



Manager Q&A: The Tocqueville Fund

The Tocqueville Fund

Symbol:	TOCQX
Total assets (3/31/14):	\$367.7 M
Inception date:	1/13/87



Robert Kleinschmidt, CFA
Portfolio Manager

Robert Kleinschmidt, CFA, is the President and Chief Investment Officer of Tocqueville Asset Management and has been portfolio manager of the Tocqueville Fund since 1992. He previously held executive positions at the investment management firm David J. Greene & Co. Mr. Kleinschmidt has a BBA from the University of Wisconsin, an MA from the University of Massachusetts and continued post graduate work in Economics at Columbia University. Mr. Kleinschmidt also holds the CFA designation.

Q1: As a contrarian investor, Tocqueville selects stocks based on a bottom-up, fundamental strategy. With stocks hitting historic highs in the first quarter of 2014, where is the value in the market?

While it may be challenging to find an entire sector group that is undervalued, we are finding individual stocks priced at a discount to their intrinsic value for reasons that tend to be company-specific or event-driven. For example, during the quarter we added a company that provides electronic security because, after we had completed our initial research, the stock experienced a temporary setback. The company had historically enjoyed a valuation premium because of its stable client base and solid cash flows and we were prepared to invest when the stock price was under pressure.

However, occasionally an entire sector may appear to be out of favor and we are attracted to several names within that industry. For example, the domestic U.S. airlines have been consolidating over the past few years and we have invested in two companies that we believe will benefit from that consolidation.

“Strong corporate cash flows and an increase in mergers and acquisitions are both supportive of higher equity prices.”

Q2: Can you give us another compelling stock example?

Lately, we took a position in a manufacturer of automatic truck transmissions, discounted due to the market's perception that the company was overexposed to the depressed areas of mining and energy. Our opinion is that the investment community is underestimating the technological superiority of automatic transmissions, which should offer a competitive advantage as it relates to total cost of ownership. Moreover, with a current driver shortage facing the industry, there are additional cost savings as the ease of an automatic transmission reduces the training period for new hires. We also believe the company's products have a broadening appeal in international markets.

Q2: Many investors have been asking about the headwinds and tailwinds the U.S. market may experience for the remainder of this year. Please share Tocqueville's view on the case for equities.

Aside from geopolitical concerns, there are two main risks facing the market currently: (i) the potential for an unexpectedly fast rise in interest rates as quantitative easing comes to an end and the economy improves and (ii) the possibility of profit margin contraction as companies are less able to cut cost in the face of lackluster revenue growth and potential reversal of the recent secular shift of economic returns from labor to capital. Having said that, inflation remains relatively low, there continues to be a favorable monetary regime at the Federal Reserve, and the changes in the tapering of the bond purchases will likely not have a meaningful impact for some time. In addition, strong corporate cash flows and an increase in mergers and acquisitions are both supportive of higher equity prices. We believe this bodes well for equities going forward, certainly when compared to alternatives.



Manager Q&A: The Tocqueville Fund

The Tocqueville Fund

Symbol: TOCQX
 Total assets (3/31/14): \$367.7 M
 Inception date: 1/13/87

About Tocqueville

With approximately \$12.1 billion in assets under management as of March 31, 2014, 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.

Investment Performance (as of 3/31/14)	Average Annual Total Return			
	1 Year	5 Year	10 Year	15 Year
Tocqueville Fund (TOCQX)	24.93%	19.46%	8.30%	7.87%
S&P 500 Index	21.86%	21.16%	7.42%	4.46%
Morningstar Large Blend Funds Category Average	21.17%	20.02%	6.92%	4.94%
Category Rank (%)	14	60	12	10
# of Funds in Category	1577	1219	806	445
Gross Expense Ratio: 1.28%, Net Expense Ratio: 1.26%*				

Source: Morningstar

*The Fund has contractually agreed to "cap" its expense ratio at 1.25% (excluding Acquired Fund Fees and Expenses) until 3/01/15. 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 <http://tocqueville.com/mutual-funds/tocqueville-fund/performance>, or by calling 1-800-697-3863. Total returns assume reinvestment of dividends and capital gains.

All investments involve risk, including possible loss of principal. 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.

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 Tocqueville 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 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.