



Manager Q&A: Tocqueville Gold Fund

Tocqueville Gold Fund

Symbol: TGLDX
 Total assets (6/30/15): \$1.1 billion
 Inception date: 6/29/98

Overall **MORNINGSTAR** Rating



Among 71 Equity Precious Metals Funds as of 6/30/15



Best Fund Over 5 Years
Precious Metals Equity Funds



John Hathaway, CFA
Co-Portfolio Manager

John C. Hathaway has been the portfolio manager of the Gold Fund since 1998. With more than 40 years of investment industry experience, Mr. Hathaway is a frequent lecturer and writer on gold and gold-linked equities.



Doug Groh
Co-Portfolio Manager

Doug Groh is co-portfolio manager of the Gold Fund. Mr. Groh has worked closely with Mr. Hathaway on the Fund since joining the Firm in 2003 as a senior research analyst.

Q1. Given the decline in gold and gold equities in July, what is your investment case for gold?

Negative sentiment appears to have reached an extreme, as hedge funds and speculative investors were net short for the first time in history. Gold has fallen to a five-year low and many mining stocks are selling at prices the industry has not seen in 15 years when gold was less than \$300 an ounce. Many gold-agnostic technical services consider this price decline a full capitulation out of gold.

As contrarians, we believe the extreme negativity towards the precious metal that precipitated the major correction may represent an attractive entry point to initiate or increase exposure to gold and gold equities. We believe the long-term investment rationale for having exposure to gold and mining stocks remains unchanged. Quantitative easing in Europe and Asia continues and central banks' balance sheets remain elevated, causing deflation to potentially become a greater risk. With a low correlation to many financial assets, gold could provide a form of insurance in a diversified portfolio.

Q2. Over the past few years, the gold mining industry has been making efforts to lower their costs to operate profitably. What could be the long-term implications?

At the current gold price of around \$1,100, the economics do not justify building a new gold mine. Instead, significant reconfiguration has been taking place in the gold industry, including numerous merger and acquisition transactions. Large companies have been shedding assets to pay down debt and smaller companies with capacity have been opportunistically buying these assets at bargain prices and adding value to their companies.

As a result of this consolidation, we believe the industry will become smaller. As supply shrinks, the current production of approximately 3,000 metric tonnes may have peaked. Over the next five to 10 years, gold production could be precipitously lower, especially if prices stay at these levels. However there is a strong case for supply failing to meet demand, as physical gold demand across Asia, Africa and Latin America steadily continues to grow.

Q3. How has the Tocqueville Gold Fund taken advantage of this trend?

The industry is not a monolith; careful stock selection is required to be able to add value in the current gold environment. Our strategy is to de-emphasize bloated, large-cap companies and to focus on smaller mining companies with entrepreneurial managements that could provide more upside with an increase in gold's price. As a result, the Fund has a significantly lower average market cap relative to the Morningstar Equity Precious Metals Funds category average.

(Q3 continued on back)



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(Q3 continued...)

Specifically, we focus on the miners that are generating positive cash on a production cost basis and can operate profitably in a persistently low gold price environment. Currently, the “all-in” costs for the gold mining industry are approximately \$1,150 per ounce, while the cash costs are around \$860 per ounce. In comparison, costs for companies held by the Tocqueville Gold Fund have “all-in” and cash costs that are lower, at about \$1,000 and \$700 per ounce, respectively. Therefore, we believe our companies are able to withstand the current environment, and are well leveraged for upside from here.

Investment Performance (as of 6/30/15)	Average Annual Total Return			
	1 Year	5 Year	10 Year	15 Year
Tocqueville Gold Fund (TGLDX)	-33.32%	-13.43%	3.42%	10.34%
Phila Stock Exch Gold/Silver Index	-36.68%	-17.39%	-2.57%	1.96%
S&P 500 Index	7.42%	17.34%	7.89%	4.36%
Morningstar Equity Precious Metals Funds Category Average	-32.57%	-16.30%	0.76%	7.68%
Category Rank (%)	61	12	4	10
# of Funds in Category	75	68	51	33
Expense Ratio: 1.38%				

Source: Morningstar

The Funds' performance does not reflect the redemption fee. If deducted, the fee would reduce the performance quoted.

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/tocqueville-gold-fund/performance>, or by calling 1-800-697-3863. Total returns assume reinvestment of dividends and capital gains.

The Fund invests in gold, which involves additional risks, such as the possibility for substantial price fluctuations over a short period of time. The Fund also may invest in foreign securities, which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund.

The Philadelphia Stock Exchange Gold/Silver Index (with income) is a good indicator of the performance of the common stock of companies in the gold and silver mining industry. It does not incur fees and expenses. The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. Returns are adjusted for the reinvestment of capital gains distributions and income dividends. You cannot invest directly in an index.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5-, and 10-year (if applicable) returns. 5 stars = top 10% of funds in a category; 4 stars = next 22.5% of funds; 3 stars = middle 35%; 2 stars = next 22.5%; 1 star = bottom 10%. Ratings are subject to change monthly. The Fund received 4 stars for the 3-, 5- and 10-year periods ended 6/30/15 among 71, 68 and 51 Equity Precious Metals Funds, respectively.

Lipper Fund Awards are given to the fund with the highest Lipper Leader for Consistent Return value within each eligible classification over three, five or ten year periods. For a more detailed explanation of the methodology, please review the Lipper Fund Awards 2015 - Methodology document on <http://excellence.thomsonreuters.com/award/lipper>. The Precious Metals Lipper Fund Award presented to the Tocqueville Gold Fund (TGLDX) was judged against 18 funds over a 5 year time period ending 11/30/14. ©2015, Thomson Reuters, All Rights Reserved.

This is not an advertisement or solicitation to subscribe to the Tocqueville Gold 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 John Hathaway and Doug Groh are current as of the date of this article, and are subject to change at any time.

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