



Manager Q&A: The Delafield Fund

The Delafield Fund

Symbol:	DEFIX
Total assets (3/31/14):	\$1.8 billion
Inception date:	11/19/1993



J. Dennis Delafield, CFA
Co-Portfolio Manager

Prior to joining Tocqueville in 2009, Mr. Delafield founded Delafield Asset Management, Inc. in 1980 which became affiliated with Reich & Tang Asset Management, LLC in 1991. He has a BA from Princeton University and holds the CFA designation.



Vincent Sellecchia, CFA
Co-Portfolio Manager

Prior to joining Tocqueville in 2009, Mr. Sellecchia held executive level positions at Reich & Tang Asset Management, LLC and Delafield Asset Management, Inc. He has a BA from Boston College, an MBA from New York University, and holds the CFA designation.

Q1: With the market, as measured by the S&P 500 Index, advancing in 2013 for a fifth consecutive year and valuation multiples expanding, where are the value opportunities today?

The Delafield Fund takes a conservative posture to value investing, emphasizing positive returns and the preservation of shareholders' capital. To identify the true value of a stock, we look at quantitative and qualitative measures, focusing on a company's earnings power and free cash flow, as well as the management of the firm, its philosophy and commitment to stockholders.

As a value manager, in the current environment where multiples are expanding, we tend to be cautious as it is more challenging to identify attractively priced investments compared to five years ago. To justify current valuations, we believe we need to forecast a company's prospects over a longer time frame. By extending the time horizon, short-term price fluctuations can become more prevalent.

Q2: With companies flush with cash on their balance sheets, would you please comment on how you prefer these businesses deploy excess cash?

Companies should deploy cash wisely, which translates differently depending on the business and industry. For instance, it may not be prudent for a company that is heavily levered and doesn't generate sufficient free cash flow to buy its own stock because it puts stress on the business. Instead, the company might want to deploy excess cash flow to decrease debt and improve the balance sheet.

Likewise, a company trading at a high valuation might not want to repurchase shares, especially following a significant increase in its stock price.

On the other hand, a cash-generating business selling at a low valuation can be an attractive buyback candidate. Or, if the company's management is adept at identifying acquisitions and integrating the businesses, the purchase can add incremental value, especially in today's low interest rate environment.

Q3: Recently, merger and acquisition activity has increased in the large capitalization segment of the U.S. equity market. Given the current low cost of capital, do you expect this trend to impact the mid and small cap industrial companies that you analyze?

We expect that the current interest rate environment would benefit companies of all sizes. The same dynamics that are driving increased M&A activity in the large cap space are true for mid and small cap companies. In the past, our holdings have benefited from increased M&A activity in

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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.



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two ways. At times, we held companies that were acquired at a premium to their then current valuation and in contrast, we held companies that created value through intelligent strategic acquisitions. We believe that low cost capital can benefit companies in ways beyond funding M&A activity. For example, low cost capital can be used for potential value enhancing debt refinancing, share repurchases or dividends.

Q4: You have managed The Delafield Fund for more than 20 years. How is your investment process different today than it was two decades ago?

While our value investing process and strategy has remained unchanged since the Fund's inception, Wall Street coverage of companies has changed dramatically. Over recent years, more research has been devoted to larger stocks, which makes it more challenging for investors to identify opportunities in the small and mid cap space. We believe this trend highlights the importance of our proprietary research intensive process to uncover hidden gems in this smaller capitalization range. Hence, we would identify our sweet spot as companies in market cap between \$500 million and \$12 billion, although the Fund has the ability to find opportunity across the market cap spectrum.

Investment Performance (as of 3/31/14)	Average Annual Total Return ¹			
	1 Year	5 Year	10 Year	15 Year
The Delafield Fund (DEFIX)	20.46%	26.54%	10.68%	13.50%
Russell 2000 Index	24.90%	24.31%	8.53%	8.91%
S&P 500 Index	21.86%	21.16%	7.42%	4.46%
Morningstar Mid-Cap Value Funds Category Average	23.23%	23.92%	8.74%	9.66%
Category Rank (%)	79	12	6	2
# of Funds in Category	418	307	191	72
Expense Ratio: 1.22%				

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

¹Performance for periods before 9/27/09 is for Delafield Fund, Inc. (the "Predecessor Fund"), which was reorganized into the Delafield Fund on 9/28/09. The Predecessor Fund had the same Portfolio Managers, investment objectives and strategies as the Delafield Fund. Performance since 9/28/09 reflects actual Delafield Fund performance.

The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

The Russell 2000 Index consists of the smallest 2000 companies in a group of 3000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. 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 Delafield 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.