

# Artio Global Management LLC

330 Madison Avenue  
New York, New York 10017  
(212) 297-3600  
[www.artioglobal.com](http://www.artioglobal.com)

March 2012

This Brochure provides information about the qualifications and business practices of Artio Global Management LLC (“Artio Global”). If you have any questions about the contents of this Brochure, please contact your Client Service Representative at (212) 297-3600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Artio Global Management LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Artio Global Management LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This document has been updated to reflect the below listed items:

- Assets under management as of December 31, 2011; and,
- Updated biographies and information for Senior Managers and Other Senior Managers.

### Item 3 - Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 - Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	4
Item 6 – Performance-Based Fees and Side-By-Side Management .....	7
Item 7 – Types of Clients .....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9 – Disciplinary Information .....	27
Item 10 – Other Financial Industry Activities and Affiliations .....	28
Item 11 – Code of Ethics .....	30
Item 12 – Brokerage Practices .....	32
Item 13 – Review of Accounts .....	36
Item 14 – Client Referrals and Other Compensation .....	37
Item 15 – Custody .....	38
Item 16 – Investment Discretion .....	39
Item 17 – Voting Client Securities .....	39
Item 18 – Financial Information .....	41

## Item 4 – Advisory Business

Artio Global Management LLC (“Artio Global”, the “Adviser” or the “firm”) is a registered investment adviser committed to providing investment management expertise in asset classes where we believe we can add value over the long term. The firm offers discretionary investment management services to pension/profit sharing funds, corporations, investment companies, broker-dealers, banks and insurance companies, trusts and charitable organizations. Our institutional clients can access Artio Global’s services through separately managed accounts, commingled vehicles or mutual funds.

Artio Global offers investment strategies including International Equity, High Grade Fixed Income, Global High Yield, Global Equity and a series of US Equity strategies. Access to these strategies are offered through a variety of investment vehicles including separate accounts, commingled funds and SEC-registered mutual funds. Artio Global’s client base consists primarily of institutional and intermediary clients.

Artio Global, through an intermediary holding company, is majority-owned by Artio Global Investors Inc. (“Investors”), a Delaware corporation. Investors’ Class A shares have been listed on the New York Stock Exchange since September 24, 2009.

Currently, approximately 53% of the shares in Investors are held by the public while 28% are owned by GAM Holding AG (the firm’s former sole stockholder). In addition, Richard Pell (Chairman, CEO, and CIO) and Riad Younes (Head of International Equities) each have ownership interests of 9.6%.

The firm was founded in 1983. The firm’s main office is located at 330 Madison Avenue in New York City. The firm also has marketing offices located at 2121 Avenue of the Stars, Suite 2420, Los Angeles, California, at BCE Place - TD Canada Trust Tower, 161 Bay Street, Suite 2600, Toronto, Ontario, at 80 Park Lane, London W1K 7TR, United Kingdom, and at Level 29 Chifley Square, Sydney NSW 2000 Australia.

As of December 2011, Artio Global managed \$30.4 billion in assets under management.

### **Senior Management**

Artio Global is a single member limited liability company that is managed on a day-to-day basis by a three person management committee. The committee is comprised of the following persons:

Richard Charles Pell has been a Managing Director and Chief Investment Officer at Artio Global since 2000, and assumed the role of Chief Executive Officer in December 2007. He was a Senior Vice President at Bank Julius Baer & Co. Ltd. from 1995 until 2000. Prior to that, he worked at Bankers Trust Company. He was born in 1954 and graduated with a B.A. in History from the University of California, Berkley in 1978 and with an M.B.A. in Finance from New York University in 1990. Mr. Pell is a director of Artio Global Investors Inc. and has served in that position since November, 2007.

Francis Harte has been the firm's Chief Financial Officer since July 2002. Mr. Harte also served as Financial and Operations Principal from 2002 to 2006, Managing Director and Chief Financial Officer of Bank Julius Baer Co. Ltd. (New York Branch) from 2002 to 2005, and was Treasurer and Financial and Operations Principal of GAM USA Inc. from 2005 to 2007. Prior to this, Mr. Harte acted as a Managing Director and Chief Financial Officer for the North American-based activities of Dresdner Kleinwort Benson and, prior to that, Mr. Harte held positions at The First Boston Corporation and Deloitte, Haskins & Sells. He is a Certified Public Accountant in the State of New York. Mr. Harte is also the Chief Financial Officer of Artio Global Investors Inc. and Deputy Financial and Operations Principal of Artio Global Institutional Services LLC.

Anthony Graeme Williams assumed the role of Chief Operations Officer in December 2007. Mr. Williams also serves as the President of the Artio Global Funds, a position which he has had since 2004. Prior to that, Mr. Williams was the Chief Executive Officer and Senior Vice President of Artio Global since 2003. Prior to being employed at Artio Global, he was the Chief Operating Officer at JP Morgan Flemming. He was born in 1964 and graduated with an M.A. with honors from Cambridge University in 1985. He has also passed the Series 7, Series 24 and Series 63 exams. Mr. Williams is also the Chief Operating Officer of Artio Global Investors Inc. and Chief Executive Officer of Artio Global Institutional Services LLC.

### **Other Senior Managers**

Hendricus Francisco Bocxe is Senior Vice President and Head of Legal and Compliance and has been employed by Artio Global since 2000. Prior to working for Artio Global, he was employed as Head of North American Compliance for Commerzbank from 1996 until 2000. Prior to Commerzbank, he was a bank examiner at the Federal Reserve Bank of New York from 1992 until 1996. He received a B.S. in Finance from Boston College in 1986 and a J.D. from Brooklyn Law School in 1992. He has passed the Series 7, Series 8, Series 14, Series 24, Series 53 and Series 63 exams and is a member of the New York State Bar. Mr. Bocxe also serves as Chief Compliance Officer of Artio Global Institutional Services LLC.

Timothy Joseph Clemens joined Artio Global Management LLC in 2009. Mr. Clemens is a Vice President and Pricing and Valuation Manager for Artio Global and also services as the Chief Financial Officer of the Artio Global Funds. From 2006 through 2009, he was a Vice President at The Bank of New York Mellon and from 2001 through 2006, Mr. Clemens was a Vice President of Gemini Fund Services LLC. Mr. Clemens received a B.S. degree from Merrimack College.

Donald Peter Delano has been the Chief Compliance Officer since January 2005, a Vice President of Compliance from August 2004 to January 2008, and First Vice President since February 2008. His prior employment includes positions as a Director of Compliance for E\*TRADE Financial and Chief Compliance Officer at E\*TRADE Asset Management, Inc. and the E\*TRADE Funds (2000-2004), an Associate Director in the Private Wealth Management Division of Bear Stearns & Co. (1999-2000), a Principal Consultant and Team Leader with the Regulatory Compliance Consultant Group of PricewaterhouseCoopers, LLC. (1997-1999), a manager of Corporate Regulatory Compliance for Prudential Insurance Company of Americas' Asset Management Division (1994-1996), and a senior compliance examiner with the SEC's Division of Investment Management (1990-1994). He was born in 1966 and received a B.B.A. in finance from Baruch College in 1990. He passed the Series 7, Series 14, Series 24 and Series 63 exams.

Melvin Duane Lindsey is a Director, Institutional Investments at Artio Global. Mr. Lindsey joined the firm in 2002 and was previously employed at Wells Capital Management in the capacity of Senior Portfolio Manager and Senior Managing Director. He was also employed at Salomon Smith Barney and Lehman Brothers. Mr. Lindsey holds a Chartered Financial Analyst designation. He received his MBA in Finance from the Anderson School at UCLA and a B.A. degree in Economics from California State University. He has passed the Series 7 and Series 63 exams.

Robert Laurence Morier is a Director, Institutional Investments at Artio Global Management. Prior to rejoining the firm in 2007, he was a Vice President and Client Service Manager at Goldman Sachs Asset Management (March – September 2007). In his earlier employment with Artio Global Management, he was a Relationship Manager, Institutional Investments. He initially joined the firm as a Senior Client Service Officer subsequent to his employment as a Senior Research Associate with Greenwich Associates. Mr. Morier started his career at Fairchild Semiconductor in Hong Kong as an Assistant Treasurer. Mr. Morier received his Bachelor of Arts degree in History from the University of Vermont.

Michael Kevin Quain is a First Vice President at Artio Global and has held this position since 2002. Mr. Quain is currently the Chief Compliance Officer of the Artio Global Funds. He was born in 1957. He has passed the Series 7, Series 24 and Series 63 exams.

Victor Joseph Simon joined Artio Global in 2006 and is a First Vice President and Head of Operations. From 1994 through 2006, he was employed at Deutsche Bank as Head of Client Operations. Mr. Simon received a B.A. degree from Queens College of the City University of New York and an MBA from Fordham University.

Robert Barney Walker is a Director, Institutional Investments at Artio Global. Mr. Walker joined the firm in 2002 and received a B.S. degree from Boston College. He previously employed at Ark Asset Management Co., Inc. where his responsibilities graduated from Assistant Portfolio Manager to Senior Manager. He has passed the Series 7 and Series 63 exams.

## **Client Guidelines**

Artio Global generally has complete investment and brokerage discretion over the accounts that it manages. Artio Global has the authority to determine the securities to be bought or sold and the amount of such securities to be bought or sold. Limitations on Artio Global's authority are provided in client specific objectives, guidelines and restrictions. These guidelines may be changed by the client upon written notice. Compliance with investment guidelines is typically measured at the time the security has been purchased or at the time of initiation of a position in the strategy.

Depending on the size and mandate, new accounts generally require 15 to 30 days before our model accounts can be substantially replicated. During that initial period, cash, concentration, and other similar limitations may be exceeded for newly funded accounts.

Our strategies may employ market capitalization guidelines that reference the market capitalizations (or other market capitalization metrics such as weighted average market capitalization) of the companies included in a relevant benchmark index. Changes in the composition of those indices can cause significant fluctuations in the benchmark market capitalizations, which may cause the market capitalization of a portfolio, or the securities held in a portfolio, to be larger or smaller than the market capitalization or related metric of securities within the benchmark index for a period of time following such change.

## **Item 5 – Fees and Compensation**

Artio Global's fees for investment management services are generally calculated as a percentage of the client's assets under management. Such asset-based fees are typically paid quarterly, in arrears, based on the month-end market value of the assets comprising the account for each

month of the calendar quarter. Artio Global may consider other methods of calculating fees charged to a client on a case-by-case basis. All fees, other than fees charged by the mutual funds, are subject to negotiation.

The specific manner in which fees are charged by Artio Global is established in a client's written agreement with Artio Global. Artio Global will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Artio Global to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Either party may terminate an advisory agreement at any time by providing written notice of termination to the other party. The length of advance notice is typically governed in the relevant investment management agreement. In the event of such termination, the fee for the calendar quarter in which such termination occurs shall be prorated for the portion of the calendar quarter during which the advisory agreement was in effect. Lower fees for comparable services may be available from other sources.

Asset-based fees for separately managed accounts are shown in the table below. The firm may negotiate other fee schedules depending on the type of account, relationship, if any, to other accounts managed by Artio Global, the size of the account, the level of client service required, potential growth and other relevant factors. The firm also provides portfolio management services as sub-adviser with respect to all or portions of the portfolios of other investment companies and receives compensation at rates negotiated with those investment companies, which may be different from the rates set forth in the table below.

<b>Equity Strategy</b>	<b>Assets under Management</b>	<b>Fee (per Annum)</b>
International Equity I*	First \$100 million	.58%
	Assets > \$100 million	.40%
International Equity II	First \$100 million	.58%
	Assets > \$100 million	.40%
Global Equity	First \$20 million	.80%
	\$20 million - \$40 million	.60%
	\$40 million - \$100 million	.50%
	\$100 million - \$200 million	.40%
	Assets > \$200 million	.35%
U.S. Equity Micro-Cap	First \$50 million	1.20%
	\$50 million - \$100 million	1.10%
	Assets > \$100 million	1.00%
U.S. Equity Small-Cap	First \$50 million	.90%
	\$50 million - \$100 million	.80%



	Assets > \$100 million	.70%
U.S. Equity Mid-Cap	First \$20 million	.75%
	\$20 million - \$40 million	.65%
	\$40 million - \$100 million	.55%
	Assets > \$100 million	.45%
U.S. Equity Multi-Cap	First \$20 million	.70%
	\$20 million - \$40 million	.60%
	\$40 million - \$100 million	.50%
	Assets > \$100 million	.40%

\* *Mandate closed to new investors.*

Fixed Income Strategy	Assets under Management	Fee (per Annum)
Global High Yield	First \$50 million	.60%
	\$50 million - \$100 million	.50%
	Assets > \$100 million	.40%
CorePlus - Total Return Bond	First \$100 million	.30%
	\$100 million - \$250 million	.25%
	\$250 million - \$1 billion	.20%
	Assets > \$1 billion	.18%
CorePlus Plus	First \$100 million	.35%
	\$100 million - \$250 million	.30%
	\$250 million - \$1 billion	.25%
	Assets > \$1 billion	.23%

Artio Global acts as an investment adviser to U.S. and non-U.S. pooled investment vehicles, including mutual funds, and receives fees for such services. Standard fees are generally set forth in the offering circular, prospectus or other offering document. In certain instances, fees may be negotiated based on a client's initial investment and other factors. Artio Global may, in certain instances, aggregate assets across Artio Global managed products, in the same strategy, for the purpose of determining fee breakpoints. In connection with serving as sub-adviser to certain bank-sponsored private funds, Artio Global may pay the trustee's advisory fees for services rendered to such funds. If so, the Adviser, in turn, will seek reimbursement from investors in such funds.

In addition, a portion of Artio Global's management fee may be offset for certain clients, or the clients of an affiliate, where client assets have been invested in a pooled investment vehicle advised by Artio Global. Any such offset would be limited to a reduction in the fee charged by Artio Global for the client's assets invested in such fund.

Artio Global may invest client assets in shares of unaffiliated investment companies not managed by Artio Global, real estate investment trusts, exchange traded funds, or another type of pooled investment vehicle. The cash balance of a client's account is typically invested in a money market fund or some other short-term pooled fund offered by the custodian and selected by the client. Pooled investment vehicles, including investment companies and real estate investment trusts, impose management fees and have other expenses of their own and a client account investing in such a security will bear its proportionate share of those expenses in addition to Artio Global's management fee.

For certain investment company clients, Artio Global may agree to reimburse the client to the extent that the client's annual ordinary operating expenses exceed a specified limitation. The investment management fees charged by Artio Global may be greater than fees charged by other investment managers for similar portfolio management services.

Investments in investment companies are usually made in exchange traded investment companies, when Artio Global believes that such an investment is an attractive opportunity or is the most efficient way to gain exposure to a particular market or market sector. For example, a non-U.S. account might invest in the securities of an exchange traded fund investing in a particular country or region in which it may not be possible or efficient for the account to invest directly.

Artio Global's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Artio Global's fee, and Artio Global shall not receive any portion of these commissions, fees, and costs.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

### **Performance-Based Fees**

Performance-based fee arrangements are negotiated with clients on a case-by-case basis and may include, among other types of arrangements, fulcrum fee arrangements (in which the fee is based on actual Artio Global's performance against an agreed upon benchmark), a fee based

upon appreciation of assets under management for the client or a fee based upon the amount of gain in an account.

Artio Global currently has incentive or performance fee arrangements with clients under which a percentage of the appreciation in the account, or in the case of a fund, the net asset value of shares (adjusted for any redemption or repurchase of shares made during the year) may be charged.

Artio Global will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Artio Global shall include realized and unrealized capital gains and losses.

Currently, Artio Global manages a global credit opportunities fund along side its long only separate accounts. While the firm has implemented extensive side-by-side policies, performance based fee arrangements may create an incentive for Artio Global to recommend investments which may be riskier or more speculative or likelier to appreciate than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Artio Global has procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Portfolio Management Conflicts**

Our portfolio managers also manage other portfolios for accounts with investment strategies that are similar to our mutual funds. These other portfolios along with the mutual and commingled funds (each, a "Portfolio" and collectively, the "Portfolios") may include separate accounts, registered investment companies and unregistered commingled funds. It is possible that real, potential or apparent conflicts of interest may arise when a portfolio manager has day-to-day investment responsibilities with respect to more than one Portfolio. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the Portfolios they advise.

In addition, Portfolios may have investment objectives, strategies, time horizons, tax considerations, and risk profiles that differ from one another. The portfolio managers may make investment decisions for each account, based on such factors as the investment objectives, policies, practices, benchmarks, cash flows, tax implications, and other relevant investment considerations applicable to that account. Consequently, the portfolio managers may purchase

or sell securities, including those issued in initial public offerings (“IPOs”), for one account and not another account, and the performance of securities purchased for one account may vary from the performance of securities purchased for other accounts.

Alternatively, Portfolios may be managed in a similar fashion and thus the accounts may have similar, and in some cases nearly identical, objectives, strategies, and/or holdings to one another. In some cases, a Portfolio may compensate Artio Global based on the performance of the Portfolio. The existence of such a performance-based fee may create additional conflicts of interest for the portfolio manager and Artio Global in the allocation of management time, resources and investment opportunities. In addition, a portfolio manager may have an incentive to allocate securities preferentially to the account for which Artio Global receives higher investment advisory fees based on the assets under management.

International equity allocations are generally based on the portfolio manager’s allocation target percentage for each participating account. Allocations across multiple accounts and/or groups are generally based on an average cost, with the exception of markets that do not provide for average cost allocations across individual accounts. The trading team typically utilizes an order management system to model each order based on total market value of accounts. The completed orders are allocated based on the original allocation statement and model. Partially-filled orders are allocated either on a pro-rata basis (based on the allocation target percentage), or on a random basis if the amount is deemed too small to allocate. Random allocation is generally utilized if the filled amount is less than ten percent of the original order.

As Artio Global’s portfolio managers provide services to registered mutual funds, separately managed accounts, privately offered commingled funds, and a privately offered hedge fund, several inherent conflicts of interest may exist:

- i) Artio Global’s registered mutual funds, separately managed accounts, and privately offered commingled funds typically have different fee structures. The privately offered hedge fund will be charged a combination of a management fee, which is a fixed percentage of assets under management, and performance-based compensation. Performance-based compensation arrangements, which are occasionally used in separately managed accounts, will entitle Artio Global to additional compensation based on investment performance. The prospect of receiving higher compensation from a privately offered fund than from a separate account or registered mutual fund with traditional, asset-based fee structures creates a conflict of interest for the adviser, as the differences in the fee arrangements provide Artio Global with an incentive to favor the privately managed fund over the other accounts when, for example, placing securities

transactions that the adviser believes could result in more favorable performance.

- ii) Artio Global may manage registered mutual funds, separate accounts, and privately offered commingled funds alongside a hedge fund in which Artio Global takes different positions in the same or related securities for different clients. It is possible that Artio Global could, in theory, sell certain securities short for one client account, while other advisory client accounts simultaneously hold the same or related securities long..

Artio Global has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, which it believes are reasonably designed to allocate investment opportunities on a fair and equitable basis over time. In addition, Artio Global monitors a variety of areas including compliance with client guidelines, the allocation of IPOs, and compliance with the firm's Code of Ethics, and places additional investment restrictions on investment professionals who manage hedge funds and certain other accounts. Furthermore, senior personnel at Artio Global periodically review the investment performance of accounts managed by Artio Global's investment professionals. Although Artio Global does not track the time an investment professional spends on a single account, Artio Global does periodically assess whether an investment professional has adequate time and resources to effectively manage the investment professional's various client mandates.

Artio Global has adopted side-by-side procedures. These procedures restrict the privately offered hedge fund from shorting any non-index position held long in a registered mutual fund or separate account

In many cases, these policies result in the pro-rata allocation of limited opportunities across the client accounts and Artio Global's proprietary funds, but in many other cases the allocations reflect numerous other factors based upon the portfolio manager's good faith assessment of the best use of such limited opportunities relative to the objectives, limitations and requirements of Artio Global's proprietary mutual and commingled funds and other Artio Global client accounts and applying a numerous factors. The Adviser seeks to treat all clients reasonably in light of all factors relevant to managing an account, and in some cases it is possible that the application of certain factors may result in allocations in which some accounts may receive an allocation when other accounts do not. Non-proportional allocation may occur more frequently in fixed income portfolio management than active equity portfolio management. The application of factors relevant to managing an account may result in allocations in which some Artio Global client accounts receive an allocation or opportunity not allocated to other Artio Global client accounts or Artio Global's mutual and commingled funds. Allocations may be based on numerous factors and may not always be pro rata based on assets managed. Artio

Global is permitted to adjust its allocation procedures to eliminate fractional shares or odd lots and has the discretion to deviate from its allocation procedures in certain circumstances.

Artio Global's portfolio managers will make allocation-related decisions based on a number of factors including cash availability and liquidity considerations, account investment horizons, investment objectives and guidelines; client-specific investment guidelines and restrictions; the ability to hedge using short sales, futures, options or other techniques; suitability requirements and the nature of investment opportunity; account turnover guidelines; different levels of investment for different strategies; tax sensitivity of accounts; relative sizes and expected future sizes of applicable accounts; availability of other appropriate investment opportunities; and minimum denomination, minimum increments, de minimis threshold and round lot considerations.

Suitability considerations can include the relative attractiveness of a security to different accounts; concentration of positions in an account; the appropriateness of a security for the benchmark and benchmark sensitivity of an account; an account's risk tolerance, risk parameters and strategy allocations; use of the opportunity as a replacement for a security Artio Global believes to be attractive for an account; considerations relating to hedging a position in a pair trade; and considerations related to giving a subset of an account's exposure to an industry. In addition, the fact that certain Artio Global personnel are dedicated to one or more funds, accounts or clients, may be a factor in determining the allocation of opportunities sourced by such personnel.

In addition to allocations of limited availability investments, the Adviser may, from time to time, develop and implement new investment opportunities or trading strategies, and these strategies may not be employed in all accounts (including Artio Global's proprietary funds) or pro rata among the accounts where they are employed, even if the strategy is consistent with the objectives of all accounts. Artio Global may make decisions based on such factors as strategic fit and other portfolio management considerations, including, without limitation, an account's capacity for such strategy, the liquidity of the strategy and its underlying instruments, the account's liquidity, the business risk of the strategy relative to the account's overall investment portfolio, and the lack of efficacy of, or return expectations from, the strategy for the account, and such other factors as Artio Global deems relevant in its sole discretion. For example, such a determination may, but will not necessarily, include consideration of the fact that a particular strategy will not have a meaningful impact on an account given the overall size of the account, the limited availability of opportunities in the strategy and the availability of other strategies for the account.

Allocation decisions among accounts may be more or less advantageous to any one account or group of accounts. As a result of these allocation issues, the amount, timing, structuring or terms of an investment by the Artio Global's mutual and commingled funds may differ from, and performance may be lower than, investments and performance of other Artio Global client accounts.

Artio Global may purchase or sell for the benefit of investment management clients securities in which Artio Global's affiliates have positions or an interest. Further, Artio Global does not intend to make investment decisions in any of these accounts opposing or ahead of investment decisions implemented for other clients. These types of accounts will be managed in the same manner as similar client accounts over which Artio Global has discretion.

## Item 7 – Types of Clients

Artio Global provides portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

In general, Artio Global does not accept separately-managed accounts, or groups of related separately-managed accounts, that have initial asset values of less than the amounts indicated in the table below. Artio Global may set a higher or lower minimum account size, depending on the circumstances.

Equity	Minimum Asset Size
International Equity I*	\$100 million
International Equity II	\$100 million
Global Equity	\$50 million
U.S. Equity Micro-Cap	\$20 million
U.S. Equity Small-Cap	\$20 million
U.S. Equity Mid-Cap	\$20 million
U.S. Equity Multi-Cap	\$20 million

*\* Mandate closed to new investors.*

Fixed Income	Minimum Asset Size
Global High Yield	\$50 million
Core Plus – TRB	\$50 million
Core Plus+	\$50 million

## Client Conflicts

Unless otherwise prohibited by a client, Artio Global does not restrict the ability of a client account to invest in a security solely because the security is issued by a company, or an affiliate of a company, that is also a client of or has a business relationship with Artio Global, or because a director or officer of the issuing company or an affiliate of the issuing company is a client or has another business relationship with Artio Global or its affiliates. As a result, the portfolio of one client may hold securities issued by another client. Moreover, a client's portfolio may hold securities of an issuer in which a director, officer or employee of Artio Global has an interest.

#### **Notice to Canadian Clients**

Artio Global's jurisdiction of formation is Delaware, USA. Consequently, Canadian clients may experience difficulty enforcing legal rights against Artio Global because it is resident outside of Canada and all or substantially all of its assets are situated outside of Canada. The name and address of the agent for service of process is:

##### **Alberta**

Borden Ladner Gervais LLP  
Centennial Place, East Tower  
1900, 520 - 3rd Avenue S.W.  
Calgary , Alberta  
T2P 0R3  
Attention: Angie Redecopp

##### **British Columbia**

Borden Ladner Gervais LLP  
1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, V7X 1T2  
Attention: Scott McEvoy

##### **Manitoba**

Aikins, MacAulay & Thorvaldson, LLP  
30<sup>th</sup> floor – 360 Main Street  
Commodity Exchange Tower  
Winnipeg, MB, R3C 4G1  
Attention: Richard L. Yaffe

##### **Ontario**

Borden Ladner Gervais LLP  
Scotia Plaza  
40 King Street West  
Toronto, ON, M5H 3Y4



Attention: Prema K. R. Thiele

### **Quebec**

Borden Ladner Gervais LLP  
1000 de La Gauchetière Street West, Suite 900  
Montréal, QC H3B 5H4, Canada  
Attention: Anick Morin

### **Australia**

Artio Global Management LLC and its affiliate, Artio Global Investors (Australia) LLC are exempt from the requirement to hold Australian financial services licenses under the Corporations Act 2001 in respect of the financial services they provide in Australia. Artio Global Management LLC is regulated by the U.S. Securities and Exchange Commission under U.S. laws, which differ from Australian laws.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Artio Global's Investment Principals and Portfolio Managers**

All investment decisions are made by investment professionals employed by Artio Global. Investment decisions for each investment strategy are made by the portfolio manager or managers for that strategy, working with a team of investment analysts. Artio Global generally employs persons who provide investment advice to clients only if those persons have demonstrated ability by previous employment in the securities industry, who have related financial and professional experience or who have advanced educational degrees in finance, economics or related fields.

Each Artio Global investment professional is entitled to participate in a discretionary bonus pool which is determined each year by taking into consideration, among other things, the firm's overall financial results. Additional factors considered in determining an investment professional's discretionary bonus include the professional's contribution to the team's investment performance, the revenues received in connection with the accounts managed by the team of which that professional is a part, the team's investment performance relative to the applicable benchmark, the investment professional's prior compensation, and competitive compensation within the industry. Each year, a portion of the discretionary bonus is automatically deferred over a three year period. For recipients other than the Management

Committee, the deferred amount is invested, in roughly equal amounts, in Artio Global Investors restricted stock units and one or more of the Artio Global Funds.

Artio Global's institutional sales professionals are entitled to non-discretionary compensation consisting of a percentage of the firm's revenues received during the first three years that we manage client assets attributable to each such professional.

Artio Global generally requires that employees have a business background commensurate with the experience needed to fulfill their respective functions. Artio Global does not have minimum education requirements for its advisory representatives.

### **Investment Strategies**

Artio Global offers investment strategies including International Equity, High Grade Fixed Income, Global High Yield, Global Equity and a series of US Equity strategies. Access to these strategies are offered through a variety of investment vehicles including separate accounts, commingled funds and SEC-registered mutual funds.

### **Allocation of Orders**

Artio Global maintains written allocation procedures that govern the allocation of investment opportunities among clients. Allocation decisions for all equity and fixed income securities may be based on the need to cause an account to be rebalanced to the desired weightings, or in connection with a funding or withdrawal from an account, the availability of cash, client guidelines and restrictions, cash in the account, cash targets for the portfolio, industry and sector weightings, the liquidity of the potential investment, internal position limits, local ownership limitations and minimum transaction requirements. The portfolio managers may also make allocation decisions based on the client's investment objectives, risk tolerance and portfolio characteristics.

Artio Global generally establishes a target allocation among participating accounts before placing an aggregated trade for securities purchased or sold pursuant to that order. If an aggregated order is filled only in part, the securities purchased or sold are generally allocated among participating client accounts in proportion to their target allocations.

Artio Global employs an order management system to model each order based on the total market value of accounts. The completed orders are allocated based on the original allocation

statement and model. Partially-filled orders may be allocated either on a pro-rata basis (based on the allocation target percentage), or on a random basis if the amount is deemed too small to allocate. Random allocation is generally utilized if the filled amount is less than ten percent of the original order.

It is not always possible to establish a target allocation for a particular transaction. For example, purchases of securities in most underwritten offerings, including IPOs. Artio Global believes that the opportunity to acquire securities in IPOs, particularly "hot issues," is made available by brokers and dealers in return for the brokerage commissions they receive from executing client transactions. As a result, Artio Global will acquire such securities for its client accounts when they are made available, and when the particular security would be appropriate for the account. Securities acquired in transactions for which no target allocation was established generally are allocated among client accounts eligible to participate in the transaction, in proportion to the size of the clients' accounts.

The minimum order size is established by Artio Global and is the same for all accounts managed in accordance with a particular strategy. Allocations to accounts during underwritten offerings that would be slightly less than the applicable minimum order size will generally be increased to the minimum size. As a result of the firm's trade processing and allocation procedures, a client account may receive more than one execution of a security in a single day. Although a client may incur an additional custodial expense as a result of these additional transactions, Artio Global believes that the cost is generally outweighed by the expected benefits of participating in aggregated transactions. Trades for fixed income securities are allocated at the time of the transaction on a pro-rata basis.

### **Aggregation of Orders**

Artio Global may group orders for several clients for execution in a single transaction in order to achieve efficiencies that may be available on larger transactions when it determines that investment decisions are appropriate for each participating account and consistent with the terms of the investment management agreement with each client. Artio Global will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution for its clients. When aggregating orders, no client is favored over any other client. Where an aggregate order may be executed in a series of transactions at various prices, each participating client's proportionate share of an order will reflect the average price paid or received with respect to the total order.

Artio Global typically attempts to aggregate trades in a particular security for multiple clients for execution as a single transaction. Trades for Artio Global and its affiliates, and accounts in

which one or more of them may have a significant interest, may be included in an aggregated trade with client accounts. The aggregation of trades generally results in lower commissions, more advantageous net prices, and/or more efficient execution of transactions.

### **Asset Allocation Vehicles**

In addition to factors such as investment guidelines, available cash, industry and sector weightings, and target allocation, Artio Global will consider the liquidity needs of asset allocation vehicles. For example, the Core Plus+ Strategy employs the Artio Global High Income Group Trust in order to obtain its high yield exposure. As this vehicle is exclusively used for allocation purposes, the portfolio manager will generally allocate more liquid investments to this trust than to other accounts, in order to facilitate the timely execution of asset allocation decisions.

### **Investment Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. Equity and global high yield strategies have demonstrated greater growth than high grade fixed income strategies over time. However, prices for equity and high yield securities may vary in response to company, market or economic news. There is no guarantee that a client's account will achieve its investment objective, or that a client's account will not lose value.

Certain stocks tend to vary in favor with investors over time and may underperform other asset types during given periods. A portfolio company may never achieve the earnings growth and stock price Artio Global anticipated. In addition, a company's stock price may never reach the level Artio Global considers its intrinsic value. If an account has a higher percentage of its total assets invested in a particular region, sector or industry, changes affecting that region, sector or industry may have a significant impact on the account.

Non-U.S. securities may be more volatile than U.S. securities and, as an asset class, may underperform U.S. stocks. Investments in non-U.S. securities (including, but not limited to, depositary receipts and participation certificates) are subject to additional risks including currency exchange rate fluctuation, less available public information about the issuers of securities, less stringent regulatory standards, lack of uniform accounting, auditing and financial reporting standards; and country risks including less liquidity, high inflation rates, unfavorable economic practices, and political instability.

The percentage of each account's assets invested in various industries and sectors will vary depending on the portfolio manager's perception of investment opportunities. Investments in

certain industries or sectors may be more volatile than others and the overall stock market. Consequently, a higher percentage of holdings in a particular industry or sector may have the potential for a greater impact on an account.

Investing in IPOs is risky and the prices of stocks purchased in IPOs tend to fluctuate more widely than stocks of companies that have been publicly traded for a longer period of time. The performance of an account may be affected by investments in IPOs. The impact of IPOs on performance depends on the strength of the IPO market and the size of the account. IPOs may significantly increase a small account's total return. However, a similar level of IPOs would have less impact on a large account. Stocks purchased in IPOs generally do not have a trading history and information about the companies may be available for very limited periods. Allocation procedures related to IPO investments are more fully described at the beginning of this section.

Among non-U.S. investments, emerging markets typically possess greater risk. The securities markets in these countries are generally more volatile and less liquid than in the developed markets. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war and ethnic, religious and racial conflicts. Emerging market countries are also more likely to experience high levels of inflation, deflation or currency devaluations, which could hurt their economies and securities markets. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth of companies in those markets. High levels of national debt also tend to make such markets heavily reliant on foreign capital and, therefore, vulnerable to capital flight. See also foreign exchange risks described below.

The value, price, performance and liquidity of participation certificates are all linked directly to an underlying security or securities, so that investing in participation certificates subjects the portfolios to the risks associated with an investment in the underlying equity security or securities. Investing in participation certificates exposes the portfolios to counterparty risk, which is the risk that the bank or broker-dealer that issues the certificate will not fulfill its contractual obligation to timely pay the holder the amount owed under the certificate.

Debt securities in which an account may be invested may be unrated or lower-rated, and may have a risk profile closer to that of an equity security. Compared to other debt securities, debt securities with the lowest investment grade ratings (often called "junk bonds") are considered to have speculative characteristics. On balance, debt securities that are below investment grade or unrated generally are considered predominately speculative with respect to the issuer's capacity to pay interest and repay principal according to the terms of the obligation and, therefore, carry

greater investment risk, including the possibility of default and bankruptcy. They are likely to be less marketable and more adversely affected by economic downturns than high quality debt securities. The accounts may invest in debt securities without considering the maturity of the instrument. Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities can be more sensitive to interest rate changes. As a result, changes in interest rates in the U.S. and outside the U.S. may affect the accounts' debt investments unfavorably.

The value of convertible securities will vary based on the perceived value of the equity security underlying the convertible security. Convertible securities are frequently issued with a call feature that allows the issuer to choose when to redeem the security, which could result in the accounts being forced to redeem, convert, or sell the convertible security under circumstances unfavorable to the accounts. In addition, if the value of the equity security underlying the convertible security declines enough, the convertible security is more likely to be valued as a debt security and subject the accounts to the risks of debt securities as described above.

Stocks of medium-sized companies tend to be more volatile and less liquid than stocks of large companies. Compared to large companies, medium-sized companies typically may have analyst coverage by fewer brokerage firms. For this reason, they are more likely to be trading at prices that reflect incomplete or inaccurate information. During some periods, stocks of mid-sized companies, as an asset class, have underperformed the stocks of small and large companies.

Stocks of small companies tend to be more volatile and less liquid than stocks of large companies. Compared to large companies, small companies typically may have analyst coverage by fewer brokerage firms. For this reason, they are more likely to be trading at prices that reflect incomplete or inaccurate information. Small companies may have a shorter history of operations, less access to additional financing, and a less diversified product line, making them more susceptible to market pressures and more likely to have a volatile stock price. During some periods, stocks of small companies, as an asset class, have underperformed the stocks of larger companies.

Artio Global also may purchase, on behalf of client accounts privately placed securities, swaps, notes and bonds issued by foreign governments, including countries with emerging securities markets. Artio Global may also invest in notes, baskets, or warrants which replicate the performance of an underlying security for which investment in the local market or in ADRs or GDRs would be difficult and/or costly.

## Derivative Transactions

Artio Global may enter into derivative transactions for its clients as long as such transactions are consistent with the client's guidelines.

Derivatives can be highly volatile and involve risks in addition to the risks of the underlying investment, index or rate. Derivatives involve special risks including correlation, counterparty, liquidity, operational and tax risks. Investing in derivatives also requires a specific skill set and may result in losses. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Derivatives can be complex instruments and can involve analysis that differs from that required for other investment types used on behalf of client accounts. If the value of a derivative does not correlate well with the particular market or other asset class the derivative is intended to provide exposure to, the derivative may not have the effect anticipated. Derivatives can also reduce the opportunity for gain or result in losses by offsetting positive returns in other investments. Derivatives can be less liquid than other types of investments. Derivatives allow a portfolio to increase or decrease the level of risk to which the portfolio is exposed more quickly and efficiently than transactions in other types of instruments.

Artio Global may use derivatives on behalf of client accounts for hedging purposes and non-hedging purposes to seek to enhance returns. Where permissible by the client guidelines, a derivative may be used for non-hedging if a client portfolio is seeking to achieve gains, rather than hedging risk. When derivatives are used for non-hedging purposes, the client's portfolio will be fully exposed to the risks of loss on that derivative, which may sometimes be greater than the derivative's cost. Artio Global may increase its use of derivatives in response to unusual market conditions.

Hedging is a strategy in which a derivative is used to offset the risks associated with portfolio holdings. For example, losses on the investment may be reduced by gains on a derivative that reacts in an opposite manner to the investment portfolio. While hedging can reduce losses, it can also reduce or eliminate gains or cause losses if the market moves in a manner different from that anticipated by Artio Global or if the cost of the derivative outweighs the benefit of the hedge. Hedging also involves correlation risk, *i.e.* the risk that changes in the value of the derivative will not match those of the holdings being hedged as expected by Artio Global's investment team. In such cases, any losses on the holdings being hedged may not be reduced or may be increased. The inability to close options and futures positions also could have an adverse impact the Artio Global's ability to hedge effectively client portfolios. There is also a risk of loss by a client portfolio of margin deposits or collateral in the event of the bankruptcy of

a broker with whom the Artio Global has an open position in an option, swap, a synthetic futures contract or a related option on behalf of a client account.

Non-U.S. equities accounts, with the exception of certain emerging markets, are likely to invest a significant portion of their assets in securities denominated in the Euro, so the exchange rate between the Euro and the U.S. dollar likely will have a significant impact on the value of a client's portfolio. In addition, non-U.S. securities are typically denominated and traded in non-U.S. currencies, while the accounts' assets are valued in U.S. dollars. The exchange rates between non-U.S. currencies and the U.S. dollar fluctuate continuously and is commonly referred to as currency risk. As a result, the values of the accounts' non-U.S. investments will be impacted by changes in currency exchange rates relative to the U.S. dollar.

Forward foreign currency contracts and currency futures may be used to hedge the currency risk associated with securities in the account and in connection with the settlement of transactions. Where there are cash balances in the portfolio, forward foreign currency transactions may also be used to maintain foreign currency exposure and for hedging to the benchmark. The manager may execute trades using a foreign exchange broker selected at Artio Global's discretion. Notes, baskets, or warrants may be used to replicate the performance of an underlying security or dividend for which investment in the local market or in ADRs or GDRs would be difficult and/or costly.

In certain markets, Artio Global may hedge to avoid or minimize the impact of fluctuating currency values, if Artio Global believes the portfolio is significantly exposed to a particular overvalued currency. There can be no guarantee that any hedging activity will be undertaken or, if undertaken, will be successful. Hedging activity or use of forward foreign currency contracts may reduce the risk of loss from currency revaluations, but also may reduce or limit the opportunity for gain. These actions also involve counterparty risk, which is the risk that the contracting party will not fulfill its contractual obligation to deliver the currency contracted for at the agreed upon price.

### **Other Investment Risks**

Artio Global may invest in countries that pose significant risks, including, without limitation, (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation, war or construction of trade barriers or other protectionist measures in such countries; (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of governmental, market, exchange and other restrictions on capital movements, which may make it difficult or impossible to exchange or repatriate foreign currency; (iv) the risk of inadequate or developing legal systems in some countries reducing Artio Global's ability to obtain recourse or otherwise



protect its investments; (v) the risk of inadequate financial information and accounting and auditing standards and controls limiting Artio Global's ability to assess investment opportunities and monitor investments; (vi) the risk of pollution-related liabilities arising out of historically poor environmental controls and the inability to determine the extent of legal responsibility for, and size of, such potential liabilities; and (vii) the risk that regulations may prevent the companies that Artio Global selects from implementing strategies to produce expansion, to reduce costs, to improve operations or otherwise to enhance their securities' value. These risks are generally greater for investments in companies and governments located in emerging market countries. Artio Global will evaluate these risks on a country-by-country basis; and, Artio Global will only allocate such investments to those accounts which have the appropriate risk return characteristics and that have the proper sub-custodian arrangements established. Further, Artio Global will not allocate such investments to clients if Artio Global determines that such investments fall outside a client's stated guidelines.

### **Northern Trust**

Artio Global has engaged The Northern Trust Company to provide Investment Operations Outsourcing services for a fee. These services include transaction and cash processing, entitlements, client reporting, reconciliations, performance measurement, etc. In addition, Northern Trust provides certain foreign exchange transaction services described under "Foreign Exchange Transactions" below.

### **Foreign Exchange Transactions**

Artio Global is required to enter into foreign exchange transactions in order to facilitate the purchase and sale of portfolio securities of companies whose shares are traded, and denominated, in the currency of a foreign country. For separately managed accounts, Artio Global generally processes its foreign exchange transactions through Northern Trust. For fixed income mandates, foreign exchange transactions are generally executed by Artio Global's fixed income managers. In addition, Artio Global has internalized spot foreign exchange transactions for certain of its proprietary mutual funds.

On a daily basis for international equity mandates, Northern Trust nets transactions across separately managed accounts with orders supplied to Northern Trust Foreign Exchange Services ("NTFXS") for execution. Because of the overriding requirement to settle the underlying securities transactions, NTFXS has a limited execution window within which to execute these orders. As a result, NTFXS is constrained in its ability to delay the execution of such orders based on expectations of market movements and other technical factors that may impact such trading. In this capacity, NTFXS acts as principal by executing an order for the net

of these transactions at the then prevailing inter-bank bid and ask rates as quoted by Reuters. As principal, NT could earn a spread or realize a loss on such transactions. Further, it is possible that foreign exchange transactions facilitated through Northern Trust may be better or worse than those effected by Artio Global's own trading desk.

Transactions executed with counterparties other than the client's custodian or sub-custodian may not be possible or advisable due to market limitations or limitations of the custodian given the potential for increased settlement risks in certain markets. Foreign exchange transactions related to corporate actions and equity settlements in those markets are conducted through standing instructions with the client's custodian. These markets will change from time to time but, as of 31<sup>st</sup> March 2012, include Brazil, South Korea, India, Indonesia, Bulgaria, Lithuania, Philippines, Thailand and Malaysia.

Arrangements related to standing instructions, including but not limited to pricing, are generally effected pursuant to the terms of the client's custody agreements. Artio Global is not a party to these custody agreements and assumes no responsibility for the oversight of such services. A client may not receive the same price as other clients within the same investment strategy or the price that could have been received if the foreign exchange transaction had been executed with a different counterparty.

Depending on client guidelines, portfolio managers at Artio Global may engage in transactions to hedge currency risks and to establish long currency positions typically by employing forward contracts including non-deliverable forwards. These contracts typically have maturities ranging from one month to one year.

### **Shareholder Activism**

Artio Global's investment teams generally do not invest in companies in which they believe assuming an activist role will be necessary to achieve their desired investment results. As a result, Artio Global typically does not take what the firm would consider to be an activist role in prompting a company to make changes in its operations, management or other changes. However, members of Artio Global's investment teams periodically communicate with management at companies in which the firm invests, which may include discussions of ideas about the companies' prospects or strategies. The firm may also communicate with a company's board of directors or members of a company's advisory board. In some circumstances, Artio Global might actively participate in a shareholder meeting (including submitting an item for inclusion on the agenda of a meeting) or otherwise act in a public manner to communicate an investment team's views about a particular company's business strategy.

Artio Global's clients, either within a particular investment strategy or together with Artio Global's clients in other investment strategies, may from time to time have a position in the securities of a portfolio company that is large enough to require reporting to the issuer or regulators, or both, under applicable authorities. Those reports are typically publicly available.

Artio Global's hedge fund strategy may take activist-oriented positions. In such cases, the portfolio manager may participate on restructuring, recapitalization or other creditor committees. Participation on such committees will typically result in restrictions of affiliated securities.

### **Class Actions**

Although class action matters are generally the responsibility of a client's custodian, Artio Global utilizes Securities Class Action Services, a service of Institutional Shareholder Services, to research security class actions and take the necessary steps to involve Artio Global when appropriate. Artio Global will provide any information in the firm's possession that a client reasonably requests to assist the client, its custodian, its primary adviser (in the case of clients for which Artio Global is sub-adviser) or administrator in submitting a claim. Unless otherwise specifically agreed with a client, Artio Global does not file claims for clients other than Artio Global Funds. Artio Global does not decide on behalf of a client, or recommend any decision to a client, as to whether a client should submit a claim or opt out of a settlement. Artio Global does not generally act (for itself or on behalf of clients) as lead plaintiff because Artio Global believes that the time commitment that could be required from members of the investment team is better spent managing client portfolios.

### **Errors**

Artio Global attempts to execute all transactions accurately and to comply with all client restrictions and guidelines, but errors occur from time to time. At least one senior member of Artio Global's management who is not part of the portfolio management process reviews each error to determine if a client has suffered a loss as a result of the error, and the course of action to be taken. In some circumstances, corrective action may not be necessary or appropriate. In other circumstances, Artio Global may take action to return the client's account to the position it would have been in but for the error, at Artio Global's expense. In addition, with respect to trade errors, Artio Global may refer to each client's investment management agreement for the applicable standard of care.

### **Valuation of Portfolio Securities**

In maintaining its own books and records, Artio Global generally values each portfolio security at the security's fair market value on the basis of quotations furnished by a pricing service or provided by securities dealers.

In compliance with FAS 157, Artio Global has established a hierarchy to distinguish between market participant assumptions based on market data obtained from sources independent of Artio Global (observable inputs), and Artio Global's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The use of unobservable inputs is intended to allow for situations in which there is little market activity for an asset at the measurement date. Within this value hierarchy there are three levels: Level 1 valuations are based on an asset's actual market price; Level 2 valuations are performed when there are no quoted prices available, and are derived from observable inputs; Level 3 valuations are based on significant unobservable inputs, including Artio Global's own assumptions and judgments in determining prices. Market prices are generally not readily available for Level 3 securities.

Artio Global does not maintain any client's official books and records but maintains its own records of transactions in and holdings of client accounts that are the basis of Artio Global's performance reporting to clients and, except to the extent Artio Global and a client otherwise agree, the basis for calculating Artio Global's fees.

Equity investments are generally valued using the last sale price or official closing price taken from the primary market in which each security trades, or if no sales occurred during the day, at the mean of the current quoted bid and asked prices. Fixed income securities are generally valued using prices provided by independent third party pricing services or from one or more broker dealers or market makers. Our fixed income pricing vendors may use valuation models or matrix pricing, which considers yield or price with respect to comparable bonds, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, to determine current value.

When market quotations are not readily available, or if Artio Global believes that such market quotations do not accurately reflect fair value, a security's fair value is determined in good faith in accordance with valuation procedures approved by Artio Global. The firm applies a risk adjusted approach to assessing fair value which includes: (1) the review of positions that break tolerance percentages for each asset class; (2) for mutual funds and the commingled funds, the review of positions for which the market value changes for a given day impacts a fund's NAV by more than \$.005 per share; (3) benchmarking of each fund's NAV to its relative index.

In this regard, Artio Global's Pricing Committee has been established to provide oversight over the generation of accurate NAV calculations, reasonable fair value determinations, and adherence to the firm's Valuation Procedures.

### **Measuring Investment Performance**

Artio Global provides each client (except for certain investment company clients) at least quarterly a report showing the investment performance achieved in the client's account. Artio Global also calculates composite returns for each of its investment strategies that the firm uses in marketing its services to prospective clients and may provide to existing clients. Artio Global reports performance in compliance with the Global Investment Performance Standards (GIPS®). The GIPS are guidelines that promote uniformity in reporting investment performance. The standards allow investors to compare the performance of different investment managers. Artio Global retains an independent verification firm, Ashland Partners & Co., LLP to annually verify compliance with the composite construction requirements of GIPS on a firm-wide basis and to examine the processes and procedures regarding our calculation and presentation of performance results in accordance with GIPS.

Returns presented in accordance with GIPS are stated gross and net of investment management fees and include dividends and interest, realized and unrealized gains or losses, and transaction costs. Securities transactions are accounted for on the trade date and accrual accounting is utilized. The number of accounts comprising the composite, composite assets, percentage of the composite assets to total firm assets and the standard deviation of returns within the composite are presented.

### **Account Statements**

Artio Global provides clients (other than investment company clients), at least quarterly, a calculation of investment performance, a statement of assets in the account, and a transaction report covering the reporting period. Artio Global will furnish any additional or supplemental reports a client may reasonably request. Investment company clients of Artio Global receive reports as requested by their boards or as required by the Investment Company Act of 1940, as amended. All separately managed account clients as well as those invested in our commingled vehicles are provided transaction summaries and monthly security positions statements. Mutual fund clients receive information from the transfer agent or their intermediary.

On a quarterly basis, the portfolio manager prepares a written portfolio strategy paper explaining the reasons for the latest quarter's performance and an outlook as to expected developments in their respective markets.

## **Compliance Testing**

For purposes of testing compliance with each strategy's investment restrictions, Artio Global considers an issuer to be from the country designated by its securities information vendors. Artio Global uses the same country assignments employed in the creation of the MSCI Inc. indexes. The vendor's criteria currently include the jurisdiction of the issuer's incorporation, the main equity trading market for the issuer's securities, the geographical distribution of the issuer's operations and the location of the issuer's headquarters. Because those characteristics may not point to the same country, a company may be classified as a non-U.S. company even if it is organized, trades or has business operations in the U.S. Similarly, a company may be classified as a U.S. company even if it is organized, trades or has business operations outside of the U.S.

In the event Artio Global's information vendors do not assign a security to a particular country or if the published classification appears to be clearly erroneous, Artio Global assigns the security to a country using internal written criteria (available upon request) or, where a situation is not addressed by such criteria, Artio Global's own judgment. Country designations may change over time.

Also for the purpose of testing compliance with each strategy's investment restrictions, Artio Global assigns portfolio securities to a particular sector and industry in accordance with the sector and industry classifications of the Global Industry Classification Standard (GICS) developed by MSCI and Standard and Poor's (available upon request) as a primary source for this information. In the event Artio Global's securities information vendors do not classify a security to a particular sector or industry or if the published classification appears to be clearly erroneous, Artio Global classifies the security using internal written criteria that takes into account the company description and other publicly available information about the company's peer group. Sector and industry classifications may change over time.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Artio Global or the integrity of the management team at Artio Global. Artio Global currently has no legal or disciplinary events reportable under this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Artio Global is registered as a Commodity Pool Operator and a Commodity Trading Advisor. Artio Global's affiliate, Artio Global Institutional Services LLC ("AGIS is a limited purpose broker-dealer and is responsible for the marketing and promotion of certain privately offered funds that are sponsored and advised by Artio Global. As a limited purpose broker-dealer, AGIS will not be authorized to execute equity or fixed income transactions, or to custody or safe-keep client assets.

### **Other Responsibilities of Registrant's Principal Executive Officers**

Certain officers and employees of Artio Global have other professional responsibilities within the organization with regard to entities related to Artio Global to which they may allocate a substantial portion of their time.

### **Relationships with Investment Consultants**

Artio Global may, from time to time, have business relationships with organizations that are, or that are affiliated with organizations that are, investment consultants. Artio Global may from time to time purchase certain index data and/or investment manager performance data and associated services from certain of those consulting firms.

From time to time, Artio Global also may engage one or more of those consultants to perform consulting services with respect to specific matters relating to Artio Global's business. In addition, Artio Global's marketing and client service professionals call on and may occasionally entertain or make gifts (within certain limits as more fully set forth in the firm's Gifts and Entertainment Policy) to representatives of investment consulting firms in the process of soliciting new business and providing services to existing client relationships.

Artio Global and/or its employees may also make charitable contributions to organizations associated or affiliated with clients and/or investment consultants. Those consultants may provide services to clients of Artio Global and/or investors in the shares of investment companies to which Artio Global serves as investment adviser. Such services may include, but are not limited to, assisting in the selection of investment advisers to manage their clients' assets and assisting in the selection of investment companies to serve as investment options for their clients.

Artio Global may also provide cash or noncash support for educational, training, marketing and other events sponsored by consulting firms who may or may not specifically recommend Artio Global's services to clients. Artio Global has not paid any investment consultant, directly or

indirectly, to be included in a client's investment manager search or in return for any client mandate.

### **Participation in Client Transactions**

From time to time, clients of Artio Global and/or Artio Global affiliates may purchase interests in investment funds, limited partnerships, or trusts in which Artio Global or a related person may act as the general partner (or in a similar capacity) (collectively, "Related Funds"). The officers, employees and related persons of Artio Global are and may be directors, officers, or employees of, and hold and may hold equity or performance fee interests in, Related Funds and the general partners (or other entities acting in a similar capacity) of Related Funds.

Artio Global makes every effort to act in the best interest of its clients, consistent with Artio Global's fiduciary duty and consistent with principles of fair dealing. In such cases, Artio Global will engage in such transactions to the extent permitted by, and in accordance with the requirements (including disclosure, client consent and reporting requirements) of, the laws and regulations applicable (e.g., the Employee Retirement Income Security Act of 1974 ("ERISA"), the Advisers Act, the Investment Company Act of 1940, the Securities Exchange Act of 1934, and state law as applied to trusts and government funds) in the particular situation in light of (a) the type of transaction (e.g., principal transactions, agency brokerage transactions, purchases in underwritings, open market purchases of securities issued by related persons), and (b) the nature of the client account (e.g., ERISA, non-ERISA, investment company). Artio Global does not exercise its discretion on behalf of its clients to engage in principal transactions nor place brokerage transactions with such related persons except as outlined above. Portfolio transaction decisions for its clients are made independently by Artio Global and are not based upon the interests of a related person and are made in accordance with the Artio Global Code of Ethics. No client is required by Artio Global to enter into a relationship with a related person as a condition to the establishment or continuation of an advisory relationship.

Neither Artio Global nor any Artio Global officer or director, as a broker or agent, effects securities transactions for compensation for any client.

### **Participation in Privately Offered Investment Vehicles**

Artio Global, its affiliates, officers and employees may individually participate in privately offered investment vehicles in which clients are solicited to invest. Artio Global or its affiliates may act as adviser or general partner (or in a similar capacity) to these investment vehicles, may receive management fees and may participate in any profits generated by these investment vehicles. Participation by affiliates, officers and employees in such investments on such terms and the receipt of such compensation may be an incentive for such employees to devote an



increased amount of time to the management of such vehicles to the detriment of other client account or investment vehicles.

## **Item 11 – Code of Ethics**

Artio Global has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to personal securities trading procedures, among other things. All supervised persons at Artio Global must acknowledge the terms of the Code of Ethics annually, or as amended. Artio Global has also adopted a Gifts and Entertainment Policy that imposes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items.

Artio Global anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Artio Global has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Artio Global, its affiliates and/or clients, directly or indirectly, have a position of interest. Artio Global's employees and persons associated with Artio Global are required to follow Artio Global's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Artio Global and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Artio Global's clients.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Artio Global will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interest of Artio Global's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics in order to reasonably prevent conflicts of interest between Artio Global and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Artio Global's obligation of best execution. In such

circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Artio Global will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Artio Global employees are not permitted to buy or sell, directly or indirectly, any covered security within seven calendar days before or after an advisory client's transaction in the same security. Under the Code, our employees have a duty to put the interests of our clients ahead of their own, as set forth in the Code. Artio Global will provide a copy of the Code to any client or potential client upon request or as required by applicable law. Artio Global's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer, Donald Delano.

### **Insider Trading Restrictions**

Artio Global has written policies designed to prevent the misuse of material nonpublic information. The operation of these policies and of applicable securities laws may prevent the execution of an otherwise desirable transaction in a client account if Artio Global believes that it is or may be in possession of material non-public information regarding the security that would be the subject of that transaction. For example, employees of Artio Global may participate on bond or shareholder committees where they may come into possession of material non-public information. Artio Global has adopted procedures reasonably designed to comply with statutory and regulatory obligations as well as avoiding situations that might create the appearance of impropriety.

Artio Global may invest in both loan and bond instruments. Artio Global, as an investor in loan instruments, may receive confidential information which may raise conflicts of interest since the same person who has access to confidential information as a loan investor may also be making investment decisions in that issuer's publicly traded securities. In an effort to mitigate this risk, Artio Global has adopted procedures reasonably designed to ensure that either (i) members of the investment team do not become aware of information containing material non-public information, or (ii) should a member of the investment team elect to receive such information, Artio Global will refrain from trading the issuer's public securities.

Unless pursuant to a regulatory exemption, Artio Global will not conduct principal or agency cross transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. For example, a principal transaction may arise when a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## **Item 12 – Brokerage Practices**

### **Selection of Brokers and Dealers to Effect Client Transactions**

Artio Global's primary objective in effecting portfolio transactions is to obtain the best combination of net price and execution under the circumstances. The best net price, giving effect to brokerage commissions, if any, and other transaction costs, is normally an important factor in this decision, but a number of other factors may also enter into the decision. These include:

- Artio Global's knowledge of negotiated commission rates currently available and other current transaction costs;
- the nature of the security being traded;
- the size and type of the transaction;
- the desired timing of the trade;
- the activity existing and expected in the market for the particular security;
- confidentiality, including trade anonymity;
- the broker's or dealer's execution, clearance and settlement capabilities, including its flexibility in completing step-out transactions;
- Artio Global's knowledge of the financial stability and operational capability of the broker or dealer selected; rebates of commissions by a broker or dealer to a client or to a third party to pay a client's expenses;

- whether executing the trade through an electronic communication network (“ECN”) can provide a better combination of net price and execution; and
- Artio Global's knowledge of actual or apparent operational problems of any broker or dealer considered.

To the extent more than one broker or dealer is capable of providing best execution, based on the factors listed above, Artio Global may take into account whether the broker or dealer provides the firm with research products or services, and the value of such products or services. Recognizing the value of those factors, Artio Global may cause a client's account to pay a brokerage commission in excess of that which another broker or dealer might have charged for effecting the same transaction. Artio Global maintains and periodically updates a list of approved brokers and dealers that, in Artio Global's judgment, generally are able to provide best net price and execution after taking into consideration the factors noted above. Evaluations of the services provided by brokers and dealers, including the reasonableness of brokerage commissions based on the foregoing factors, are made on an ongoing basis by Artio Global's staff while effecting portfolio transactions.

Artio Global has adopted policies and procedures that are reasonably designed to prevent: (1) the persons responsible for selecting brokers and dealers to effect transactions in portfolio securities (for example, trading desk personnel) from taking into account, in making those decisions, brokers' and dealers' promotional or sales efforts on behalf of Artio Global's mutual fund advisory clients; and (2) Artio Global from entering into any agreement or other understanding under which they direct or are expected to direct brokerage transactions or revenue generated by those transactions to a broker or dealer to pay for distribution of shares of its mutual fund advisory clients. As part of such policies and procedures, Artio Global's staff conducts periodic testing to determine if any significant correlation exists between the sales of Artio Global Funds shares by a broker or dealer and the direction of brokerage transactions on behalf of Artio Global Funds portfolios to that broker or dealer (or an affiliate).

Certain clients of Artio Global may have restrictions prohibiting the execution of transactions through one or more designated brokers or dealers. As a result, Artio Global might be required to separate the client's transaction from the aggregated transactions for other clients and send the client's transaction for execution to a different broker or dealer. A client transaction being executed separately as a result of the client's restriction may be executed at the same time as the aggregated transactions or after the aggregated transactions for all other Artio Global clients are completed, either of which is likely to result in the restricted account receiving a higher or lower price for the trade than other clients.

## **Research Products and Services Received by Artio Global**

When selecting a broker or dealer or an ECN to execute a particular trade , Artio Global may consider, among other factors, the value of research products or services furnished to Artio Global or its affiliates by those organizations. The types of research products and services that may be received include: research reports, subscriptions to financial publications and research compilations; investment ideas; access to the broker's or dealer's traders and analysts; access to conferences; access to management teams of companies with which the broker or dealer has a relationship; research-oriented computer software and services; compilations of securities prices, earnings, dividends and similar data; quotation services; and services related to economic and other consulting services. When these items are received in return for client brokerage, it relieves Artio Global or its affiliate of the expense it would otherwise bear of paying for those items with its own funds, which may provide an incentive to Artio Global to select a particular broker or dealer or ECN that will provide it with research products or services. However, Artio Global chooses those brokers and dealers it believes are able to provide the best combination of net price and execution in each transaction.

Artio Global's use of client brokerage to acquire research products and services is intended to qualify for the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and may involve payment of agency commissions, compensation on certain riskless principal transactions, and any other securities transactions the compensation on which qualifies for safe harbor treatment.

In some instances, Artio Global may have an agreement or understanding with the broker or dealer or ECN that Artio Global will direct brokerage transactions to that broker or dealer or ECN generating not less than a stated dollar amount of commissions. In those instances, the obligations of Artio Global pursuant to that agreement or understanding may, in some transactions, be an important or determining factor in the selection of a broker or dealer or ECN, even if another broker or dealer or ECN might execute the same transaction on comparable terms. Artio Global enters into such an agreement with a broker or dealer only if, in the judgment of Artio Global, the benefits to its clients of the research products and/or services provided outweigh any potential disadvantages to clients and is consistent with our obligation to provide best execution . In other instances, Artio Global may have no such agreement or understanding with a broker or dealer that provides research. Artio Global identifies those brokers and dealers that have provided it with research products or services and the value of such research products or services. The firm directs commissions generated by its clients' accounts in the aggregate to those brokers and dealers to ensure the continued receipt of research products and services Artio Global believes are useful.

Research services furnished by brokers or dealers through which Artio Global effects securities transactions may be used in servicing all accounts managed by Artio Global. Conversely, research services received from brokers or dealers that execute transactions for a particular account will not necessarily be used by Artio Global specifically for the benefit of that account.

The portion of the costs of such products or services attributable to research usage may be defrayed by Artio Global through brokerage commissions generated by client transactions. Artio Global pays the portion of the costs attributable to non-research usage of those products or services, which includes, among other things, computer terminals or certain security level data, from its own resources.

Artio Global may use research products or services provided by brokers or dealers or ECNs in servicing Artio Global's accounts (if any) and the accounts of any or all of its clients managed by the investment team(s) that uses the research products or services. Artio Global may also participate in client commission arrangements under which Artio Global may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of commission credits to another firm that provides research to Artio Global. The research services received as part of client commission arrangements will be managed in a manner intended to comply with Section 28(e). Participating in commission sharing and client commission arrangements may enable Artio Global to consolidate payments for research through one or more channels using accumulated client commissions or credits from transactions executed through a particular broker or dealer to obtain research provided by other firms. Such arrangements also help to ensure the continued receipt of research services while facilitating best execution in the trading process.

The research products and services received by Artio Global include both third-party research (in which the broker or dealer provides research products or services prepared by a third party) and proprietary research (in which the research products or services provided are prepared by the broker or dealer providing them). Artio Global uses only a limited percentage of its client brokerage dollars for soft dollar commitments for third-party research, but uses a greater percentage to acquire proprietary research.

### **Directed Brokerage and Commission Recapture Programs**

The nature and number of the securities in which Artio Global invests requires the use of a large number of brokers and dealers over a wide geographic area, including many local and regional firms. Artio Global requires discretion to select the broker or dealer or other counterparty to be used in each transaction. Some clients participate in commission recapture programs, in which a broker-dealer executes transactions for that client in return for that business. The broker-dealer

then pays the client a cash rebate, provides products or services to the client, and bears some of the client's expenses, or provides some other kind of benefit to the client.

Artio Global generally will agree to manage an account which participates in a commission recapture program only to a limited extent. Artio Global tries to provide equitable opportunities to recapture commissions to all clients participating in each of the firm's investment strategies, subject to: (i) differences that may result from cash flows into or out of an account; and (ii) Artio Global's ability to locate a suitable brokerage firm willing to facilitate commission recapture, particularly on trades involving securities traded outside the United States.

Artio Global may use step-outs to direct commissions to a broker or dealer that has provided research services to Artio Global and provides clearing and settlement services in connection with a transaction. It is often the case that clients' "recapture brokers" are not brokers Artio Global would otherwise use for execution of portfolio transactions. As a result Artio Global may utilize step-outs when possible to cause a client's recapture broker or dealer to participate in clearance and settlement of transactions in return for a share of the commissions on those transactions. In a step-out, Artio Global directs a transaction to one broker or dealer for execution, with settlement to be handled by the recapture broker or dealer and the recapture broker or dealer receiving the commission on the transaction. If the arrangements described in this section are not possible (or not possible to an extent sufficient to satisfy the client's direction) Artio Global may be unsuccessful in meeting the client's recapture goals.

### **Distribution Platforms**

Artio Global may pay a fee for the marketing and distribution services provided by certain distribution platforms in connection with the sale of shares of Artio Global Investment Funds and the Artio Global Equity Fund Inc. (collectively the "Artio Global Funds"). This fee is typically a percentage of the value of the shares of Artio Global Funds held by investors through investment accounts with such platforms. Artio Global also may occasionally pay business entertainment expenses or make gifts (within certain strict limits as more fully set forth in the firm's Gifts and Entertainment Policy) to representatives of those organizations, and may also provide cash or non-cash support for educational, training, marketing and other events.

### **Item 13 – Review of Accounts**

Artio Global examines client portfolios on a regular basis. Particular attention is paid to client investment, and regulatory guidelines. The investment teams seek to obtain superior, risk

adjusted long-term performance through the application of dynamic sector and fundamental analysis. Artio Global's Legal & Compliance Department is responsible for generating daily post-trade compliance reports that are designed to ensure adherence with client guidelines and restrictions. Client portfolio reviews are also conducted by the Chief Investment Officer as well as members of the portfolio management team responsible for that client portfolio

Artio Global provides clients (other than investment company clients), no less frequently than quarterly, a calculation of investment performance, a statement of assets in the account, and a transaction report covering the reporting period. Artio Global will furnish any additional or supplemental reports a client may reasonably request. Investment company clients of Artio Global receive reports as requested by their boards or as required by the Investment Company Act of 1940, as amended. All separately managed account clients as well as those invested in our commingled vehicles are provided transaction summaries and monthly security positions statements. Mutual fund clients receive information from the transfer agent or their intermediary.

On a quarterly basis, the portfolio manager prepares a written portfolio strategy paper explaining the reasons for the latest quarter's performance and an outlook as to expected developments in their respective markets.

## **Item 14 – Client Referrals and Other Compensation**

### **Referral Fees**

Artio Global does not currently have any referral fee agreements with non-employee solicitors or agents.

### **Supplemental Payments**

With regard to Artio Global Funds, Artio Global as investment adviser to the Artio Global Funds may pay from its own resources compensation for investor servicing including handling potential investor questions, assistance in the enhancement of relations and communications with shareholders, assisting in the establishment and maintenance of shareholder accounts and providing such other services that in Artio Global's view will assist investors in establishing and maintaining a relationship with the Artio Global Funds.

Artio Global may make payments from its own resources to key mutual fund processing organizations who are holders or dealers of record for accounts in the Artio Global Funds. A processing organization's marketing support services may include business planning assistance,



educating processing organization personnel about the Fund. Artio Global compensates processing organizations differently depending upon, among other factors, the level and/or type of marketing support provided by the processing organization. In the case of any one processing organization, marketing support payments, with certain limited exceptions, will not exceed 0.25% of the total net assets of the Artio Global Funds attributable to the processing organization on an annual basis.

Artio Global also may make payments from its own resources to certain processing organizations who sell the Artio Global Funds shares through programs such as retirement plan programs, qualified tuition programs or bank trust programs. A processing organization may perform program services itself or may arrange with a third party to perform program services. In addition to participant record keeping, reporting, or transaction processing, retirement program services may include services related to administration of the program (such as plan level compliance, audit, account reconciliation, etc.), or participant record keeping, reporting and processing.

From time to time, Artio Global, at its own expense, may provide additional compensation to processing organizations, which sell or arrange for the sale of shares of the Artio Global Funds. Such compensation provided by Artio Global may include financial assistance to processing organizations that enable Artio Global to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other processing organization-sponsored events. Other compensation may be offered to the extent not prohibited by state laws or any self-regulatory agency, such as FINRA. Artio Global makes payments for events it deems appropriate, subject to Artio Global guidelines and applicable law. These payments may vary depending on the nature of the event.

## **Item 15 – Custody**

Artio Global does not safe-keep or otherwise act as a custodian of client assets. However, Artio Global or a related person may act as the general partner (or in a similar capacity) of an Artio sponsored limited partnerships or as the trustee of a trust.

Clients should receive, at least quarterly, statements from the broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Artio Global urges our clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Artio Global's statements may vary from

custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Artio Global typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Artio Global observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Artio Global's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Artio Global in writing.

#### **Item 17 – Voting Client Securities**

When making proxy voting decisions, Artio Global generally adheres to proxy voting guidelines that set forth Artio Global's proxy voting positions on recurring issues and criteria for addressing non-recurring issues. Artio Global believes the guidelines, if followed, generally will result in the casting of votes in the best economic interests of clients. The guidelines are based on research and analyses provided by the proxy administration and research service engaged by Artio Global, currently Institutional Shareholder Services ("ISS") as well as Artio Global's own research and analyses.

If a client has a proxy voting policy that it has delivered to Artio Global and has directed Artio Global to follow that policy without using Artio Global's discretion, Artio Global will vote proxies solicited by or with respect to the issuers of securities held in that client's account in accordance with that policy.

The guidelines are not exhaustive and do not include all potential voting issues. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when Artio Global votes contrary to its general guidelines. In addition, due to the varying regulations, customs and practices of non-U.S. countries, Artio Global may vote contrary to

general guidelines when Artio Global believes its guidelines would result in a vote inconsistent with local regulations, customs or practices.

In the following circumstances Artio Global may not vote a client's proxy:

- The client has directed Artio Global not to vote on its behalf.
- Artio Global has concluded that voting would have no identifiable economic benefit to the client as a shareholder, such as when the security is no longer held in the client's portfolio or when the value of the portfolio holding is indeterminable or insignificant.
- Artio Global has concluded that the costs of or disadvantages resulting from voting outweigh the economic benefits of voting. For example, in some non-U.S. jurisdictions, the sale of securities voted may be legally or practically prohibited or subject to some restriction for some period of time, usually between the record and meeting dates ("share blocking"). Artio Global believes that the loss of investment flexibility resulting from share blocking generally outweighs the benefit to be gained by voting. Information about share blocking is often incomplete or contradictory. For example, client custodians may effectively restrict transactions even in circumstances in which Artio Global believes that share blocking is not required by law. Further, Artio Global relies on custodians and on its proxy service provider to identify share blocking jurisdictions. To the extent such information is wrong, Artio Global could fail to vote shares that could have been voted without loss of investment flexibility, or could vote shares and then be prevented from engaging in a potentially beneficial transaction.
- Artio Global generally does not have the ability to vote shares held in a client's account unless the client, in conjunction with the client's custodian, has fulfilled these requirements. For example, in some non-U.S. jurisdictions, a sub-custodian bank (record holder) may not have the power to vote shares, or may not receive proxy ballots in a timely fashion, unless the client has fulfilled certain administrative requirements (for example, providing a power of attorney to the local sub-custodian bank), which may be imposed a single time or may be periodic.
- Proxy votes in certain emerging market jurisdictions may be withheld by the sub-custodian of a client or fund due to local regulation or practice.
- The client, as of the record date, has loaned the securities to which the proxy relates. For most clients, Artio Global is unable to vote shares that are on loan. Artio Global generally does not attempt to have securities on loan recalled in order to vote.

Artio Global has engaged ISS as its proxy service provider to:

- make recommendations to Artio Global of proxy voting policy for adoption by Artio Global;
- perform research and make recommendations to Artio Global as to particular shareholder votes being solicited;
- perform the administrative tasks of receiving proxies and proxy statements, marking proxies as instructed by Artio Global and delivering those proxies;
- retain proxy voting records and information; and
- report to Artio Global on its activities.

The proxy service provider does not have the authority to vote proxies except in accordance with standing or specific instructions given to it by Artio Global. Artio Global retains final authority and responsibility for the voting of proxies unless client has retained it. For non-U.S. companies, there may be little or no information available on matters to be voted on. In those circumstances, Artio Global generally follows the recommendation of its proxy service provider. The firm's proxy voting policies and voting summaries are available upon request.

It is possible that certain proxy voting proposals may raise conflicts between the interests of Artio Global's clients and the interests of Artio Global and its employees. Artio Global's Proxy Voting Working Group is responsible for seeking to identify proxy voting proposals that present a conflict of interest. If the Proxy Voting Working Group identifies such a proposal, the Group will decide whether it presents a material conflict of interest. In addition, Artio Global monitors ISS procedures to monitor its own conflicts of interest. To obtain a copy of Artio Global's proxy voting policy or proxy voting results for your account, please contact an Artio Global client service representative.

Clients may obtain a copy of Artio Global's complete proxy voting policies and procedures upon request.

Unlike proxy voting for equity securities, for votes related to restructurings and reorganizations of issuers of fixed income securities, Artio Global relies solely on its own research. Portfolio managers attempt to cast such votes in the best economic interests of the clients.

## **Item 18 – Financial Information**

Artio Global has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.