

# The Kiplinger 25: Our Favorite Funds

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## Artio International Equity Fund II (JETAX, JETIX)

As of September 30, 2010	Artio International Equity Fund II Class A (%)	Artio International Equity Fund II Class I (%)	MSCI ACWI (ex-US) (%)
1 Year	3.39	3.66	7.56
3 Years*	-8.72	-8.47	-7.42
5 Years*	2.85	3.13	4.26
Since Inception* (5/4/05)	5.28	5.58	6.27
Gross Expense Ratio <sup>1</sup>	1.28	1.03	N/A
Net Expense Ratio <sup>1,2</sup>	1.24	0.98	N/A

\* Annualized

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

2. Reflects a voluntary expense reduction agreement that may be discontinued at any time. The Investment Adviser has also agreed to waive a portion of its management fees; this waiver may be discontinued at any time by the Fund's board. Additional expenses are net of reductions related to custody offset arrangements.

*The performance quoted represents past performance which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800 387 6977, or visiting [www.artiofunds.com](http://www.artiofunds.com).*

Investment performance reflects fee waivers. In the absence of such waivers, total return would be reduced.

*The Fund's investment objectives, risks, charges, expenses, and other information are described in the prospectus which must be read and considered carefully before investing and may be obtained by calling 800 387 6977 or visiting [www.artiofunds.com](http://www.artiofunds.com).*

Investing internationally involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulation and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity and other factors. These risks are greater in the emerging markets. Stocks of mid-capitalization companies are slightly less volatile than those of small-capitalization companies but both still involve substantial risk and they will be subject to more abrupt or erratic movements than large-capitalization companies. In order to achieve its investment goals and objectives, the Fund may invest in derivatives such as futures, options, and swaps to a very substantial extent. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments and are fully disclosed in the prospectus. As of 9/30/10, the Fund invested approximately 0.00% of its net assets in derivatives (excluding forward foreign exchange contracts).

**Diversification does not assure a profit or protect against a loss in a declining market.**

While the fund is no-load, management fees and other expenses will apply. Please refer to the prospectus for further information.

The information provided herein represents the opinion of the individuals and publication cited and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Fund holdings, sector allocations and geographic allocations are subject to change and are not a recommendation to buy or sell any security. Current and future portfolio holdings are subject to risk.

As of 9/30/10, the Artio International Equity Fund II's top ten equity holdings were: Rio Tinto 2.01%, Unilever 1.91%, Fraport AG 1.75%, Komerční Banka 1.74%, Barrick Gold 1.68%, Sberbank of Russian Federation 1.60%, China Resources Enterprise 1.57%, Hang Lung Properties 1.45%, HTC Corp 1.36% and Xstrata PLC 1.31%. The top ten equity holdings exclude indexed positions that are maintained through the use of ETFs and derivatives such as futures, options, and swaps. As of 9/30/10, The following indexed positions' notional market value would otherwise qualify as a top ten holding: Market Vectors – Gold Miners ETF 2.39%.

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

References to other mutual funds should not be interpreted as an offer of these securities.

Artio Global Investors Inc. is the indirect holding company for Artio Global Management LLC, the Adviser for the Artio Global Funds which are distributed by Quasar Distributors, LLC

## MUTUAL FUNDS 2010

The Kiplinger 25

# Our favorite funds

These no-load, well-managed, cheap-to-own funds are our top picks for building a market-beating portfolio. [By Andrew Tanzer](#)

### MUTUAL FUNDS ARE THE INVESTMENT VEHICLE OF CHOICE

for most Americans—50 million U.S. families hold funds, many of them in retirement accounts. But picking the best ones takes time and isn't an easy proposition. There are thousands of funds, and new ones are being launched by the day.

We sort through this bewildering overabundance and select *Kiplinger's* favorite 25. These are no-load stock, bond and commodity funds with managers you can trust and strategies you can believe in. We prefer funds without loads (extra fees you pay just to own them) because loads hurt your returns. But keep in mind that these funds are not miracle workers and that they should be deployed in the right proportions in a well-conceived, properly diversified portfolio.

### OVERSEAS/GLOBAL FUNDS

**THE THREE CO-MANAGERS OF MARSICO GLOBAL—CORY GILCHRIST,** Tom Marsico and Jim Gendelman—combine a big-picture economic view with stock picking based on companies' fundamental attributes. Gilchrist thinks the world will have trouble generating robust economic growth if the U.S. consumer remains down and out. After all, the U.S. accounts for only 20% of the world's gross product but 30% of global consumption.

Marsico has been shifting the portfolio from companies

that depend on rapid economic growth to businesses that are uniquely positioned to boost sales even in a sluggish global economy. For example, Global holds MasterCard because credit cards are displacing cash around the world, and the fund holds England's Standard Chartered for its strong banking position in Asia. Seed king Monsanto and Polo Ralph Lauren are also large holdings. The fund (MGLBX) is only a couple of years old, so it was born in a bear market. But the Marsico team's credentials are strong enough to warrant our recommendation.

Like all Dodge & Cox funds, **Dodge & Cox International Stock** (DODFX) focuses on the long term, which it defines as a horizon of three to five years out. But Diana Strandberg, one of International's nine co-managers, says the fund is also now drilling down to be sure that companies in the portfolio have the liquidity and financial strength to withstand dysfunctional capital markets.

One industry that scores well is Big Pharma—Novartis, Sanofi-Aventis and GlaxoSmithKline are International's three largest holdings. Strandberg says the drug makers generate piles of cash, which can be used to boost dividends and buy back shares. The fund's annualized return since its 2001 inception is 9%, or four percentage points more than the international-stock-fund average.

We'd be lying if we said Rudolph-Riad Younes, of **Artio International Equity II** (JETAX), was a bull on the global economy. He's not. Younes, who runs the fund with Rich-



**TIP // No-load funds, such as those in the Kiplinger 25, aren't going to vanish, but they are becoming harder to find. Some no-load families are being bought by firms that impose loads. Other no-load families are adding loads so that brokers will act as their sales force. If you're doing your own research, stick with no-load funds to keep your costs down.**

ard Pell, thinks the U.S. government is merely propping up its economy through lax monetary policy and excessive spending. Profit margins worldwide were inflated, Younes says, pumped up by the easy-money policy and credit bubble emanating from the U.S. He likes banks in developing countries, and he's also warmed to commodities, including oil and industrial metals, which he figures are a useful hedge against inflation in the future. Since its 2005 inception, the fund has returned 6% annualized, or one percentage point more than the international-stock-fund average.

After years of sizzling performance, emerging-markets stocks were crushed in 2008 before soaring again in 2009. Gonzalo Pangaro, who co-manages **T. Rowe Price Emerging Markets Stock** (PRMSX) with Chris Alderson, thinks favorable

demographics, urbanization and higher economic growth are structural trends that bode well for the developing world over the long run. The problem is the present situation: Robust growth cannot resume until the U.S. and global economies stabilize, Pangaro says.

So what does he like? Latin American countries, such as Brazil and Mexico, have learned from previous financial crises. That gives Pangaro more confidence in their ability to withstand banking, fiscal and foreign-currency challenges than, for instance, emerging nations in Eastern Europe. In Asia, the fund is leaning away from export-oriented economies, such as Taiwan and South Korea, and favoring the populous giants, China and India. The fund's ten-year annualized return is 9%, versus the emerging-markets-fund average of 10%.