



# IVA International Fund

## Fourth Quarter 2011

# Quarterly Review

Class	Ticker	CUSIP
A	IVIOX	45070A305
C	IVICX	45070A602
I	IVIQX	45070A404

The IVA International Fund Class A (NAV) ended the quarter on December 31, 2011 with a return of 1.57% compared to the MSCI All Country World Index (ex-U.S.) (Net) return of 3.72%. This brings our 2011 calendar year performance to -1.96% versus the Index return of -13.71% for the same period.

Global equity markets posted a solid advance in the fourth quarter, driven by good performance from cyclical stocks. While we lagged the benchmark this quarter given our asset class mix and the defensive nature of our equities, the Fund demonstrated resiliency over this volatile calendar year as equity markets reacted to headline news about the sovereign debt crisis in Europe, deficit problems in the U.S., and a possible slow-down in China. Throughout the year, our portfolio was cautiously positioned with about two thirds in what we view as mainly defensive equities, and the rest in gold, fixed income, and cash.

Our equities averaged returns of 1.2% versus the benchmark at 3.7% this quarter. Many of our industrial stocks (with quite a few in Japan) are somewhat defensive and less cyclical in nature, and underperformed the broader market averaging returns of -1.6% versus the Index's performance in this sector at 4.6%. Additionally, one of our worst performing equities this quarter was a real estate company in Japan, whose share price fell after announcing a merger in December. As a result, our exposure to real estate detracted -0.3% from our return. Even though our energy stocks averaged returns of 16.9% versus the benchmark at 12.0%, our underweight exposure to this sector hurt performance on a relative basis. On the other hand, we benefited from good security selection among consumer staples and consumer discretionary stocks. These were our best performing sectors and collectively they added about 1.3% to our return versus the Index at 0.8%. Geographically, stocks within France and South Korea added the most to our return, together 1.3%. The largest loss for the period came from our Japanese equities, which averaged returns of -3.9% versus the benchmark at -3.9%.

Gold bullion peaked around \$1,900 per ounce in early September as macro uncertainty fueled its run up as a "safe haven" before falling through the end of the year. Our gold and gold mining stocks collectively averaged returns of -6.3% for the quarter. In late August and early September, we started reducing our overall exposure to gold bullion and started to invest modest amounts in a few gold mining stocks as those have lagged bullion for many years now and look somewhat cheap to us relative to the metal, and we are mindful of constraints associated with the IRS qualifying income test. Our exposure totaled 4.7% at quarter-end, and consisted of 3.6% in gold bullion and 1.1% in gold mining shares. We still view gold as money that central bankers cannot print and a hedge against currency debasement.

We took advantage of a small window of opportunity that opened in high-yield bonds early in the quarter. This brought our corporate fixed income exposure to 6.3% on December 31 from 5.8% on September 30. These bonds averaged returns of about 6.4% over the quarter with a weighted average yield of 7.9% as of December 31, 2011. Our sovereign government bond exposure, which is primarily in Asian currencies, is 9.3% of our portfolio. We still view this exposure as non-U.S. dollar quasi cash, and we think these currencies will appreciate over time once the imbalances that have developed in the world get corrected. Our sovereign government bonds averaged returns of about 0.4% over the quarter.

Until recently, the euro remained rather resilient as policymakers there have resisted printing money. The currency has come under pressure lately and fell -3.2% over the quarter against the dollar, hitting new 12-month lows at year-end. We increased our hedge against the euro in November in order to reduce currency risk in the portfolio and as of December 31, 2011, our currency hedges were as follows: euro 64.3%, Japanese yen 50.8%, South Korean won 20.6%, Australian dollar 14.1%, and British pound 4.9%. Collectively our currency hedges added about 0.5% to our return this quarter.

It has been nearly two years since the sovereign debt crisis began in Europe, and lack of a resolution has plagued markets for some time. We had witnessed an orderly bear market in the region, with the market rewarding what we view as well capitalized, global companies, and punishing many of the highly leveraged companies and financial stocks. Our European exposure of 30.2% continues to be predominantly in France and Switzerland in what we consider high quality global companies with healthy balance sheets and strong dividend yields. We bought two large European bank stocks this quarter that we view as having safe balance sheets and trade at what we believe are attractive valuations. They are small positions, and our exposure to financials rose to 3.4% as of December 31, 2011.

## 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.*

*Effective February 22, 2011, this fund is closed to new investors.*

There were minimal changes to the portfolio over the quarter. Our allocation to Japan remains steady at about 26%. Stock picking in Japan made a big difference in 2011, as our non-cyclical and mainly smaller, local companies held up much better than the broader Japanese market. Although we think Japan remains one of the cheapest markets, we keep exercising restraint as corporate governance remains too weak in our opinion. We have shifted our focus to finding new opportunities in Europe as small and mid-cap stocks there have come down and valuations look reasonable. We are also beginning to see attractive values within cyclical companies in media, IT services, temp staffing, property, and shipping. Our emerging market exposure remains low, with the majority of it coming from South Korea where we primarily own businesses tied to the local consumer. A number of global companies we own derive a substantial portion of their revenue from emerging markets and we still favor this back door approach for now, but at the right price we would invest directly in China, India, and Brazil as those markets dropped substantially in 2011.

Volatility was high this past year, particularly in the latter half, driven by uncertainty about the state of the global economy. We believe that volatility works to our advantage as it presents more opportunities to buy low and sell high. Additionally, having a well-diversified portfolio helps to reduce the Fund's overall risk and volatility. As of December 31, 2011, more than 20% of our portfolio was in cash, sovereign bonds, gold, and gold related securities, which gives us the dry powder necessary to take advantage of market corrections, while also trying to protect the portfolio on the downside.

## Performance Information

(as of December 31, 2011)

Class	3 Months	YTD	Average Annual Total Returns		
			1 Year	3 Year	Since Inception 10/1/08
A (NAV)	1.57%	-1.96%	-1.96%	10.88%	10.83%
A (w/ 5% sales charge)	-3.52%	-6.87%	-6.87%	8.98%	9.10%
C	1.36%	-2.69%	-2.69%	10.04%	9.97%
I	1.57%	-1.77%	-1.77%	11.14%	11.09%
MSCI All Country World Index (ex-U.S.) (Net)	3.72%	-13.71%	-13.71%	10.70%	1.62%

**Past performance does not guarantee future results.** *The performance data quoted represents past performance and current returns may be lower or higher. Returns shown are net of fees and expenses and assume reinvestment of dividends and other income. 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, please call 1-866-941-4482.*

*Maximum sales charge for the A shares is 5.00%. C shares include a 1% CDSC fee for the first year only. The expense ratios for the fund are as follows: 1.39% (A shares); 2.17% gross/2.15% net (C shares); 1.13% (I shares). The net expense ratio reflects contractual waivers in effect from October 1, 2008 through January 31, 2012.*

*MSCI All Country World Index (ex U.S.) (Net) is an unmanaged index consisting of 44 country indices comprising 23 developed and 21 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 represents the opinion of Charles de Vaulx and Charles de Lardemelle as of December 31, 2011 and is subject to change based on market and other conditions. This is provided for informational purpose only and 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. Any statistics contained herein have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed.*

**An investor should read and consider the funds' investment objectives, risks, charges and expenses carefully before investing. This and other important information are detailed in our prospectus and summary prospectus, which can be obtained by calling 1-866-941-4482 or visiting [www.ivafunds.com](http://www.ivafunds.com).** The IVA Funds are offered by IVA Funds Distributors, LLC.



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