



# IVA Funds NEWSLETTER

FALL 2009

## IVA Worldwide Fund

Class A: IWVAX

Class C: IWVCX

Class I: IWVIX

## IVA International Fund

Class A: IVOX

Class C: IVCX

Class I: IVQX

### Investment Risks

There are risks associated with investing in funds that invest in securities of foreign countries, such as erratic market conditions, economic and political instability and fluctuations in currency exchange rates. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.

An investor should consider the fund's investment objectives, risks and charges and expenses carefully before investing or sending money. This and other important information about the investment company can be found in the Fund's prospectus.

To obtain a prospectus, call (800) 941-4482 or visit [www.ivafunds.com](http://www.ivafunds.com).

Please read the prospectus carefully before investing. The IVA Funds are offered by Foreside Distribution Services, L.P.

## Sometimes a *Good Defense* is the *Best Offense*.

The market in the later part of 2008 and thus far in 2009 provided a stern reality check that what goes up can most definitely come down. We are all aware of the violent swings the market has taken over the past 10 months, both up and down. Investor confidence has been badly shaken, with their money managers, financial advisers, and investments in general. We are often asked at IVA what our opinions are on the markets. Last fall and winter we heard, "When will this get better?" That quickly turned late spring to, "Is this rally for real?" Our answer is always the same; simply put, "We have no idea." To be clear, our experienced team of investment professionals pays close attention to market conditions, credit cycles, and individual securities. They just don't spend their days predicting short term moves of the stock market. Rather, what we do is try to mitigate risk to our shareholders regardless of how "the market" as a whole performs, and thus far it has served our shareholders very well. Another way of putting it would be is that we try to be disciples of Ben Graham and let "Mr. Market serve us."

At IVA we recognize the critical importance of generating moderate returns in a very consistent fashion. Our first goal over the short term (12–18 months) is to attempt to preserve capital, while over the long term (full economic cycle) we seek to outperform relevant equity benchmarks. In trying to achieve this goal, the investment team spends a lot of time worrying about "what can go wrong." If, by navigating safely through rough waters, we keep our shareholders' principal intact and are able to achieve modest capital appreciation, we at IVA have done our job, and the power of compounded returns can create enormous wealth. Compound returns offer one of the most powerful ways to build wealth — we understand that the key is to avoid incurring negative returns which can have a disastrous impact on a portfolio.

In our obsession with not losing money, we pay a lot of attention to trying to mitigate investment risk and be sure the portfolios have appropriate downside protection. Thus far our strategy has

succeeded. We think that a particularly good way to measure how successful a fund manager is at protecting shareholders' capital when times are tough is to look at the upside/downside capture numbers. These ratios quantify how effective the fund has been at avoiding down market movement (downside capture) and conversely how much of the positive market momentum the fund has been able to catch in a rising market (upside capture) compared to a relevant index. The IVA Funds were launched October 1, 2008 and since inception through July 31, 2009, in a tumultuous market, the Worldwide Fund captured 24.95% of the downside market returns while being able to participate in 66.37% of the upward momentum in a rising market. Similarly the International Fund participated in 25.82% of the downside while catching 32.30% of upside movement. These downside capture numbers as well as our returns from this timeframe are well above the Funds' Morningstar peer group averages. (Worldwide in World Allocation and International in Foreign Small/Mid Value. See table on page two.) We have been able to achieve these results by sticking to our investment discipline and trying to manage risk.

We attempt to manage risk through rigorous fundamental analysis of the securities we invest in. Charles de Vault explains, "It's not enough for a company to appear cheap. It also needs to be safe, and safety starts with the balance sheet." In their calculations of intrinsic value estimates for each company investigated, the analysts recast the financial statements, read five years worth of annual reports (including footnotes and fine print), and furthermore always try to adjust for worst case scenarios. Chuck de Lardemelle explains, "By having a list of worst case scenario intrinsic values, we can better assess any looming dangers. If we think the risk can result in impairment of capital, we pass." Risk is also managed through diversification of holdings. By holding 100–150 different names around the world, across the capitalization spectrum, and including many asset classes, we believe our portfolios should be able to stand up to most market meltdowns better than many of our peers.

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**MSCI All Country World Index** is an unmanaged index comprised of 48 country indices comprising 23 developed and 25 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The index is a trademark of Morgan Stanley Capital International and is not available for direct investment.

**MSCI All Country World Index (ex U.S.)** is an unmanaged index consisting of 47 country indices comprising 22 developed and 25 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The index is a trademark of Morgan Stanley Capital International and is not available for direct investment.

The portfolio is actively managed and holdings can change at any time. The commentary is as of September 2009 and is subject to change based on market and other conditions. These materials are provided for informational purpose only. The views expressed herein may change at any time subsequent to the date of issue hereof. The information provided is not to be construed as a recommendation or an offer to buy or sell or the solicitation of an offer to buy or sell any security.

**An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending any money. This and other important information about the investment company can be found in the Funds' prospectus. To obtain a prospectus, call 1-866-941-4482 or visit [www.ivafunds.com](http://www.ivafunds.com). Please read the prospectus carefully before investing.** The IVA Funds are offered by Foreside Distribution Services, L.P.

We at IVA realize that there is no need to swing for the fences, but are happy with the more reliable doubles and singles that our portfolios have often hit. We stick to our discipline that has served us well, and always demand a margin of safety from each investment. With a strict focus on price and intrinsic value our team has the strength and patience to avoid getting swept up in fads or what's popular on Wall Street. We want our shareholders to win consistently over the long term and not have to suffer a bumpy ride. For instance a more aggressive approach may enjoy 50% returns in years one and two, which would seem like a great investment. However, if

in year three the portfolio was down -33% the shareholder's previous gains are wiped out. We know how disruptive this is to a portfolio, and how hard it is for an account to recover from losses. Thus we aim for more moderate returns in a more consistent fashion while trying to expose shareholders to as little risk as possible. We have no idea what the financial future may hold, we do know that we have many worries about valuations worldwide. Thus, we believe our portfolios remain properly prepared to hit any curveballs the market may throw at us. Charles de Vault explains, "By avoiding the losers, some-how gains should take care of themselves." ■

10/1/2008 – 7/31/2009

Group/Investment	Calculation Benchmark	Return	Down Capture Ratio	Up Capture Ratio
IVA Worldwide I	MSCI All Country World	17.09	24.78	66.66
IVA Worldwide A (load waived)	MSCI All Country World	16.86	24.95	66.37
IVA Worldwide A	MSCI All Country World	16.86	24.95	66.37
IVA Worldwide C	MSCI All Country World	16.17	25.66	65.73
<b>U.S. OE World Allocation (Category Average)</b>		<b>-2.40</b>	<b>67.80</b>	<b>72.89</b>

Total Funds in Category: 237

IVA International I	MSCI All Country World Ex. USA	13.42	25.83	32.30
IVA International A	MSCI All Country World Ex. USA	13.19	25.82	32.19
IVA International A (load waived)	MSCI All Country World Ex. USA	13.19	25.82	32.19
IVA International C	MSCI All Country World Ex. USA	12.50	26.00	32.06
<b>U.S. OE Foreign Small/Mid Value Allocation (Category Average)</b>		<b>-2.44</b>	<b>64.93</b>	<b>64.20</b>

Total Funds in Category: 84

Average Annual Returns as of 6/30/09	Year-to-Date	Since Inception (10/1/08)	Average Annual Returns as of 6/30/09	Year-to-Date	Since Inception (10/1/08)
IVA Worldwide A (without load)	8.94%	12.01%	IVA International A (without load)	5.79%	8.42%
IVA Worldwide A (with load)	3.47%	6.42%	IVA International A (with load)	0.46%	3.01%
IVA Worldwide C	8.54%	11.33%	IVA International C	5.39%	7.74%
IVA Worldwide I	9.11%	12.16%	IVA International I	5.87%	8.56%

*Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance information current to the most recent month end call (866) 941-4482. As of the most recent prospectus, the Gross and Net Expense ratios for the funds are as follows: IVA Worldwide Fund: 1.34%/1.15% net (I Shares) and 1.59%/1.40% (A Shares); IVA International Fund: 1.42%/1.15% (I Shares) and 1.67%/1.40% (A Shares). The Net Expense Ratio reflects contractual waivers in effect from October 1, 2008 through September 30, 2009.*

*Source of data in chart is Morningstar. Downside Capture Ratio measures manager's performance in down markets. In essence, it tells you what percentage of the down-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside. Upside Capture Ratio measures manager's performance in up markets. In essence, it tells you what percentage of the up-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the up-market and therefore out-performed the market on the upside. The relevant benchmark is used to determine what constitutes an up or down market.*