



# Manager Q&A:

## Tocqueville International Value Fund

### Tocqueville International Value Fund

Symbol: TIVFX  
 Total assets (6/30/14): \$289.7 M  
 Inception date: 8/1/94

### Overall Rating



Among 309 Foreign Large Value Funds as of 6/30/14



**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: Over the past few years the Fund has had an overweight position in Japanese stocks. With a current weighting of over 25% as of June 30, 2014, would you please discuss your continued enthusiasm for Japan?**

Investment opportunity in Japan today is drawn from a generational change in corporate leadership that is producing a revolutionary improvement in how companies are managed. For decades, Japanese corporations have been managed for the benefit of multiple stakeholders, with social goals often taking precedence over financial goals. As a result, corporate profitability and returns on capital for Japanese businesses have been sub-par, often 70% lower than their peers globally. At the same time, a defensive posture towards risk has led companies to accumulate large amounts of excess cash.

During the last decade, a new generation of corporate managers has risen to positions of executive power. Some have experience working in non-Japanese companies, many have experience doing business overseas, and most bring a new attitude concerning the balance of objectives among stakeholders. As a result, more companies are managing their operating and financial assets with an eye to shareholders' returns. We are focused on identifying companies that have sub-par margins whose management aims to change that.

### **Q2: Would you please give an example of an attractive Japanese company and your contrarian philosophy?**

One example of a company we're attracted to is Amano, a maker of electronic time management and parking systems that we first visited in Tokyo in 2003. This is a classic Tocqueville contrarian value stock as we believe there are misplaced worries about the viability of the business. The stock, which is covered by only 2 sell-side analysts, is cheap, trading at an Enterprise Value/EBITDA multiple just above 4x, with a net cash position equal to roughly one third of its market capitalization. It was a clear market leader in niche businesses, with a 50% domestic share in both time management and parking systems and a strong cash flow generator. Importantly, Chairman Haruta and his team aim to unlock shareholder value through cost reductions, dividend increases and share buybacks. Haruta is motivated to succeed, as he owns a significant equity stake in Amano.

### **Q3: At the end of the second quarter of 2014, almost 50% of the portfolio is invested in European companies. What are your thoughts for the area going forward?**

Investors have gone negative on Europe, which appeals to our contrarian instinct. Weak growth and consumer confidence data in the core countries combined with troubling geopolitical developments in Ukraine and Iraq have caused markets in Europe to decline abruptly. This investor skittishness suggests a high degree of worry and a low degree of bullish conviction, both ultimately healthy for the market. We think some of the best opportunities globally reside in the realms of European media, building materials, and chemicals.

Our investments in Europe are not predicated on an optimistic macro scenario; we expect tepid growth at best. Europe is in desperate need of structural reforms relating to tax policy, government spending, and labor law. Until that happens, growth will remain weak. We expect there will be improvements on the margin in the realm of structural reform. We also see that the ECB is willing to go further in providing monetary stimulus to the economy. That said, our investments are based on paying a low price for individual companies' free cash flow assuming a moderate growth environment.

### About Tocqueville

With approximately \$13.0 billion in assets under management as of June 30, 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.



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### Q4: What differentiates the Fund from its peer group?

We are truly bottom up and benchmark agnostic in our approach, which gives us the flexibility to see the most attractive risk return across geographies, industries, and market capitalizations. This, combined with first rate proprietary fundamental equity analysis, allows us to pursue opportunities in medium sized companies that are off index. As of June 30, 2014, approximately 35% of the Fund is invested in medium and small size companies in comparison to the 15% held in medium and small size companies, on average, in the Morningstar Foreign Large Value Funds Category. Our benchmark agnostic approach permits us to follow our contrarian instinct and our proprietary research enables us to do so with conviction.

Investment Performance (as of 6/30/14)	Average Annual Total Return			
	1 Year	5 Year	10 Year	15 Year
<b>Tocqueville International Value Fund</b>	<b>27.87%</b>	<b>13.92%</b>	<b>8.47%</b>	<b>6.68%</b>
MSCI EAFE Index Net	23.57%	11.77%	6.93%	4.59%
MSCI EAFE Index Gross	24.09%	12.27%	7.42%	5.01%
Morningstar Foreign Large Value Funds Category Average	23.20%	11.02%	6.42%	5.47%
<b>Category Rank (%)</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>32</b>
# of Funds in Category	360	278	141	93
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 3/01/15. 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 [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 5 stars for the 5- and 10-year periods ended 6/30/14 among 309, 278 and 141 Foreign Large Value Funds, respectively.

The Fund held 0.7% in net assets of Amano as of 6/30/14. 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 county in which the Fund invests may cause the value of the Fund's investments to decline.

The benchmark for the Fund is the Morgan Stanley Capital EAFE (Europe, Australia, Far East) Net Index. The MSCI EAFE Net Index 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 Morgan Stanley EAFE<sup>®</sup> Gross Index to the Morgan Stanley EAFE<sup>®</sup> Net Index. The Morgan Stanley EAFE<sup>®</sup> 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.

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