



# Manager Q&A:

## Tocqueville International Value Fund

### Tocqueville International Value Fund

Symbol: TIVFX  
 Total assets (12/31/14): \$223.1 M  
 Inception date: 8/1/94

### Overall Rating



Among 650 Foreign Large Blend Funds as of 12/31/14



**James Hunt**  
 Portfolio Manager

Mr. Hunt has been a portfolio manager of the Tocqueville International Value Fund since 2001. Prior to joining Tocqueville in 2000, Mr. Hunt held senior positions at Lehman Brothers and Warburg Dillon Read and served as an analyst at Delafield Asset Management. He has a BA from Brown University and an MBA from Yale University.

### **Q1: While the S&P 500 Index increased nearly 14% in 2014, the Morgan Stanley EAFE Net Index fell approximately 5%. What is your investment case for non-U.S. stocks in 2015?**

Following a year of non-U.S. markets underperforming the U.S. by a wide margin and foreign currencies depreciating against the U.S. dollar, the case for investment in international equities today is compelling. Due to skepticism regarding growth

and stability in Europe and Japan, and negative sentiment in emerging markets, we believe valuation multiples on non-U.S. companies have become more attractive than those of their U.S. peers based on current cash flows. In addition, non-U.S. operating profit margins are lower than U.S. companies which provides opportunity in recovering growth, improving margins, and rerating.

Governments around the world are aiming to stimulate growth. Policymakers in Japan and Europe have embraced monetary stimulus via aggressive quantitative easing. As their balance sheets expand, liquidity should increase while currencies remain weak, which would help support their equity markets. The recent drop in oil prices provides another source of stimulus as consumers spend less on energy. In addition, low interest rates stemming from QE are driving investors into equities. In Japan in particular, the government agency that manages the administration's pension has increased its equity allocation.

As we begin to see the positive impact of a more aggressive, return-oriented corporate management structure in Japan, we expect to see improvement in this respect in Europe as well. Shareholder activism is growing overseas, particularly in Europe, and this may help unlock value by pushing companies to make strategic and capital allocation decisions that benefit shareholders.

We believe the Tocqueville International Value Fund is well-positioned to benefit from these forces.

### **Q2: With the euro and yen weak relative to the U.S. dollar, would you please discuss the impact that currency depreciation has on portfolio companies?**

A weaker Euro and Yen are positive for our portfolio. Weaker currencies make export-oriented companies more competitive and profitable in the global marketplace as local costs decline with the value of their currency while foreign revenue streams from places such as the U.S. and China become more valuable. Our Japanese and European exposures are biased towards world class exporting companies.

However, while a weak currency is positive for our portfolio, currency depreciation can be painful for U.S. dollar-based investors as the dollar value of non-U.S. cash flows declines. As such, we aim to hedge our currency exposure in order to preserve capital if we believe the risk/reward of hedging strongly favors our investors. We accomplish this by hedging approximately 50% of non-U.S. cash flows from our portfolio's companies.

### **Q3: The price of oil fell approximately 50% over the past year. How has this decline in energy impacted portfolio companies?**

Lower oil and gasoline prices place more cash with consumers, which should be positive for consumer spending and consumer stocks. Lower energy costs reduce operating expenses of energy-intensive manufacturing, such as glass producers, and also benefit companies that use oil derived products as an input in their production processes. In addition, trimmer prices may stimulate demand for products that use substantial energy, such as cars or tractors. This in turn may lead to increased demand for auto parts and semiconductors, areas in which we have significant exposure.

Given the sharp decline in oil prices, our contrarian approach has led us to look for opportunities in companies that have been unfairly punished due to their perceived relationship with the energy and commodities complex.

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## Q4: Would you please discuss the specific attributes you seek when adding a company to the Fund?

As a contrarian, value manager, we seek companies that have fallen out of favor with investors for the wrong reasons or are misunderstood and that are, in our view, trading at a steep discount to intrinsic value. We look for good businesses that have defensible competitive advantages, trade at a low multiple of free cash flow, and generate acceptable returns on capital over a market cycle. In addition, we do not like financial leverage and prefer companies that are overcapitalized and can create value by returning capital to equity holders. We ask ourselves, would we like to own the entire company, and would we like to own it at this price?

In executing our discipline, we seek the most attractive risk/reward propositions across market capitalizations and geographies. Oftentimes opportunities present themselves because our longer investment horizon enables us to see past short-term issues and focus on the earnings power of a franchise.

Investment Performance (as of 12/31/14)	Average Annual Total Return			
	1 Year	5 Year	10 Year	15 Year
<b>Tocqueville International Value Fund</b>	<b>-4.37%</b>	<b>6.40%</b>	<b>5.77%</b>	<b>6.04%</b>
MSCI EAFE Index Net	-4.90%	5.33%	4.43%	2.54%
MSCI EAFE Index Gross	-4.48%	5.81%	4.91%	2.97%
Morningstar Foreign Large Blend Funds Category Average	-4.98%	5.04%	4.48%	2.70%
<b>Category Rank (%)</b>	<b>36</b>	<b>17</b>	<b>23</b>	<b>12</b>
# of Funds in Category	750	583	313	179
Gross Expense Ratio: 1.55%, Net Expense Ratio: 1.25%*				

Source: Morningstar

\*The Advisor has contractually agreed to "cap" its expense ratio at 1.25% (excluding taxes, interest expense, acquired fund fees and expenses, or extraordinary expenses such as litigation) until 3/01/16. In the absence of these fee waivers, total returns would be lower.

**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 [www.tocqueville.com/mutual-funds/tocqueville-international-value-fund/performance](http://www.tocqueville.com/mutual-funds/tocqueville-international-value-fund/performance), or by calling 1-800-697-3863. Total returns assume reinvestment of dividends and capital gains.

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 3 stars for the 3-year period and 4 stars for the 5- and 10-year periods ended 12/31/14 among 650, 583 and 313 Foreign Large Blend Funds, respectively.

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.

The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. There are special risks associated with investing in foreign securities, including: the value of foreign currencies may decline relative to the US dollar; a foreign government may expropriate the Fund's assets; and political, social or economic instability in a foreign country in which the Fund invests may cause the value of the Fund's investments to decline.

The benchmark for the Fund is the MSCI EAFE (Europe, Australia, Far East) Net Index, which is an unmanaged index including approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia, and the Far East. As of 02/28/2014, the Fund's benchmark for comparison purposes was changed from the MSCI EAFE® Gross Index to the MSCI EAFE® Net Index. The MSCI EAFE® Net Index more accurately reflects the deduction of withholding taxes on dividends. Indices are unmanaged and one cannot invest directly in an index.

This is not an advertisement or solicitation to subscribe to the Tocqueville International Value 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](http://www.tocqueville.com/mutual-funds) for a prospectus containing this information and other information. Read it carefully before investing.

The views of James Hunt are current as of the date of this article, and are subject to change at any time.

The Funds are distributed by Tocqueville Securities L.P., which is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. Tocqueville Asset Management L.P., the Funds' investment advisor, is an affiliate of Tocqueville Securities L.P.