



Manager Q&A: The Delafield Fund

The Delafield Fund

Symbol:	DEFIX
Total assets (3/31/15):	\$1.0 billion
Inception date:	11/19/1993



J. Dennis Delafield, CFA
Co-Portfolio Manager

Prior to joining Tocqueville in 2009, Mr. Delafield founded Delafield Asset Management, Inc. in 1980 which became affiliated with Reich & Tang Asset Management, LLC in 1991. He has a BA from Princeton University and holds the CFA designation.



Vincent Sellecchia, CFA
Co-Portfolio Manager

Prior to joining Tocqueville in 2009, Mr. Sellecchia held executive level positions at Reich & Tang Asset Management, LLC and Delafield Asset Management, Inc. He has a BA from Boston College, an MBA from New York University, and holds the CFA designation.

Q1: In the first quarter of 2015, what were the macro factors that negatively impacted the Fund's performance?

International equity markets, including Europe, China and Japan were strong. U.S. markets, however, were mixed, with investors strongly favoring large companies with activist involvement, as well as the Pharma and Biotechnology sectors, where merger and acquisition activity has been high. Unfortunately, we have not participated in these areas. As a result, the Fund lagged its benchmark, the Russell 2000 Index. Our portfolio has also been buffeted by the convergence of a slowdown in China's growth rate, the rapid decline in energy prices and the appreciation of the U.S. dollar. These intersecting macro developments have wreaked havoc upon the Industrial sector of America wherein many of our investments are concentrated.

In less than a year, oil prices, which peaked at over \$100 a barrel last July, have declined into the \$40s. The drilling rig count in North America peaked only last October and since has declined by almost 50%. This decline in the Energy sector has had direct, as well as unanticipated ramifications for our holdings. For example, it is now more economic for airlines to fly older aircraft than to upgrade and buy new energy efficient ones, generating market uncertainty for aerospace equipment suppliers. Moreover, the decline in energy prices has long tentacles which have reached into many of our fine and well managed companies. These include Dover Corporation, which has 25% of revenues exposed to energy and Eastman Chemical Company, which unfortunately hedged its need for propane forward for two years, at a much higher price than is available in the market today, which will squeeze margins. We believe that both are, nonetheless, excellent companies with good managements which will eventually work through these near-term issues.

Q2: With the Fund overweighted in the Industrial and Materials sectors, what dynamics in the U.S. economy might benefit these companies?

Despite the difficult winter weather, especially in February, and a port strike on the West Coast (now settled), our domestic economic outlook continues to improve with employment rising, wages beginning to improve and inflation modest. As economic activity improves and interest rates are allowed to rise, the higher cost of financing our national debt will eat into funds needed for other government programs creating a new set of problems. Thus it could be difficult for the Federal Reserve to unwind the massive quantitative easing which has been underway. On the plus side, as interest rates rise, savers should once again begin to have some return, which may give them more confidence in the economic outlook.

We anticipate that the Fund's Industrial and Materials holdings, which have been out of favor in recent quarters, will likely benefit from the continuing, albeit gradual, improvement in the U.S. economy as well as from signs of stabilization in China and Europe.

About Tocqueville

With over \$11 billion in assets under management as of March 31, 2015, Tocqueville Asset Management, with its founding principals, has been managing private fortunes for more than 30 years, and has served as the advisor to the Tocqueville Trust since its inception. In working with financial planning professionals and their clients, Tocqueville considers the preservation of capital its primary investment objective. Tocqueville's value style of investing, coupled with its contrarian spirit, drives it to emphasize absolute rather than relative performance for investors.

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Q3: The Fund has a specific focus on special situations companies, some of which have experienced setbacks in recent quarters. What should investors expect from these stocks going forward?

Despite the difficult couple of quarters that we have experienced, we remain confident that our investment approach is logical and will continue to be successful over the longer term. We believe that our holdings remain largely on track with their respective internal improvement strategies and that as their progress begins to be reflected in their financial results, our patience will be rewarded. A number of these special situation investments have experienced hiccups during their transformations.

However, over the years, we've come to learn that the path forward is rarely smooth, but that strong management teams, such as those we've partnered with in these companies, can navigate through the volatility and create the improvement and commensurate shareholder return that we expect. We believe our Energy investments are positioned to endure the current price environment and to rebound strongly when prices eventually do recover, as we expect they will.

Investment Performance (as of 3/31/15)	Average Annual Total Return ¹			
	1 Year	5 Year	10 Year	15 Year
The Delafield Fund (DEFIX)	-7.00%	9.09%	8.23%	11.67%
Russell 2000 Index	8.21%	14.57%	8.82%	7.19%
S&P 500 Index	12.73%	14.47%	8.01%	4.15%
Morningstar Mid-Cap Value Funds Category Average	8.89%	13.69%	8.43%	9.10%
Category Rank (%)	99	97	61	6
# of Funds in Category	457	349	232	88
Expense Ratio: 1.21%				

Source: Morningstar

Performance data represents past performance and does not guarantee future performance. The investment return and principal value of an investment will fluctuate and the investor's shares, when redeemed, may be worth more or less than their original cost; and current performance may be lower or higher than the performance data quoted. Fund performance current to the most recent month-end may be obtained by visiting our website at <http://tocqueville.com/mutual-funds/delafield-fund/performance>, or by calling 1-800-697-3863. Total returns assume reinvestment of dividends and capital gains.

¹Performance for periods before 9/27/09 is for Delafield Fund, Inc. (the "Predecessor Fund"), which was reorganized into the Delafield Fund on 9/28/09. The Predecessor Fund had the same Portfolio Managers, investment objectives and strategies as the Delafield Fund. Performance since 9/28/09 reflects actual Delafield Fund performance.

The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

The Russell 2000 Index consists of the smallest 2000 companies in a group of 3000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. You cannot invest directly in an index.

The Fund held 3.93% and 3.76% in net assets of Dover Corporation and Eastman Chemical Co. as of 3/31/15. References to securities or investments in this article should not be considered recommendations to buy or sell. Securities that are referenced may be held in other portfolios managed by Tocqueville or owned by principals, employees and associates of Tocqueville, and such references should not be deemed as an understanding of any future position, buying or selling, that may be taken by Tocqueville.

This is not an advertisement or solicitation to subscribe to the Delafield Fund, which may only be made by prospectus. Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact 1-800-697-3863 or visit www.tocqueville.com/mutual-funds for a prospectus containing this information and other information. Read it carefully before investing.

The views of Dennis Delafield and Vincent Sellecchia are current as of the date of this article, and are subject to change at any time.

The Tocqueville Mutual Funds may be offered only to persons in the United States. This literature should not be considered a solicitation or offering of any investment products or services to investors residing outside of the United States.

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