



# Manager Q&A: The Delafield Fund

## The Delafield Fund

Symbol:	DEFIX
Total assets (12/31/13):	\$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: The Fund generally maintained a large cash position in 2013. Would you please discuss the reasons for holding cash throughout the year?

Cash is not an asset allocation decision but a residual of not finding appropriate investment ideas at the right valuation. As a value investor, the strength of the market in 2013 and consequently, stock valuations, made it more challenging for us to find compelling investment opportunities. At year-end, approximately 15% of the Fund's assets were held in cash.

Throughout the Fund's history, we have at times, held similar levels of reserves and then patiently deployed cash as the market created the opportunity. We view company specific or broader market dips as an ideal time to purchase companies that, we believe, have the potential for above average returns over time and a larger margin of relative safety as a result of their lower price. With a ready cash position, we can opportunistically act on a new investment opportunity without disrupting the current portfolio.

### Q2: Would you please discuss the Fund's 2013 performance relative to the broader market?

On an absolute basis, we were satisfied with the Fund's total return of approximately 29% in 2013. This represented our second best year in absolute terms over the past decade with only 2009's total return of approximately 55% performing better. However, we lagged our benchmark, the Russell 2000 Index, and our Morningstar peer group average for 2013.

With gradually improving economic conditions and higher confidence levels, investors, in general, were willing to assume more risk in their equity selections. As a result, growth/momentum stocks outperformed in 2013, and influenced broader benchmark returns. The rotation from value to growth/momentum is normal in the investment market cycle, but doesn't particularly benefit our investment style. We do not typically invest in growth/momentum companies that are capturing headlines and surging over shorter time frames. Instead, our portfolio is value oriented and primarily composed of special situation stocks, which tend to progress along their own individual investment cycles.

*"Our portfolio is value oriented and primarily composed of special situation stocks, which tend to progress along their own individual investment cycles."*

#### About Tocqueville

With approximately \$11.4 billion in assets under management as of December 31, 2013, 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.



# Manager Q&A: The Delafield Fund

## The Delafield Fund

Symbol: DEFIX  
 Total assets (12/31/13): \$1.8 billion  
 Inception date: 11/19/1993

**Q3: In the past, the Fund has held several companies that benefitted from M&A activity. Would you please comment upon the current M&A landscape and potential impact to the Fund?**

When forecasts call for slow global economic expansion, as they currently do, companies must look to propel operating results through means other than topline growth, including cost reductions, end market and geographic development, as well as strategic corporate actions. With the benefits of substantial cost saving restructuring programs largely realized at this point, cash-rich companies could be more likely to look to acquire top-line growth, while other companies may be more willing to divest non-strategic businesses to improve their own earnings profile. With corporate America flush with cash, and investors increasingly urging for companies to put that cash to work, we would not be surprised to see M&A activity of this nature accelerate in 2014. Historically, our portfolio has included a number of M&A participants, both on the buy and sell side, and we would expect that the fund will continue to benefit from future activity of this nature.

Investment Performance (as of 12/31/13)	Average Annual Total Return <sup>1</sup>			
	1 Year	5 Year	10 Year	15 Year
<b>The Delafield Fund (DEFIX)</b>	<b>29.06%</b>	<b>22.96%</b>	<b>10.99%</b>	<b>12.70%</b>
Russell 2000 Index	38.82%	20.08%	9.07%	8.42%
S&P 500 Index	32.39%	17.94%	7.41%	4.68%
Morningstar Mid-Cap Value Funds Category Average	35.14%	20.34%	8.96%	9.34%
<b>Category Rank (%)</b>	<b>90</b>	<b>9</b>	<b>6</b>	<b>5</b>
# of Funds in Category	415	306	187	72
Expense Ratio: 1.23%				

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.

<sup>1</sup>Performance 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.

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](http://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.