

# Boundless and Borderless

*One of the tenets of the Artio Global Equity Fund is to apply different tactics to different regions and industries. With a consistent bottom-up approach within developed markets and a top-down methodology within emerging markets, portfolio manager Keith Walter goes beyond style definitions and category limitations to identify fundamental nuances that contribute to the strategy's diversification and flexibility.*

## **What can tell you us about the evolution of your company and its goals under the newly adopted name?**

Artio Global Management is a subsidiary of Artio Global Investors and we provide investment management services to retail clients through our mutual funds and institutional clients through separately managed and commingled accounts. We are still a wholly-owned subsidiary of the Zurich-based Julius Baer Group, which was founded in 1890. In June of last year, we changed our name from Julius Baer Americas to the Artio brand.

Artio Global Management is an SEC registered investment advisory firm headquartered in New York. Although our name changed, our portfolio management teams, philosophy and process remain the same. We continue to offer equity and fixed income strategies in asset classes where we believe we can add value over the long-term.

**“We would rather have the flexibility to seek the best opportunities wherever they can be found versus being held to one particular category or style.”**

## **How do you define the investment philosophy behind the Artio Global Equity Fund?**

Our firm philosophy focuses on global diversification within broadly defined mandates. We like to have the ability to go anywhere and seek out the best opportunities.

The Artio Global Equity Fund is an extension of this. The Fund is a diversified core portfolio. We specifically did not want to be a growth or value fund so as not to be pigeon-holed and can therefore seek out the best opportunities regardless of category. We look more at sector and company fundamentals, conducting bottom-up, company research in developed markets and look at top-down macro factors in the emerging markets.

## **What is your investment process?**

There are three well-defined phases of our portfolio construction process. First, we think before we screen our universe. Some managers have firmly set criteria they deem necessary for successful portfolio management. They may screen based on these criteria before coming up with a list of investible stocks. We prefer to pause and first consider all factors (including those impacting industries and regions generally). Second, recognizing



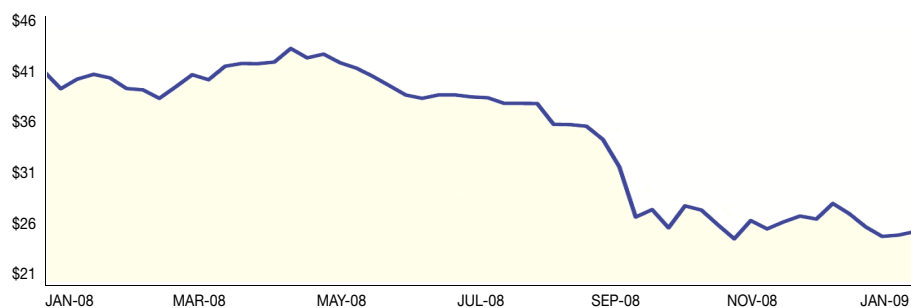
**KEITH WALTER, CFA**, is co-Portfolio Manager of the Artio Global Equity Fund Inc., along with Rudolph-Riad Younes, CFA.

Walter joined Artio Global Management (formerly known as Julius Baer Investment Management) in 1999. Previously, he spent four years at both Morgan Stanley Dean Witter, where he served as a fixed income portfolio manager, and Bankers Trust Company, where he was a member of the Global Bond team.

Walter holds the Chartered Financial Analyst designation and received a Bachelor of Arts from Connecticut College.

## Performance - Price History N.A.V.

Artio Global Equity Fund (BJGQX)



	2006	2007	2008
MSCI AC World Index	26.70%	16.70%	-42.20%
Artio Global Equity Fund	21.03%	11.07%	-40.44%

that no two industries or regions of the world are alike, we apply industry-specific metrics (operational and financial ratios) to help us screen.

In today's investment environment, one of the more important criteria is a low debt-to-capital ratio. We believe that companies currently dependent upon the banking industry for loans or issuing debt are facing very difficult times. We are trying to focus on companies less likely to face these predicaments - companies that are able to manage through these difficult economic times.

Screening for debt and leverage ratios is extremely important. However, it's difficult to do that across our universe of stocks. Some traditionally defensive industries such as consumer staples have very high debt levels as do telecommunications companies. Right now, we are positioning ourselves in defensive sectors that are likely to do well in this downturn.

The third phase of our process focuses on fundamental analysis of specific companies we identify during our screening. Typically, we have between 150 and 200 names in the

strategy, limiting ourselves to no more than 3% per issuer. We have the flexibility to invest anywhere that we find opportunities, but we don't have concentrated positions which helps reduce risk. Consequently, up to 40 different countries are represented in our global equity strategy.

This fundamental approach is, for the most part, employed in developed markets. We think it is the most effective method given the availability of comprehensive financial statements and management access. We also monitor what is going on in each industry in the developed world because the information is readily available. Since emerging markets behave differently, we feel it is more important to focus on macro factors for these countries.

### Would you illustrate this distinction with some examples?

For a telecommunications company that makes cell phones in the United States or in Europe, it's important to have the right product and take market share. We scrutinize what is going on at such a company to understand how it may benefit the portfolio. In the emerging markets, we feel it is more important to focus on the economy

itself. For example, you could be the greatest cell phone maker in Brazil but if the Brazilian economy is going down the drain, it won't matter. That is exactly why we distinguish between top down practice in the emerging markets and bottom up in the developed markets.

Our primary focus is on active information - earnings announcements, price movements, management announcements, product development, regulatory changes or even political events. When we have finished examining these factors, we then conduct more traditional fundamental analysis.

At present, we have about 3% of the strategy invested in emerging markets. In comparison, we were above 20% about a year ago, which shows how dynamic we can be. Even though we are always aware of our benchmark, the Morgan Stanley All Country World Index, we may look very different than it.

If today we were to compare the two major regions of the developed world, Europe and the US, Europe is much more attractive to us. We see that the European Central Bank is being more conservative and responsible with their currency and expect it to prove beneficial for the region in the longer-term. We see many of Europe's multinational companies as a great place to invest because of their high and sustainable dividend yield as well as attractive valuations.

### Can you give some specific examples of companies you have invested in?

At the end of January, Nestle was one of our largest positions. It currently offers a high dividend yield which we believe is sustainable on a low leverage ratio. This is a common theme with many of our holdings. We think these

attributes will be key performance drivers this year and next because we don't see this economic environment greatly improving in the near future.

Johnson & Johnson was another large position through January. It belongs to another primary defensive industry that we consider a good investment in this environment for many of the same reasons. We also believe that these kinds of market leaders will survive and thrive; with their cash flow they have the ability to consolidate the industry.

### How do you view different geographic regions in the world from the macro economic perspective?

Because many of the companies fitting our investment criteria of low leverage and high dividend yields are in the US, we are slightly overweight the benchmark with 47% of the strategy allocated to the U.S. This is a relatively new stance for us given that the last five years we were underweight the country. In our communications with clients, we have discussed the imbalances that exist in the U.S. - high consumption rates, low savings rates, and high indebtedness. We expected this was going to be a problem down the road and remained underweight.

We are underweight the benchmark in the rest of the developed world and emerging markets. We regard Japan as a country still struggling with its economic slowdown and lack of investment and domestic consumption. We have purchased some Japanese yen in the forward markets, a position which exceeds the allocation we have in the equity markets there. In terms of the actual outlook for Japanese equities, we're not very bullish.

As I mentioned, we have about 3% of the portfolio invested in the emerging

markets versus a benchmark weighting of 9%. We've invested in countries that have strong commodity-oriented industries such as Brazil. In Eastern Europe, investments are focused on countries that are admitted into the European Union and on the course to adopting the euro.


### What is your portfolio turnover?

Our turnover rate averages between 80% and 120% per year. For the last two years it has been over 100%.

### What is your sell discipline?

As we monitor our portfolio on a daily basis, we will sell a stock for one of the following reasons. First, if the rationale for the purchase no longer exists – for example if the catalysts that brought us into an industry, region or name itself have changed, we may sell. We will also exit if the valuation no longer justifies the risk. In today's environment, we prefer to stay focused on the balance sheet. If the balance sheet has deteriorated because of increased indebtedness or an acquisition, we would likely exit that position. A change in senior management would also be something that would cause us to reflect upon whether we should exit.

### How do you control risk in the portfolio?

Artio Global Investors employs a dual risk management process. The first aspect is a portfolio risk management system that we developed in-house. On a daily basis we analyze holdings from a sector, regional, and thematic perspective. Looking at the portfolio from these different perspectives, helps us identify areas that are positively or negatively impacting performance. This proprietary system is one of the more important tools that we use. In addition, we have an independent risk management team who provides yet another perspective. 

## Artio Global Equity Fund

Symbol	<b>BJGQX</b>
Website	<a href="http://www.artioglobal.com">www.artioglobal.com</a>
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Telephone	800-492-8332
Inception	05/19/1995

PORTFOLIO	
Total Net Assets*	\$13.0
Avg Mkt Cap (\$ Weighted) *	\$70,900
Average Price/Earnings Ratio	14.25x
Average Price/Book Ratio	2.62x
Turnover Ratio	200%

INVESTMENT INFORMATION	
New Investment	Open
Min Initial Investment	\$1,000
Min Subsequent Investment	\$1,000
Min Initial IRA Investment	\$100

RISK (AGAINST MSCI AC WORLD GD INDEX - 3 YRS)	
Alpha	-0.07
Beta	0.95
R-Squared	0.97
Ann Std Deviation	17.82
Sharpe Ratio	-0.80

RETURNS VS. MSCI AC WORLD GD INDEX		
	BJGQX	Index
1 Year (Cum.)	-40.44%	-42.06%
3 Year (Ann.)	-11.88%	-11.58%
5 Year (Ann.)	N/A	-1.67%

RETURNS VS. MSCI EAFE ND INDEX		
	BJGQX	Index
1 Year (Cum.)	-40.44%	-43.74%
3 Year (Ann.)	-11.88%	-12.25%
5 Year (Ann.)	N/A	-0.70%

FEES AND EXPENSES	
Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee	0.00%
Total Expense Ratio	1.45%

PORTFOLIO MANAGER	
Keith Walter	02/28/2008

\*millions  
01/31/2009; Source: Company Documents; Lipper

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