

# Manager Q&A



**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.

## The Tocqueville Fund

Symbol:	TOCQX
Total assets (6/30/12):	\$382.6 million
Inception date:	1/13/87

*“Extraordinary market turbulence presented a unique opportunity to purchase high quality companies at deeply discounted prices relative to our intrinsic value assessments.”*

## The Tocqueville Fund (TOCQX)

**Q1: The Fund’s multi-cap mandate provides the flexibility to seek the best opportunities across a wide universe of stocks. What factors have contributed to the large-cap bias over the past several years?**

At Tocqueville, we employ a bottom-up approach and utilize fundamental analysis for stock selection. Our portfolio managers and analysts are searching for the best investment opportunities across all market capitalizations and we are benchmark agnostic.

That being said, the credit crisis of 2008/2009 was such an unusual and highly volatile period that we were able to add many positions in premier, large cap companies that had declined in value in response to the generally pessimistic mood. These companies had rock-solid balance sheets and excess cash, which alleviated the need to access capital markets for operating funding during a difficult macro environment. Extraordinary market turbulence presented a unique opportunity to purchase high quality companies at deeply discounted prices relative to our intrinsic value assessments. As a value investor with a longer holding period, many of these companies remain in the portfolio today.

**Q2: Contrarian investing often requires longer holding periods to fully realize a stock’s intrinsic value. What appreciation expectations do you have when you add a company to the portfolio?**

Contrarian value investing requires that investors wait patiently as value is realized. As a general guideline, we select companies that are trading at an approximate 30% discount to our estimation of their intrinsic value. Typically, we hold a position for 3 to 5 years, during which we expect the investment should double in value.

**Q3: As a contrarian value manager, how do you differentiate between a value opportunity and a potential value trap?**

With contrarian investing, avoiding value traps is paramount to long-term success. Years of experience and diligent monitoring help us to distinguish between companies that are temporarily out of favor versus companies that are on a prolonged downward spiral. We look for companies that have a:

- History of generating returns on capital in excess of capital costs,
- Transparent business model,
- Little-to-no financial leverage, and
- Results-oriented management.

*(continued on next page)*

(Q&A continued)

## About Tocqueville

With approximately \$10.9 billion in assets under management as of June 30, 2012, Tocqueville Asset Management and its founding principals have 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 their primary investment objective. Tocqueville's value style of investing, coupled with their contrarian spirit, drives them to emphasize absolute rather than relative performance for investors.

## The Tocqueville Fund

Overall  **Rating**



Among 1,539 Large Blend  
Funds as of 6/30/12

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- and 5-year periods and 5 stars for the 10-year period ended 6/30/12 among 1539, 1346 and 838 Large Blend Funds, respectively.

Since we operate without the benefit of a crystal ball, we constantly monitor our purchases to protect ourselves and our investors from the possibility of a value trap. Should a holding fall more than 10% (or 30% in value relative to cost) various formal reviews ensue. Our dedicated multi-cap equity team of four portfolio managers and four research analysts will evaluate whether a company's fundamentals are in fact deteriorating or if the market is further discounting a healthy company. If our ongoing analysis leads us to believe that a value trap is taking hold, we immediately remove the position. Using this guideline, we have re-examined numerous portfolio holdings over time, potentially minimizing the damage caused by value traps.

### Q4: Even though fundamental analysis is the primary driver of stock selection, what economic factors are most important in your macro analysis?

At Tocqueville our job is to find opportunity regardless of the economic backdrop. While a firm-wide macroeconomic overlay does not guide stock selection, our analysis considers a stock's intrinsic value after accounting for all of the various economic factors that may affect it. This allows us to distinguish between companies that will, say, be more affected by domestic growth than emerging market growth or by the turmoil in Europe. If we applied the same macro lens to every company, we would likely overlook important differences. By fine-tuning our macroeconomic analysis to our company-specific valuation models we can most effectively identify opportunities.

### Q5: What is your view of the current investment environment?

We agree with the consensus that we are in the midst of a global economic slowdown. Although still impressive, growth in the emerging market economies is cooling, while the developed world faces significant challenges. We believe that the US economy is better positioned today than the rest of the developed world and equities, generally speaking, continue to be overly discounted from a historical perspective. At present, we believe that, out of fear, many investors have overweighed their cash and US treasury positions while equities represent a very attractive risk reward proposition.

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## Investment Performance (as of 6/30/12)

	Average Annual Total Return				Inception (1/13/87)
	1 Year	5 Year	10 Year	15 Year	
<b>Tocqueville Fund (TOCQX)</b>	<b>0.08%</b>	<b>-0.44%</b>	<b>7.03%</b>	<b>5.99%</b>	<b>9.00%</b>
S&P 500 Index	5.45%	0.22%	5.33%	4.77%	NA
Morningstar Large Blend Funds Category Average	0.94%	-0.94%	4.68%	4.66%	NA
Category Rank (%)	63	44	4	14	NA
# of Funds in Category	1731	1346	838	369	NA
Expense Ratio: 1.26%					

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/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.

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](http://www.tocqueville.com/mutual-funds) for a prospectus containing this information and other information. Read it carefully before investing.

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