures is shown on page 17.

If MSCI World Index at May 31, 2011 had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of participating shares ("profit") by approximately \$7,800,000 (2010: \$6,800,000). Conversely, if MSCI World Index at May 31, 2011 had decreased by 5% this would have decreased net assets attributable to holders of participating shares by approximately \$7,800,000 (2010: \$6,800,000).

The Investment Manager does not manage the Fund's investment strategy to track any particular index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at May 31 and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio, and the correlation thereof to the respective indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as of May 31, 2011 and 2010 is not necessarily indicative of the effect on the Fund's net assets attributable to holders of participating shares of future movements in the level of the indices.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**9. Financial risk management (continued)**

**Interest rate risk:** As of May 31, 2011 and 2010, the Fund had no significant assets or liabilities subject to direct interest rate risk, except for the cash and cash equivalents. The impact on profit derived from interest on cash as a result of reasonable possible changes in interest rates is insignificant.

**Currency risk on non monetary assets:** The Fund invests in forward foreign exchange contracts and investments denominated in currencies other than its functional currency, the United States dollar. Consequently, the Fund is exposed to risks that the exchange rate of the United States dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets and forward contracts which are denominated in currencies other than the United States dollar.

The Fund may utilize options and forward contracts to hedge against certain currency fluctuations, but there can be no assurance that such hedging transactions will be effective. The Fund will also use forward contracts for investment trading purposes, and is exposed to currency gains and losses on such positions.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's net currency position on a weekly basis.

Substantially all cash and cash equivalents at May 31, 2011 and 2010 are USD denominated. At May 31, 2011 and 2010, the Fund's portfolio of investments was denominated in the following currencies:

	<u>2011</u>		<u>2010</u>	
	Fair value	% of total portfolio	Fair value	% of total portfolio
Euro	\$ 35,111,842	22%	\$ 32,151,747	24%
US Dollars	23,472,473	15%	25,326,080	19%
British Pounds	26,693,051	17%	18,021,312	13%
Hong Kong Dollars	18,013,521	11%	3,788,740	3%
Japanese Yen	12,894,360	8%	13,535,862	10%
Canadian Dollars	10,018,563	6%	8,646,757	6%
Swiss Francs	6,196,459	4%	9,662,719	7%
Taiwan Dollars	5,759,775	4%	4,518,502	3%
Australian Dollars	3,844,521	2%	1,764,753	1%
Swedish Kroner	2,879,227	2%	1,333,480	1%
Korean Won	2,555,506	2%	2,048,724	2%
Czech Koruna	1,166,494	1%	1,756,410	1%
South African Rand	966,295	1%	2,715,390	2%
Norwegian Kroner	544,802	1%	1,703,431	1%
Hungarian Forint	-	-	1,150,043	1%
Polish Zloty	-	-	2,474,789	2%
Brazilian Reals	2,458,819	2%	888,299	1%
Danish Kroner	3,357,987	2%	1,195,937	1%
Other currencies *	<u>1,105,003</u>	<u>0%</u>	<u>1,754,694</u>	<u>2%</u>
Total investment in securities, at fair value	<u>\$157,038,698</u>	<u>100%</u>	<u>\$134,437,669</u>	<u>100%</u>

\* No individual currency represents greater than 1% of total investments.

At May 31, 2011, had the exchange rate of the United States dollar in relation to and relevant to all other currencies represented in its investment portfolio and forward foreign exchange contracts (page 17) increased or decreased by 10% with all other variables held constant, the decrease or increase in profit would amount to approximately \$13,000,000 (2010: \$8,800,000).

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**9. Financial risk management (continued)**

Credit risk: Financial assets which potentially expose the Fund to credit risk consist principally of cash and term deposits, receivable for investments sold, amounts receivable under forward foreign exchange contracts, the carrying value of all security lending transactions (Note 3) and the carrying value of all warrants issued by financial institutions (Note 3). The aggregate extent of the Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Fund's balance sheet.

The Fund seeks to mitigate its exposure to credit risk by placing cash and term deposits with the Bank. To the extent that the Fund's forward foreign exchange contracts settle on a net basis, the Fund's credit risk is limited to any net unrealized gains inherent in such contracts (see also "off balance sheet risks" below). The borrower for all securities lending arrangements is the Bank.

Liquidity risk: The Fund is exposed to weekly cash redemptions of Participating Shares (Note 8). Therefore, the Fund invests the majority of its assets in investments that can be readily sold to cover its obligations, except for the securities on loan (Note 3) which would need to be returned by the Bank (Note 7). All other accrued expenses and liabilities are anticipated to be settled within 30 days of the fiscal year end.

All derivative contracts held at May 31, 2011 and 2010 are highly liquid short term forward currency contracts, the details of which are presented below. The Fund invests in futures derivative contracts traded in an organized public market and are considered liquid.

In accordance with the Fund's policies, the Investment Manager monitors the Fund's liquidity position on a weekly basis.

Off balance sheet risks: The Fund trades forward contracts in currencies and various futures contracts. Forward and futures contracts involve commitments to purchase and to sell currencies or other instruments in the future. There are numerous factors which may significantly influence the market value of these contracts and risk arises from changes in the value of these contracts and also the potential inability of counterparties or brokers to perform under the terms of the contracts. Although such commitments, when made in the same currency and for the same date, may be economically offsetting, they may expose the Fund to both off balance sheet market risk and off balance sheet credit risk.

An off balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment as reflected in the Fund's balance sheet. Off balance sheet credit risk exists, among other situations, when the collateral received by the Fund is insufficient to cover losses which might result from counterparty's failure to fulfill its obligation under the contracts.

The Fund seeks to mitigate off balance sheet credit risk by only transacting its securities and contractual commitment activity with reputable, well established counterparties. All of the Fund's forward foreign exchange and futures transactions are conducted with the Bank and Credit Suisse First Boston LLC.

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**9. Financial risk management (continued)**

At May 31, 2011 unrealized gains/(losses) on open forward foreign exchange contracts were:

		<u>Contract price</u> <u>in currency</u>	<u>Contract</u> <u>price</u>	<u>Year-end</u> <u>price</u>	<u>Unrealized</u> <u>gain / loss</u>
Buy USD/Sell EUR	EUR	(2,524,391)	3,517,146	(3,627,946)	(110,802)
Buy USD/Sell EUR	EUR	(1,274,616)	1,776,203	(1,831,823)	(55,620)
Buy JPY/Sell USD	JPY	131,756,100	(1,610,710)	1,621,882	<u>11,172</u>
					<u>\$ (155,250)</u>

At May 31, 2010 unrealized gains/(losses) on open forward foreign exchange contracts were:

		<u>Contract price</u> <u>in currency</u>	<u>Contract</u> <u>price</u>	<u>Year-end</u> <u>price</u>	<u>Unrealized</u> <u>gain / loss</u>
Buy CAD/Sell USD	CAD	2,563,273	\$ (2,498,298)	\$ 2,442,638	\$ (55,659)
Buy CZK/Sell USD	CZK	28,512,022	\$ (1,363,559)	\$ 1,371,032	\$ 7,473
Buy EUR/Sell USD	EUR	9,027,460	\$ (11,889,108)	\$ 11,078,746	\$ (810,362)
Buy JPY/Sell USD	JPY	467,418,048	\$ (5,145,795)	\$ 5,135,440	\$ (10,354)
Buy KRW/Sell USD	KRW	1,017,108,984	\$ (908,999)	\$ 845,874	\$ (63,124)
Buy USD/Sell CAD	CAD	(1,817,936)	\$ 1,685,559	\$ (1,732,379)	\$ (46,819)
Buy USD/Sell CHF	CHF	(625,249)	\$ 562,517	\$ (541,382)	\$ 21,134
Buy USD/Sell CZK	CZK	(28,512,022)	\$ 1,520,966	\$ (1,371,032)	\$ 149,933
Buy USD/Sell EUR	EUR	(22,584,009)	\$ 30,152,963	\$ (27,715,712)	\$ 2,437,251
Buy USD/Sell GBP	GBP	(601,470)	\$ 860,758	\$ (873,926)	\$ (13,167)
Buy USD/Sell JPY	JPY	(309,475,630)	\$ 3,300,827	\$ (3,400,155)	\$ (99,327)
Buy USD/Sell KRW	KRW	(1,017,108,984)	\$ 889,731	\$ (845,874)	\$ 43,856
Buy USD/Sell SEK	SEK	(6,589,720)	\$ 907,521	\$ (841,835)	\$ 65,686
Buy USD/Sell CZK	CZK	(35,538,578)	\$ 1,717,824	\$ (1,709,712)	\$ 8,112
Buy USD/Sell HUF	HUF	(216,100,967)	\$ 1,008,545	\$ (953,769)	\$ 54,775
Buy USD/Sell PLN	PLN	(3,507,948)	\$ 1,135,957	\$ (1,050,498)	\$ 85,459
Buy USD/Sell ZAR	ZAR	(2,756,440)	\$ 338,619	\$ (352,261)	\$ (13,642)
Buy USD/Sell GBP	GBP	(2,225,385)	\$ 3,270,515	\$ (3,234,295)	\$ 36,219
Buy GBP/Sell USD	GBP	2,225,385	\$ (3,307,278)	\$ 3,234,295	<u>\$ (72,982)</u>
					<u>\$ 1,724,462</u>

The maturity dates of the forward foreign exchange contracts are all in June 2011 (2010: June 2010 to December 2010).

At May 31, 2011, there were no unrealized depreciation on open futures contracts.

At May 31, 2010, unrealized depreciation on open futures contracts comprised the following:

<u>Description</u>	<u>Number of</u> <u>contracts</u>	<u>Long positions</u>	<u>Closing</u>	<u>Unrealized loss in</u> <u>CCY</u>	<u>Unrealized</u> <u>loss in \$</u>
		<u>Approx.</u> <u>Notional</u> <u>Value \$</u>			
EURX E-STXX 50	72	2,360,000	June 2010	EUR (49,696)	<u>\$ (61,109)</u>
					<u>\$ (61,109)</u>

**ARTIO INTERNATIONAL EQUITY (CAYMAN) FUND LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2011**

**10. Taxation**

The Fund is not subject to any income, withholding or capital gains taxes in the Cayman Islands. Generally, the Fund intends to conduct its affairs so as not to be liable to taxation in any other jurisdiction; however, it does invest in securities whose income is subject to nonrefundable foreign withholding taxes.

**11. Subsequent events**

Subsequent to year end, the Fund replaced Swiss & Global Fund Administration (Cayman) Ltd as its administrator (Note 5). The new administrator is Northern Trust Company.

Management has performed a subsequent events review through to September 2, 2011, being the date that the financial statements were available to be issued. No other subsequent events were identified for disclosure purposes.