



Manager Q&A: Tocqueville International Value Fund

Tocqueville International Value Fund

Symbol: TIVFX
 Total assets (9/30/12): \$215.9 M
 Inception date: 8/1/94

Overall Rating



Among 323 Foreign Large Value Funds as of 9/30/12



James Hunt
 Portfolio Manager

Mr. Hunt has been portfolio manager or co-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: As 2012 comes to a close, what factors have driven performance in the international universe?

Due to the bottom-up nature of our investment approach, which has served us well for many years, there may be times when our performance is out of step with the overall market. This fiscal year was clearly one of those times. Gains in the developed international markets were concentrated in mega cap consumer stocks and in financials, both areas where we are underrepresented by virtue of our contrarian value investment discipline. The consumer stocks, which were fairly valued at the outset of the period in our judgment, were revalued upward by investors placing a premium on certainty of cash flows and high dividend yields. The financials did represent a sector that might appeal to a contrarian and eventually the stocks recovered from valuation levels that reflected some probability of a banking system meltdown as the ECB and other central banks took actions to calm investor nerves. However, financial institutions are by their nature structurally leveraged and operate opaque business models and, in the current circumstances, depend on some measure of government largesse.

For these reasons, they generally do not meet our standards regarding margin of safety for our investors. On the other hand, our investment process led us to industrial and materials companies, where we have a large weighting, and smaller capitalization companies, that were overlooked or derated despite cheap valuations and attractive long term business fundamentals. With time, fundamentals are normally recognized by the market, value realized, and our positioning rewarded.

Q2: What is your macro outlook today and how does that play into your investment process?

The macro backdrop continues to contain much uncertainty. While Europe has articulated a reasonable prescription to address its banking and fiscal issues, implementation is subject to political forces. Further, while the measures may represent a cure to instability, I believe Europe will remain structurally handicapped unless and until there is substantial structural reform of labor markets and entitlements. At the time of this writing, the U.S. is drawing nearer to the so-called fiscal cliff which if allowed to occur will have a negative impact on growth in the U.S. (though arguably a cleansing effect on politicians' behavior).

On a more positive note, China's economy, which slowed predictably during this year of political transition, appears to be firming, Brazil's economy is beginning to respond positively to lower interest rates, and India is beginning to heal from the effects of a bout of inflation and political corruption scandals. Japan's government has called for elections that are likely to result in growth oriented economic policies. All that being said, we continue to assume tepid economic growth and uncertainty. As we analyze companies, construct cash flow projections, and conduct our valuations, and evaluate opportunity and risk in individuals stocks, we do so on the basis of conservative macro assumptions.

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About Tocqueville

With approximately \$11.6 billion in assets under management as of September 30, 2012, Tocqueville Asset Management and its founding principals have been managing private fortunes for more than 30 years, and have 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.

(Q&A continued)

Q3: Are there areas of the globe that are of particular interest today from a contrarian point of view?

Another broad area of contrarian interest is Japan. Recently, Japanese equities have been suffering from a confluence of four negative factors, which has compounded the general disinterest in the market:

- 1) a slowdown in global GDP, which hurts demand for Japanese exports generally;
- 2) a slowdown in China's GDP, which hurts demand for Japanese capital goods that go into China's factories and mines, among other things;
- 3) the remarkable strength of the Yen, which makes Japanese producers less cost competitive on a global stage and/or less profitable;
- 4) and sabre rattling and protests in China in relation to disputed island territories and concern that this could result in Chinese boycotting Japanese products.

As a result, Japanese stocks, which for a decade had traded in close correlation with U.S. stocks in U.S. dollar terms, broke ranks in 2011 and have lagged the S&P 500 by some 25% over the last two years. The storm of negative factors affecting Japan combined with the poor market performance provides fertile ground for bottom-up stock selection.

In broad terms, we have been finding value in export businesses in areas where Japan excels, including high technology content auto parts, precision equipment, tools used for precision measuring in industrial and other processes, and equipment and tools used in the manufacture of electronics, to name a few.

Other broad areas of contrarian interest are stocks that are oversold due to concerns about a hard economic landing in China, and well positioned franchises in the information technology areas that are suffering a cyclical slowdown in their businesses.

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Investment Performance (as of 9/30/12)	Average Annual Total Return			
	1 Year	3 Year	5 Year	10 Year
Tocqueville International Value Fund	6.88%	3.69%	-1.54%	10.22%
MSCI EAFE Index	14.33%	2.59%	-4.77%	8.69%
S&P 500 Index	30.20%	13.20%	1.05%	8.01%
Morningstar Foreign Large Value Funds Category Average	13.47%	1.22%	-6.08%	7.77%
Category Rank (%)	96	12	3	7
# of Funds in Category	361	323	257	146
Morningstar Risk	NA	Below Average	Low	Low
Expense Ratio: 1.56%				

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 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 4 stars for the 3-year period and 5 stars for the 5- and 10-year periods ended 9/30/12 among 323, 257 and 146 Foreign Large Value Funds, respectively.

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.*

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 for a prospectus containing this information and other information. Read it carefully before investing.

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