IVA Funds Update Call
September 20, 2018
Important Disclosures:

Mutual fund investing involves risks including possible loss of principal. 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 read and consider the fund's 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. Please read the prospectus and summary prospectus carefully before you invest.** The IVA Funds are offered by IVA Funds Distributors, LLC.

Total Returns as of 12/31/18	1 Year	5 Year*	10 Year*	Since Inception*
IVA Worldwide Fund A (no load)	-7.55%	2.34%	7.03%	7.15%
IVA Worldwide Fund A (with load)	-12.16%	1.29%	6.48%	6.61%
IVA Worldwide Fund I	-7.30%	2.60%	7.31%	7.41%
MSCI All Country World Index	-9.42%	4.26%	9.46%	6.55%
IVA International Fund A (no load)	-13.15%	1.29%	6.35%	6.44%
IVA International Fund A (with load)	-17.50%	0.25%	5.80%	5.91%
IVA International Fund I	-12.93%	1.54%	6.61%	6.71%
MSCI All Country World Index (ex-U.S.)	-14.20%	0.68%	6.57%	3.81%

**Annualized; Inception Date 10/01/08*

Past performance does not guarantee future results. *The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown 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.*

As of the most recent prospectus, the expense ratios for the funds are as follows: IVA Worldwide Fund: 1.25% (A shares), 1.00% (I shares); IVA International Fund: 1.25% (A Shares), 1.00% (I shares). Maximum sales charge for the A shares is 5.00%. Amounts redeemed within 30 days of purchase are subject to a 2.00% fee.

As of December 31, 2018, the IVA Worldwide Fund's top 10 holdings were: Gold bullion (6.4%); Berkshire Hathaway, Inc. Class A; Class B (4.0%); Sodexo SA (2.5%); AIB Group PLC (2.4%); Nestle SA (2.4%); Samsung Electronics Co., Ltd. (2.3%); Astellas Pharma, Inc. (2.3%); Bureau Veritas SA (2.2%); Bayerische Motoren Werke AG (2.2%); Oracle Corporation (2.0%). As of December 31, 2018, the IVA International Fund's top 10 holdings were: Gold bullion (7.7%); Bureau Veritas SA (3.8%); Sodexo SA (3.6%); AIB Group PLC (3.1%); Astellas Pharma, Inc. (3.0%); Samsung Electronics Co., Ltd. (2.9%); Nestle SA (2.9%); Kangwon Land, Inc. (2.7%); Bayerische

Motoren Werke AG (2.2%); Airbus Group SE (2.2%).

MSCI All Country World Index is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is a trademark of MSCI Inc. and is not available for direct investment.

MSCI All Country World Index (ex-U.S.) is an unmanaged index consisting of 46 country indices comprised of 22 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is a trademark of MSCI Inc. and is not available for direct investment.

The views expressed herein reflect those of the portfolio managers through September 20, 2018 and do not necessarily represent the views of IVA or any other person in the IVA organization. Any such views are subject to change at any time based upon market or other conditions and IVA disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for an IVA fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any IVA fund. The securities mentioned are not necessarily holdings invested in by the portfolio manager(s) or IVA. References to specific company securities should not be construed as recommendations or investment advice.

Basis Point: one hundredth of one percent
EBIT: earnings before interest and taxes
EBITDA: earnings before interest, taxes depreciation and amortization

Tara Hannigan: Good afternoon and welcome to the Semiannual IVA Funds Update Call. We thank you for joining us. I'm Tara Hannigan, the Director of Mutual Fund Distribution.

The purpose of this call is to update you on the Funds and share our current investment thinking. Our portfolio managers, Charles de Vaulx and Chuck de Lardemelle will give prepared remarks explaining what they're seeing around the world today and then we will open the call up to questions.

To update you on IVA as a firm, as of August 31st, 2018, we had approximately $17.5 billion in total assets under management, with our two mutual funds comprising about $11.9 billion of that total.

As of September 11th, 2018, both of our mutual funds have reopened to all new investors.

A quick note on performance: as of June 30th, 2018, the IVA Worldwide Fund Class I returned 4.61% for the one-year period, while the MSCI All Country World Index returned 10.73% over the same period.

For the five-year period on an annualized basis, the IVA Worldwide Fund Class I returned 5.86% versus the MSCI All Country World Index return of 9.41%. Since the Fund's October 1st, 2008 inception, it returned 8.51% on an annualized basis, while the MSCI All Country World Index returned 7.94% over the same period.

As of June 30th, 2018 the IVA International Fund Class I has returned 3.47% for the one year period while the MSCI All Country World Ex-U.S. Index returned 7.28% over the same period.

For the five-year period on an annualized basis, the IVA international Fund Class I returned 5.79% versus the MSCI All Country World Ex-U.S. Index of 5.99%. Since that Fund's October 1st, 2008 inception it has returned 8.31% on an analyzed basis while the MSCI All Country World Ex-U.S. Index has returned 5.25% over the same period. Year-to-date through yesterday, Wednesday, September 19th, the IVA Worldwide Fund Class I has returned 1% versus the MSCI All Country World Index return of 3.29%. The IVA International Fund Class I has returned -3.03% versus the MSCI All Country World Ex-U.S. index return of -3.93%.

I will now make some necessary brief legal disclosures before we begin the call.

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 fluctuation 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 read and consider the fund's 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 visiting our website, www.IVAfunds.com. And now I will hand the call over to Charles and Chuck. Charles.

Charles de Vaulx: Thank you, Tara, for going over those performance numbers, including year-to-date numbers. Of course, year-to-date performance has been achieved in several phases, both for us and indices. That included a melt-up for most of January, a brutal correction until February 8th and 9th, some rebound, some relapse, another rebound until May 14th, to be precise. However, since May 14th, the most fascinating development has occurred. While foreign stocks have been down sharply, the All Country's World Index Ex-U.S. is down -5.6% since May 14th, the S&P 500 is up 7.3% since that same date, and the MSCI All Country World is up only 1%. In fact, as recently as last week, that index was slightly down since mid-May.

So what a remarkable divergence of performance between the U.S. market and the rest of the world. So some volatility is back, some remarkable divergences are occurring, and that is music to a value investor's ears.

The topics I'd like to discuss today:

1. ***A few more data points regarding the year-to-date performance of our Funds and year-to-date performance of our benchmarks***
2. ***Highlight some of the areas where we have been active as buyers and sellers over the past six months***
3. ***Discuss why our portfolios remain defensively positioned, even though we've been net buyers***
4. ***A few words on emerging markets***
5. ***A few words on gold***
6. ***A few words on IVA's announcement last week that it would reopen its mutual funds and other products to new investors after being closed for a little over 7.5 years***

1. A few more data points regarding the year-to-date performance of our Funds and year-to-date performance of our benchmarks

The plot thickens when it comes to trying to analyze and assess year-to-date returns. When one realizes that most of the S&P 500's returns since mid-May have

come from a handful of very large technology stocks- Amazon and Apple in particular, both of which I'm sure you've read, support a market cap of close to, if no higher than, $1 trillion each.

If you were to look at the MSCI World Value Index, which is a subset of the MSCI All Country World Index, that index is actually down -0.14% year-to-date. In other words, a -3.4% spread compared to the MSCI World Index year to date. The MSCI World Ex-U.S. Value Index is down -4.78% year to date, in other words, -0.9% more than the MSCI World Ex-U.S.

So even though I would reiterate that our brand of value investing at IVA is not the simplistic low price-to-book, low P/E and high dividend yield that is probably used to define the universe of these value indices, it is still crystal clear that it is only a handful of growth, momentum, quality stocks in the U.S. (the tech names I mentioned) that have allowed the MSCI World All Country World Index to look so resilient year to date.

My point here is to suggest that our stock picking is not as mediocre as our performance relative to the benchmark would suggest.

My second point, which ultimately is the most important one, is that we have **not** felt the need to revise our intrinsic value estimates down for most of the stocks that have hurt our year-to-date performance in both Funds. In fact, in many instances, as the discount has widened between the share prices and our intrinsic value estimates, we have taken advantage and bought more (sometimes a lot more) of many of these names. A few examples would include: Acuity Brands and Cimarex in the U.S.; Sodexo, Royal Boskalis, Allied Irish Bank (IAB), and BMW in Europe; Kangwon Land, Miraca Holdings, and First Resources in Asia.

Gold has hurt us to the tune of 46 basis points in Worldwide and to the tune of 56 basis points in the International Fund.

2. **Highlight some of the areas where we have been active as buyers and sellers over the past six months**

While I just did mention a few names where we added as they went down, most

were existing names, although both Royal Boskalis and Acuity Brands were new positions this year. I did discuss briefly Royal Boskalis in the Q&A that appeared in a Barron's article on July 23rd of this year. As you may recall, this is primarily a dredging company that operates globally and they also offer certain oil offshore services. Chuck will discuss Acuity Brands more in depth later.
A new position in both Funds is ASKUL, a Japanese distributor via the internet of office equipment products to small and midsize companies in Japan.

New also to the Worldwide Fund is Daewoo Technology, the parent company of KIWOOM Securities, which we own in both funds. Daewoo Technology, besides owning a controlling stake in KIWOOM, they own a few tech related companies, either 100% or partial interests.

We also, over the past few months, were able to buy a small position in Tidewater bonds, which is offshore oil related.

New in the International Fund is D'ieteren, a family-controlled Belgium distributor of European and Asian cars. They also have operated a few other businesses.

Another new name is Kyung Dong Pharmaceutical in South Korea, a prescription drug manufacturer which sells domestically, as well as outside South Korea.

We have also had to reduce certain positions: Astellas Pharma, whose stock is up around 35% year-to-date in U.S. dollars; American Express and Expeditors International- both of those names are in the Worldwide only, as well as a little bit of Bank of America.

In both Funds, we eliminated our positions in: Altran, the French-based company,; Azbil, the Japanese manufacturer of automation equipment; ENGIE, a French-based, yet global, electric utility.

In the International fund, we've eliminated Sankyo, the pachinko slot machine company.

The good news is that our buying has exceeded our selling in both funds, so we

have been net buyers. As a result, the equity components of the Funds have gone up a lot - Chuck will give you more precise numbers - and the cash levels have come down a little bit, more so though in the International Fund.

3. Discuss why our portfolios remain defensively positioned, even though we've been net buyers

Well for the exact same reasons we have been giving for several years now, which have to do overwhelmingly with valuation levels.

Low interest rates are still typically negative in real terms in most currencies, real terms meaning adjusted for the CPI inflation in those countries. Those negative rates have convinced, if not forced, investors to pay up significantly for bonds, but also for stocks, businesses, private equity deals (done at all-time highs), real estate collectibles - all of this because of TINA: There Is No Alternative.

Low interest rates have also encouraged many companies around the world to incur additional indebtedness to finance larger and larger buyback programs at higher and higher prices. Not surprisingly, insider selling is also reaching very elevated levels, quite a telling sign if history is any guide. Not a promising sign.

Looking at U.S. stocks, it appears that underlying earnings have been strong to a large extent due to the corporate tax cuts recently enacted, more than offsetting in many instances the negative impact of the recovering U.S. dollar that is hurting many companies that generate parts, sometimes significant parts, of their earnings overseas outside of the U.S. Even though many industries are more concentrated and oligopolistic than 32 years ago, at the time of President Reagan's Tax Reform Act of 1986, my hunch is that many companies will see the benefits of the tax cuts be competed away over time.

It seems that low interest rates have helped U.S. stocks enormously, as they have encouraged investors to imply higher multiples to earnings. Earnings themselves went up due to low interest charges, and as many companies have gone on massive stock buyback sprees, weakening the balance sheets along the way, these buybacks seem, as long as interest rates are low, to be earnings per share accretive. The risk is that interest rates may rise and normalize in the next two years, suddenly hurting

the valuation of many stocks.

In the recent interview in Barron's, I talked about the fact that the Phillips curve has not been working at all so far in the U.S., but that might now change. So far, even though labor markets have tightened significantly over the past few years, the official unemployment rate falling to 4%, and with many Americans who did not bother to report as unemployed having reentered the workforce by now, it seems that wage pressure so far has been nonexistent. But we believe that this is now changing: many industries are scrambling to find employees, trucking companies are struggling to find enough drivers, more and more companies are willing to hire ex-convicts or drug addicts, and more people are willing to quit their job to in the hope of getting better paying jobs.

At the last reading a few weeks ago, wages were up 2.9% year over year, that's up from before, and that's more or less in line with the CPI inflation. And we would not be surprised to see that number go up. If that were to happen, interest rates would probably have to go up higher than expected, hurting U.S. bonds and stocks along the way and probably many foreign stocks as well.

How about European stocks? A few are beginning to look not as full as a few months ago, after the decline. Yet the reality is that quality names, be they large, mid-sized or small, are as expensive as similar quality names in the U.S. The European stocks that look cheap deserve to be cheap, we believe, because they operate in overly fragmented and competitive industries: banking, insurance and so forth.

Looking at Asian stocks, including Japan and South Korea, the valuations are more reasonable, especially among the smaller stocks. But corporate governance remains an issue along with capital allocation, although there have been some improvements in Japan in particular on that front. And then markets such as Hong Kong are still overwhelmingly denominated by property related names that are expensive, as the underlying real estate values are exceedingly high, in our opinion.

4. A few words on emerging markets

Emerging markets, stocks and bonds, one can wonder whether some genuine bargains may have surfaced in emerging markets after the correction so far this year. I think EM equities are down over -10% year-to-date in dollars, while EM sovereign bonds are down over 5%. Of course, in some of the specific countries, equity or bond markets are down a lot more, for instance Turkey, Argentina, Brazil and South Africa. Despite these moves, EM equities and bonds do not appear that compelling to us:

- One: the indices have not given back all of last year’s gains in many instances.
- Two: valuation may look low relative to the S&P, maybe 11 times versus 17 or 18 times, but valuations were (in absolute terms) much more attractive in 2002 or late ’08, early ’09.
- Three: aggregate valuation levels are very misleading. You have heard us argue many times that Europe has deserved to trade in aggregate at big discounts to U.S. stocks because the big stocks in Europe are banks, insurance companies, regulated telecoms, regulated utilities. These deserve to trade at much lower multiples than the big, wonderful, fabulous American companies that account for such a big part of the S&P 500 - the Amazons, the Apples, the MasterCards, the United Technologies, and so many others. That phenomenon is even more pronounced in emerging markets where the large stocks are overwhelmingly banks, low growth utilities, oil companies, etc. For instance, when you look at consumer stocks or healthcare stocks in EM, which account for such a small portion of the aggregate market, those quality stocks remain rather pricy.
- Finally, the political outlook in many emerging market countries is cloudier than ever: they’ll have elections in Brazil in October, and elections in Argentina in October of next year; more autocratic regimes in China, Russia, and Turkey; South Africa is talking about possibly confiscating some land held by white citizens. The implication is that the currencies of many of these countries, some of which may look cheap (when looking at purchasing power parity) now that they’ve declined (I think only the Mexican peso is up five, six, or seven percent year-to-date against the U.S. dollar), may no longer look cheap three to five years out depending on what kind of macroeconomic policies may be pursued there in the near future. If the U.S. dollar continues to appreciate against EM currencies, many countries in emerging markets that have extensively borrowed in U.S. dollars will suffer even more than they have so far.

So EM stocks and bonds might deserve to trade where they are today. Having said that, our analysts are indeed investigating more and more names there- stocks and bonds, including sovereign debt.

5. A few words on gold

The Worldwide Fund has approximately 5.3% in gold bullion and the International Fund has 6.6%, more or less the same weightings as six months ago, maybe a fraction less.

Gold has been weak this year, hurting both Funds, as I tried to quantify that earlier.

Now we've always used gold in a very specific way at IVA. We like the fact that it is, more often than not, which is not to say always, inversely correlated to stocks and bonds. So when you have a long only strategy like ours, that tries to deliver positive absolute returns, to have a tool like gold which can zag when markets zig is most useful.

Gold last year went up as the U.S. dollar went down and real interest rates remained very low, if not negative, depending on where in the yield curve. And conversely, gold is down this year as the U.S. Dollar has recovered to some extent and real rates have gone up a little bit as well.

We do believe that real rates will remain low for the foreseeable future, even though nominal inflation and nominal interest rates may go up. If that's the case, if Central Banks around the world remain behind the curve, gold could still do reasonably well in the next two to five years.

6. A few words on IVA's announcement last week that it would reopen its mutual funds and other products to new investors after being closed for a little over 7.5 years

Last week, after being closed for a little over 7.5 years, we reopened our products, including our mutual funds, to new investors. We had closed our products to most

new investors early 2011 as our two Funds were experiencing strong inflows. These restrictions were successful and asset growth did normalize. Over the past four years, and most significantly, over the past six months, outflows have outpaced inflows. This is a destabilizing state of affair, as we need to rebalance certain portfolios due to these ongoing net outflows.

The purpose of the reopening is to try and increase the gross inflows so that they can neutralize the gross outflows. In that sense, the purpose of the reopening is not to grow assets. We want that growth ideally to strictly come from NAV appreciation over time, in other words, from the performance of the Funds.

So the attempt is not to grow assets but just to neutralize the net outflows. We hope that the reopening will remain low key. We do not intend to add to our bare bones sales team at this stage.

Some may ask why not meet those net redemptions by using the cash that is available in both Funds? Well that is because our cash levels are by design-aggregate cash levels are a residual. Let me try and explain: if we have 2.5% in Astellas Pharma or say 4.5% in Berkshire Hathaway in the Worldwide Fund, that is by design. That is because we do not want more. So if we met a 10% net redemption in the Worldwide Fund by using cash, Berkshire would gradually become a 5% position and Astellas Pharma would mechanically become a 2.75% position.

It is the same logic that we use to explain when some have been asking us over the past three, four, five years why not reduce your cash levels by adding 30% to every position? Well simply because we would not be comfortable with these weightings in individual names.

In fact, since I mentioned Astellas Pharma, this year we have reduced our weighting in Astellas Pharma as the stock has gone up 35%, and as a result, the discount to our intrinsic value estimate has narrowed. It would be a 3.5% position if we had not reduced it, and even more so if we had used cash to meet redemptions. We would not be comfortable with that.

And so, when you experience net outflows and are eager to make sure individual

weightings remain what you want them to be, you have to sell a little bit of every holding in the portfolios, including the many names that show large, unrealized gains. Some of those gains then have to be realized and, by law, distributed once a year, in our case early December, and as you know, those distributions are taxable for taxable accounts. So, there are some adverse tax consequences to allowing a Fund to shrink due to net outflows when that Fund has net unrealized gains.

Finally, before I pass the call to Chuck, let me mention that a new analyst will join our team next week. His name is Patrick Jamgocian.

Earlier this year, as some of you may recall, Simon Fenwick, who had been an analyst for us for a long time, and was a Partner, left us. And a few months ago, Gabe Farajollah left us to pursue an MBA at Wharton.

We are happy that Patrick will be able to join the team and do analytical work for us.

Chuck de Lardemelle: Thank you, Charles. I will now describe briefly how our mutual funds are positioned as of September 18th, 2018, and make some brief remarks on the investment landscape.

Currently, our overall equity exposure is roughly 56% in Worldwide and 72% in International. Our corporate and sovereign bond exposure is 2% in worldwide and 2.5% in international.

Our gold bullion exposure is roughly 5% in Worldwide and 6.5% in International. Our cash invested in short-term commercial paper is 37% in Worldwide and 19% in International.

In terms of geographic exposure to equities for the Worldwide Fund, approximately 23% of the Fund is invested in U.S. equities, 18% in European equities, and 14% in Asian equities.

As for the International Fund, approximately 37% of the Fund in invested in Asian and Australian equities (with Japan being 14% of the fund's assets, South Korea 11%) and 30% in European equities. 4% of assets are in South America, and the

remaining 1% in South Africa and Canada.

Finally, our Japanese Yen exposure is roughly 25% hedged in Worldwide, 35% in International, while our Euro exposure is 10% hedged in both Worldwide and International.

The Federal Reserve is now firmly on its way to incremental tightening. Short-term interest rates have risen, short-term commercial paper now yields around 2%, and more Federal Reserve rate hikes are expected; quantitative tightening has now reduced the size of the Fed's balance sheet by 5% from its top and the pace of balance sheet shrinking is scheduled to accelerate. Meanwhile, auto sales in the U.S. are near records, the economy is booming, as indicated by strong employment and temporary employment numbers, and the yield curve is near flat, with a 2-year to 10-year spread on treasuries around 25 basis points. Historically, that spread reaching 0 meant trouble ahead for the economy, and for the stock market. Finally, we can't help but note the strong divergence of the S&P 500 versus the MSCI All Country Ex-U.S. since mid-May, 2018. The S&P ETF is up about 7.8% versus the MSCI All Country Ex-U.S. ETF down 3.7%. So a divergence of more than 11 points.

These facts, coupled with marked excesses in valuation of most asset classes globally lead us to remain cautious in the positioning of our portfolio.

Over the last two down markets 2000 - 2002, and 2007 - 2009, gold and long-dated treasuries provided strong positive returns as equity indices went down 40% or so. These two hedges unfortunately today are substantially more expensive than they were in 2000. 10-year treasuries were yielding 6% then, slightly over 3% today. Gold was selling for less than $300 an ounce for most of 2000 - 2001, and is selling for $1,200 per ounce today.

The gold above ground, that is an estimate of the market value of gold ever mined, represented less than 5% of global GDP in 2000, a very depressed level by late 20th century standards, versus 9% today, slightly over the long-term average of 8%. We believe gold will provide a hedge in the next bear market, but the extent of its appreciation is unknown.

The other hedge in our portfolio is of course our cash, certainly higher than what we would consider normal levels, yet we believe at an appropriate level given our objective of absolute returns, given the stretched valuations worldwide in most asset classes, and how advanced the economy cycle is globally.

Moreover, we believe the global financial system is somewhat derelict, with trillions of sovereign government debt yielding less than zero. The hedge provided by the cash invested in short-term commercial paper of our choosing yields around 2% versus U.S. inflation at close to 3%.

So it may well be that the best protection long-term remains well managed, good businesses trading at reasonable prices, but such investments are not easy to find in today's environment.

Let me give you quickly three examples of recent additions to existing positions or outright purchases for the IVA mutual funds.

First, a few words about Schlumberger, the global leader in oil services. The stock price has been cut roughly in half in four years, from $120 a share in mid-2014 to the low 60s today. At today's price, close to our cost basis, we're paying around nine times peak pro forma 2014 EBIT of $11 billion, but still over 25 times this year's expected EBIT and perhaps around 12 times normalized EBIT for what would translate into an 8-9% pre-tax earnings yield. This year's expected EBIT of less than 4 billion remains depressed, yet in fairness, we are unlikely to see peak EBIT reached in 2014 for a number of years. Offshore oil drilling needs to be booming for Schlumberger's earnings to fully recover. However, the shale oil basins in the U.S. for now are much lower cost than deep offshore oil fields and may remain so for at least a few more years. We believe Schlumberger allows its shareholders to get exposure to low cost oil producers as the company does a substantial part of its business in the Middle East.

The technology and knowhow of Schlumberger is also recognized as best in class globally. The discount to our estimate of intrinsic value is to the order of 25% and a dividend pays slightly over 3% per year while we wait.

Were the stock price to become weaker, and the discount to our estimate of intrinsic

value to widen, we will have substantial room to add given our cash balance and the fact the Schlumberger currently accounts for a reasonably small position of 75 basis points in Worldwide and a more sizable 150 basis points in International.

Next, let me highlight Allied Irish Bank, or AIB Group plc which accounts for roughly 1.6% of assets worldwide and 2.5% of international. This Irish bank is a classic mortgage bank, collecting deposits and lending them out. The Irish banking market consists of three main banks, is highly consolidated, therefore allowing for healthy net interest margins on new mortgages, at least by European standards. The bank is currently overearning due to releases of provisions and we have attempted, of course, to account for that in our estimate of intrinsic value. Worst case scenario would be heightened pressure on mortgage rates by competitors. AIB is intent on defending its roughly 40% share in mortgage origination in Ireland. The bank is also overcapitalized, but the regulators will not allow for distribution of that capital until the Non-Performing Loans have been largely disposed of. Management is working actively to get to that point and we would hope that the bank would be in a position to return part or all of the excess capital, estimated at €1 per share on a € 4.9 share price to shareholders within the next 24 months.

In the meantime, we're paying around book value for a normalized return on equity of 7.5% and we get an annual dividend yield of roughly 2.5%. We would expect the return on equity to improve substantially and reach close to double digits as the excess capital is returned to shareholders.

We believe AIB will benefit from a strong Irish economy and a solid real estate market in Ireland for years to come, and is not exposed to complex and speculative derivatives values or to Italian sovereign bonds, which may become a problem for the European banking system overtime.

Finally, earlier this year, we accumulated a position in Acuity Brands. The U.S. mid-cap industrial name now appears in the top 10 holdings of Worldwide and accounts for roughly 1.9% of the assets of the Worldwide fund. Acuity is the U.S. leader for light fixtures, not the light bulbs, simply the fixtures that one would find in any commercial building or warehouse. The stock topped at roughly $280 a share mid-2016 and briefly became reasonably cheap in our opinion a few months ago after falling 50% from its top, despite a strong balance sheet. Issues at the time

centered around new competition at the low end by Chinese new entrants. We believe management to be of high quality, the balance sheet is pristine and management refrained from buying back stock at high prices. When the share price fell substantially however, management acted swiftly and implemented a buyback. While pricing pressure is likely to persist at the low end of the market, we believe Acuity, with a 20% market share in the U.S. benefits from substantial economies of scale, and is able to offer a very large range of products at competitive advantage. The company is also proactive in developing new products, controls in software for managing the lighting of commercial buildings. Finally, and contrary to our expectations, the commercial building cycle having overshot in 2006 - 2007, is a lot less hot today, in our opinion, than it was in the last cycle. Acuity continues to gain share in the industry under its current leadership. The share price unfortunately only stayed in our buying range for a few months, and has recently rebounded the pricing pressure and the low end seems to be abating. We paid around 11 times 2018 estimate of EBIT to acquire our stake. This, for example, is a recent investment by IVA illustrating types of opportunities available into these markets in our opinion.

All three are companies of reasonable quality, likely to be around for decades to come with good managements. We believe that our intrinsic values are likely to compound at satisfactory rates.

The discounts at which these businesses were acquired are reasonable in our opinion but far from offering no-brainer decisions or lifetime opportunities. We'll continue to look for investment opportunities worldwide with the invaluable help of our team of experienced analysts.

Because of our strong bias towards preservation of capital, we would expect to outperform benchmarking bear markets or difficult markets and underperform in strong bull markets or towards the end of a long, old bull market. We do not pay attention to benchmark performance over a month, quarter or year. Over the long-term however, we aim to deliver attractive absolute returns and hopefully do as well or better than the equity benchmarks.

All of us at IVA are extremely grateful for your continued support.

This will conclude my prepared remarks. I would like to turn the call back over to the operator to open up the call for questions.

Question: The effects of tariffs on the overall markets, the economy or your holdings, I wonder if you could speak to them. I realize they're still not cast in concrete but what do you think they're going to contribute to and how much to overall inflation, and whether you think they're going to disrupt supply lines?

Charles de Vaulx: Thank you for your question. Look, that's a tough one. As you said yourself, it's a very fluid situation. I believe that it's been decades now that President Trump has been intrigued or bothered by America's trade deficit in particular against China.

The situation is confusing because some of the officials in his government, like Wilbur Ross or Navarro, seem to be willing to be quite protectionists if need be. Others, like Larry Kudlow and Mnuchin, a lot less so. Imports and exports ultimately do not account for a huge portion of the U.S. economy.

If I look at the intentions, I believe that what President Trump is trying to address in particular is the fact that the when companies, Western European, American companies, invest in China, they have to do it in the form of joint ventures. They have to give away part of the technology and he's trying to correct that.

Again, it's hard to handicap things. You remember how a year or two years ago there was a lot of huffing and puffing, apropos Mexico, and yet rather quickly and peacefully, they came to terms.

A week or two ago, there was talk of slapping many products with 25 percent tariffs and now that's becomes 10 percent with a few exceptions, and you've seen how the markets have reacted to that.

So again, my sense is that President Trump is aware that the economy is a lot more global than before. All these supply chains are integrated globally. I think he has the backing of big business. So I want to believe that behind all the posturing, there will be a real genuine attempt to find a decent solution and compromise.

Now, if we're wrong and if a lot more protectionism comes our way, that would be inflationary. History suggests that high protectionism is ultimately bad for trade

and the world economy.

Chuck highlighted how much cash we have on the sidelines, so if for some reason things turned bad there, we would be ready.

Although as I tried to explain, the ultimate reason why we hold all this cash and are struggling to find bargains has nothing to do with worries about protectionism, but worries about interest rates and the valuations that have been created by such low interest rates. Chuck, do you have any other additional thoughts?

Chuck de Lardemelle: Thanks, Charles. First, in the '30s, trade wars lead to depression. Obviously the part of the economy that came from manufacturing was much, much larger than what it is today.

Today, you are much more exposed to services and to software and technology where these types of tariffs should have very little impact.

If we look at our top 10 positions within the portfolio, in the Worldwide Fund, for instance, Berkshire Hathaway has some manufacturing, but 80 percent of Berkshire Hathaway's value lies in the U.S. and manufacturing is not a huge part of the NAV.

Then you go into Astellas Pharma, tariffs should be of no consequence. Bureau Veritas is people- services, consulting. Oracle is software. Nestle produces usually where they sell. Sodexo is catering, so it's people. Cimarex is oil. Acuity brands, which we just discussed, manufactures in Mexico. And the last of the top 10 is MasterCard, where trade tariffs should have no impact..

So you can see that in fact, in terms of tariffs and manufactured goods, from the bottom-up in our portfolio there doesn't seem to be huge issues. In the International Fund, I would highlight Airbus, which would probably be a net beneficiary if the spat with China continues to get worse. Samsung would probably be impacted.

The worst-case scenario, one where I think there would be some real impact on the economy, is if the tariffs move to car manufacturing. And there we own BMW and Hyundai. Trying to untangle the ties becomes extremely complicated. For instance, BMW exports a lot of cars from the U.S. when it comes to SUVs but they

do import other types of cars from Europe. So that would be very difficult to untangle. That's where I think you can inflict some real damage to the economy.

Echoing what Charles said, I think there seems to be little real support in Congress or outside the U.S. for a trade war. And what I think is very unfortunate is that there are two facts that are not coming through or that President Trump doesn't seem to be aware of:

One is that net exports is equal to savings minus investments. And so, if you want net exports to get better, you have to hike up the savings rate of the population or you have to lower investments. And that means basically a recession to get net exports up. And obviously that's not what Trump wants.

And the more you over-stimulate the economy at the top, the more likely it is that a trade deficit will widen despite the tariffs. So the policy makes no sense. It's absolutely nonsensical.

The other issue that I would highlight is that if you look at exports from China, more than 40 percent of those exports are actually from foreign-owned companies. And the best example would be an Apple which obviously exports a lot from China. But eventually it's Apple that makes most of the money. So it's a nonsensical policy, unfortunately, somewhat driven by political agenda. And we hope that the policy will go away quickly.

Question: Between your two funds, International and Worldwide, which do you think represents the better bargain right now? If I'm sitting here with money that I want to invest, should I buy Worldwide or International?

Charles de Vaulx: I think Worldwide typically makes more sense for you and your clients if you're willing to let us decide over time how much we should have in the U.S. and outside the U.S.

Conversely, our International Fund tends to be used by some advisors that really enjoy doing a lot of the asset allocation themselves. Maybe they have found many good U.S. domestic managers, value or otherwise. And so, they've decided that they want to use us just for the foreign portion of what we do.

You may also notice that we typically, and it's the case today, have a little less cash in the International Fund than the Worldwide. Now, that's for many reasons but one of which is that even though the International Fund does try to seek those absolute returns, as is the case with the Worldwide Fund, in terms of degree it's less so the case. Being cognizant of the fact that the International Fund is used by people who do asset allocation at the margin we're less willing to have as much cash as we would in the Worldwide.

I talked about European stocks, I talked about EM stocks, I've tried to argue that if you compare qualitatively U.S. stocks and foreign stocks on an apples to apples basis at similar quality levels, European stocks and EM stocks remain as expensive as U.S. stocks.

The only reason why EM and European stocks look cheaper in aggregate than the U.S. is because the U.S. has all of these wonderful companies that are big in the S&P, while the biggest companies in EM and Europe are banks, insurance companies, telcos, whatever that probably deserve to trade a lot cheaper.

One of the big unknowns, to try to answer your question, is the U.S. dollar. Now, the U.S. dollar, if it goes up another 20, 30 percent would probably hurt everybody, not only international stocks, especially for those funds that use no hedging whatsoever on their currencies.

But it would also ultimately hurt all these U.S. companies, many of which generate so much of the earnings overseas. So it's really a tough one. I personally have no favorites at this very moment.

Question: We are seeing pushback from some clients regarding the fund's expense ratio, when a third of the Fund is sitting in cash.

And based on what Chuck was saying with worries that look like they're going to continue for a while, has there been any consideration where there could be an incremental decrease in the Fund's expense ratio?

Charles de Vaulx: Now we do monitor trends. We are aware of the growing trends towards passive investing and the use of lower cost index funds or ETFs.

Now regarding cash specifically, we believe that you and your clients are paying us to exercise a judgment call, security by security, to determine what offers enough of a margin of safety to belong in the Fund. When we cannot find enough securities, we should allow the cash to build up.

The cash has been very useful for us over the past years with IVA, or in our past before that, not only acting as a buffer if and when markets go down. You do know that markets do go down, obviously.

But more importantly, people say investing is about buying low, and then if you do that hopefully you can sell high later. Well what you need to buy low, what you need to pounce when there's blood in the street, is cash.

So we try to remember that cash has tremendous optionality value. That cash will allow us to pounce whether it's tomorrow, next month, or in six months from now or two years from now.

If you look at our track record historically, we are renowned for, over full cycles, doing well enough in difficult markets to more than offset the fact that we typically lag in strong markets due to high cash levels or otherwise over full cycles.[1] By using cash, we have been able to offer very good value. As I discussed earlier that we use gold in a very specific way- we like the fact that it's a tool that can, more often than not, go up when stocks and bonds go down. Likewise, cash is a very powerful tool. So that's why we have never thought about not charging for the cash.

And regarding your question regarding fees. In general, again, we believe that our fees are fair. We believe that we've earned our fees in the past. I hope that we will in the future. Every year, the Board of Trustees of the Funds has to reapprove the investment advisory contract between the Funds and the investment advisor. The Board remains comfortable with the fees that the Funds charge.

Question: You used Astellas as an example of a 2.5 percent position in the portfolio. I'm just

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[1] *This statement refers to past performance and does not guarantee future results.*

wondering, given the cash discussion that we're having, how do you determine what the right sizing is? So at a certain EBITDA multiple, you want the 2.5 percent, and if it goes down to a lower valuation multiple, you start to back up the truck a little bit more. Can you talk us through that thought process?

Charles de Vaulx: That's a great and difficult question because it's not a science. Let's go back to the fundamentals, which are the goals we have set for ourselves in both Funds, especially in the Worldwide, which is to try to deliver positive absolute returns. And yes, over a full-cycle, we do intend to and try to beat the equity benchmarks, but we are very intent on minimizing volatility, especially drawdowns.

To achieve low downside volatility, one of the key ingredients is to have somewhat of a diversified portfolio. If you have 100 names in the portfolio, as opposed to 10 or 20 names, especially if these names all come from different industries, typically you'll end up with a portfolio that's a lot less volatile.

So philosophically, we tend to have diversified portfolios. Now even though we have diversified portfolios, to the extent that we typically don't own much of what's become big in the benchmark, we also are able to offer very high active share.

Part of the exercise of minimizing drawdowns, avoiding big losses, is a reluctance to ever have huge positions- 5, 10, 15 percent positions. Now over time some of our positions, typically through appreciation, have reached 5, 6 percent, but that's not the norm.

The second key ingredient- it is not as mechanical as you said: if the EV to EBITDA or EBIT, whatever, goes up, we will sell and vice versa. There is this bizarre phenomenon that goes back to a saying from my mentor, Jean Marie Eveillard: "you don't know a stock until you own it."

Sometimes you buy a stock that you've never owned before, the business is new to you, and over time, somehow, somewhere through your readings and so forth, you're seeing how the company does along the way. Sometimes your comfort level just goes up, and maybe the realization is clearer in your mind that quantitatively the company is even better than you at first suspected. Maybe the company's

growth rate accelerates a little bit, and maybe there's scope for even more intrinsic value growth than you initially thought. And so, you may sometimes be willing to hold more of something, even though it trades at a higher multiple than initially.

Lastly, just to complicate matters even more, there is a notion that holding a stock, once you've bought it, is not the same as buying it for the first time. I think you know we hold Bank of America. Warren Buffett at Berkshire Hathaway seems to be very comfortable holding onto Bank of America at $31. His cost basis was $7.5 through the convertible preferreds, while ours was a little higher, at $13 or $14. On one hand, today we would probably not buy Bank of America because it doesn't offer enough of a discount. But yet, we are willing to hold it because it has a huge unrealized gains. We view that unrealized gain as play money, for lack of a better word.

So there are many variables, but you're right. The more expensive, the less discount to intrinsic value, the less we'll be willing to hold onto something and vice versa.

I mentioned, as an example, mathematically, Berkshire Hathaway. We bought a fair amount in late '08, early '09 when the stock went down to $72,000, $73,000, if I'm not mistaken. The intrinsic value of the company has gone up significantly since, but the stock price has gone up even more than that intrinsic value. Today, the discount is there, but it's not as high, at all, as what it was back in early '09. So we've been willing to trim a little bit over time, but yet maintain it as a very big position.

A month or two ago Warren Buffett said they were willing to do away with the formulaic buyback, whereby they would only consider buying back their own shares if the stock were to dip below 1.2 times book. The fact that they did away with that formula was music to our ears.

So everything else being equal, we may have a greater willingness to hold even more of it, even if the discount narrows.

One of the risks with Berkshire Hathaway is that when Warren Buffett passes away, the stock may, depending on what price it trades at the moment, it may fall 5, 8 or

10 percent. So it's quite reassuring to know that the company could decide to use some of the $100 billion in cash that they have to buy back shares, depending on how the market reacts to it.

Again, sorry it's not a very scientific answer, but hopefully, you've gleaned a few things from what I said.

Question: Are you generally comfortable with the number of names in the portfolio? Or when you look at the cash, would you say that there's an opportunity to maybe expand the roster of names in the portfolio?

Charles de Vaulx: Absolutely. If you look back at our past (First Eagle, SocGen), we typically had many more names. We will hopefully have as many names as that in the future.

The problem we've had over the past six, seven years is that there's been no values to be found. I mean, I'm exaggerating. It's been hard to find values among small and mid-cap, especially small, quality U.S. and European stocks. We do like names to offer quality. Now conversely, we are still finding some small, cheap names in Asia, including, Japan.

Also, there have been times when we were able to find many high-yield bonds, either sovereign or corporate, that offer equity type returns, 8 percent plus. This was the case in late '08-'09. We typically may be able to hold 15, 20, 25, 30 high-yield names. So I'm looking forward to having more names in the portfolio, if and when interest rates go up, if and when bargains surface.

Over the past few years we have often been asked why, when we have 35-35 percent in cash, we don't just buy 30 percent more of every name. Again, we're not comfortable having 3, 4, 5, 6 percent individual position sizes. I hope that clarifies a few things.

Question: I have four questions. The distributions for December, can you give us an idea of what they will be like?

Can you also give me the overall discount to intrinsic value for both Funds?

And then you didn't mention in emerging markets the move to more technology names in the industry, so are you not liking any of the names, for example Alibaba?

And finally, can you talk a little bit more about your expected number for gold if everything goes bad in the world. What would you expect gold to do?

Charles de Vaulx: Thank you for all of your questions. I'll take a few of those and then maybe Chuck can help on others. We have a vague idea about the distribution, but not clear enough to report that number. As you recall every year by the end of October, we release an estimate, which would be six weeks before the actual distribution.

My sense is that it will be a lot higher than 2 percent, but a lot lower than 10 percent. But I'm unable and unwilling to give a more precise estimate. The number will be big enough that for taxable accounts it might be more prudent to wait until the distribution takes place, rather than buy the funds today.

The overall discount to intrinsic value is not something that we measure because we don't think it's truly relevant. Some small names in say, Japan or Korea, may deserve to trade at much bigger discounts than other names in Europe or the U.S. because the liquidity is not the same, because the corporate governance is not the same, because the quality of the business is not the same. Meaning there may be less growth over time. So again, we think it would be a misleading number so we do not give it. Needless to say the fact that we still have healthy amount of cash tells you that the discount is not the greatest ever.

I alluded to the fact that many of our names are down this year, but in most instances the intrinsic value estimates have not come down. So the discount on the overall portfolio is higher now than it was six months ago, but the discount is still not great enough for us to be remotely close to being fully invested.

For EM technology names, I'll let Chuck respond to that one. You may know that we do own Baidu, the Google of China, but I'll let Chuck discuss Alibaba and other thoughts he has. And then I'll talk about gold.

Chuck de Lardemelle: Yes, so in tech, really the only place in the world outside the U.S. where there are large tech companies listed, is China. If you look at Europe in terms of

software you have SAP, somewhat comparable to Oracle, not much topline growth.

When you look at the internet and the revolution that it has created in the U.S., obviously on the west coast there have been trillions of value created, but in Europe there is maybe only Spotify that qualifies.

So the exception is China, where, as Charles mentioned, we own Baidu because it was a sum of the parts and there was a time where they were trying to develop businesses that were losing substantial amounts of money. And if you valued them at zero, or at a slight percentage revenues, then the discount of Baidu was large and so we ended up buying a stake in Baidu which so far has worked well.

There are a few exceptions here and there, and we do look at that, so for instance, for the International we own a small stake in a software company called Totvs, that is the Oracle of Brazil, but those are few and far between. And so it's really only in China that you have opportunities.

Charles de Vaulx: Samsung Electronics?

Chuck de Lardemelle: Right, Samsung Electronics. To me, that's more manufacturing than tech, but yes it's tech as well.

It's very capital intensive. It's a very different model than a software company, but that's obviously a big position in both Funds and we believe it has very substantial barriers to entry and a very substantial moat around the business.

Charles de Vaulx: Regarding your question on gold, Chuck shared with us that it is unclear going forward if markets are difficult to what extent gold can help as much as it may have in the past.

As recently as 2011, from mid-May to late October, equity markets fell 24 percent. They did rebound after that. Gold was able then to go up from $1200 to $1900, which was a perfect move going up when equity markets were going down.

I think part of the answer to your question is what triggers a market downturn. Is it deflationary shock? Is it the emergence of stagflation which I think would be tremendously good for gold. Deflation initially, as was the case in the summer of

’08, may in fact be negative for gold. So that’s a tough one.

Question: Can you back to tech and emerging markets. Have you looked at Alibaba and Tencent?

Charles de Lardemelle: Valuations are simply too difficult to stomach for value investors. On Alibaba there are plenty of accounting questions as well.

We’ve been able (for value investors) to invest in a number of tech names, whether it’s MasterCard or Google, or Baidu at select times when they went through difficult periods and became reasonably priced. And so we’ll continue to be disciplined and hopefully we’ll get opportunities to invest in these businesses which indeed are fantastic, but currently very expensive.

Question: Can you again say what you had in gold bullion and what you have in gold stocks? But my main question is whether you think gold stocks are getting to be cheaper than bullion. Any thoughts there? How do you look at that area?

Charles de Vaulx: Yes, we do look at gold mining shares. And we study them, although with a lot of angst because boy is it a crumby industry and boy has capital been misallocated for so long.

Right now our exposure to gold is exclusively in the form of gold bullion although we do have a small holding in a U.S. dollar bond of Gold Fields South Africa, that has mines in various countries including West Africa.

We did update our numbers on gold mining stocks a few months ago- on the big ones Newmont Mining, Barick Gold, Kinross, the South Africans. What we’ve noticed is that the big ones tend to be fully priced, if not still overpriced. Some of them still carry a lot of debt. The only ones that look fairly valued or slightly cheap are the ones that have just one mine and sometimes not in the greatest neighborhood.

My experience with companies that only have one mine is that if those mines are 5, 8, 10 years of mine life the companies are not eager to shut down after the mine has been exhausted. They try to reinvent themselves and that’s where the problem occurs. They overpay, they di”worsify” and capital gets grossly misallocated.

I did read last week with interest that Vanguard was shutting down, or at least converting (they would never shut down anything), their $2.3 billion precious and metals mining fund. They will totally change it- I think they will focus on telecommunications, utilities- and only a smaller portion of the fund will be dedicated to precious metals and mining.

And so you're right. Gold mining stocks obviously have performed terribly, far worse than gold, including from '01 to 2011 when the price of gold was going through the roof. Why is that? Because until 2004 or '05 it was very difficult and cumbersome for either individual investors or institutional investors to hold physical gold. As a result, when they wanted some gold exposure, these investors had no choice but to pay through the nose to buy gold mining stocks. This is why the Newmont Mining, the Barrick Gold, the royalty companies, the Canadian gold, the Australian goldmines were trading at goofy valuation levels- sometimes trading at 2, 3, 4 times the intrinsic value of those companies.

It was less case so the case with the South African goldmines because of political risk and the fact that the mines were getting deeper and deeper and more and more dangerous.

So the advent of the gold ETF that owns physical gold means that the scarcity value that goldmining stocks benefit from is no longer warranted. Instead, because these are wasting assets, operating in difficult countries where it becomes tempting for governments to nationalize, expropriate, suddenly increase royalties, taxes on these companies -- these companies deserve to, as they should have all along -- to trade at very low valuation levels.

Now, I think if you were contrarian you would want to believe that this period of mismanagement is over. Access to capital will be seriously restricted going forward. There is probably another round of consolidation that will happen. And at some point it may be interesting to have a look. But valuation-wise we're not there yet in our opinion.

Also, the traditional reason why some people want mining shares is the notion that they offer leverage- because these companies have operating cost, maybe some

financial leverage. These stocks on paper, in theory, could go up three, four times as much as gold if gold goes up.

To the extent that we have all this cash in our Funds, unless those shares were dirt cheap, we don't mind having five, six, seven percent in gold bullion as opposed to being tempted or forced to buy a mining company because of whatever leverage they may offer. I hope that helps.

Chuck de Lardemelle: To conclude on what Charles said, there was a paper recently that showed copper mining companies versus gold mining companies and concluded that the "regular" non-gold mining companies were still selling for about one turn lower EBITDA multiple versus the gold companies.

Which goes exactly where Charles was going, which is the de-rating of gold miners is well on its way but not complete yet. And once they trade at parity with copper miners then they'll be treated as just mining companies as it should be.

Plus part of the lack of quality of those miners is that they usually tend to have resource lives that are fairly short, contrary to some of the copper miners which may have 10, 15, 20 years of reserves. That's rarely the case for gold miners.

Question: My question has to do with the global outlook for growth. I think most people think that it is kind of a decelerating growth rate and overhangs come from things like very high debt levels, bad demographics, and technological and geopolitical disruption. I've heard a number of people say that they think that equity returns in the future will be, if we're lucky, half of what they've been historically and would appreciate your thoughts on that.

Charles de Vaulx: Thank you for this very good question. Yes, and right now growth is decelerating in some EM countries in Europe, in China. It probably needs to slow down in China for them to try to tackle their corporate debt problems.

Now conversely America is the exception. America is still, as far as we can tell, growing nicely. I think you're probably right that there is an abundance of debt in the world. In some countries the debt is mostly at the household level, in other countries it is mostly at the corporate level, including state owned enterprises in

China. In some countries the debt is overwhelmingly at the sovereign level as is the case with Italy or Japan. We believe that debt will act as an anchor, which will prevent GDP from growing the way it has in the past.

You were right to highlight those demographic trends. Demographic trends are very powerful indeed, but to me the even more important question becomes if the growth rate worldwide is slow, then will the outcome be predominantly stagflation in most parts of the world? Or will it be mostly deflationary? Because so many countries use fiat currency systems, because it's always easier to debase currencies and try to print money (especially to offset huge debt levels), because wages have not been able to grow in many countries- and yet elections do take place in many countries. It will be interesting to see in Brazil and Argentina if the electorate will be tempted to vote for socialistic type Prime Ministers or Presidents.

So I think that's the real question and if we look at our portfolio, I think we're at the margin even better postured should inflation ever come up- through the cash, with the gold, and through some of the business we own that have good balance sheets and hopefully enough pricing power.

And to complicate things even further, besides those big macroeconomic and global economic trends, are all those disruptions that are happening in so many industries. What will Macy's look like five years out? What will CBS look like? So that's yet another set of complications, which makes me believe that stock picking ultimately in the next five years will matter tremendously. Even within one sector- what happens to Target may within five years be different than what happens to Wal-Mart. So I think the need for stock picking and the importance of stock picking will be very important in the near future.

Chuck de Lardemelle: If I may add a little bit of color. If you look at global market cap to global GDP, which is a price to sales ratio, we are back at very, very high levels, around 90 percent. The last time this happened, returns over 10 years were non-existent in real terms. If you look at GMO, they publish a seven year forecast of returns by asset class and I believe almost all of them show negative real returns for the next seven years.

So we start from very elevated variations. What is difficult for us is that there are

not really parts of the global economy or markets that are going through very difficult times except for countries like Turkey and Argentina and Brazil. We would never have large parts of our portfolio into those economies. They are too slow and too mismanaged. We'll have to have volatility in order to deliver strong returns over the next ten years. We don't know whether that will come or not. We suspect it will. It usually always does. But it's difficult these days. Investors outside the U.S. would be much more aware of this. I think if you look at the MSCI All Country ex-U.S. Index, it has gone almost no where since 2007. I think it has compounded at 1-1.5 percent including dividends and that's before inflation. So basically for investors outside the U.S. there has been no returns since 2007.

I think if you go back to 2000 the returns are not much better. You're looking at 1.5-2 percent of compounded returns on that index since 2000. If you were to ask Japanese investors the Nikkei isn't back to the 1989 level.

So it's very possible to have very long protracted periods of time where just owning an ETF, just owning a basket, you go nowhere. In the U.S. we've been tremendously successful, in large part because of all that value creation that happened with tech and the internet on the west coast.

And that's been a U.S. phenomenon that has not been replicated outside the U.S. except, to some extent, in China. But those companies were not always investable.

Question: Do you see geopolitical problems rising? And in particular I'm curious if you've followed the work of Peter Zeihan, who's written a couple of books. "Absent Superpower" is the most recent one. He has a very troubling view of the next decade geopolitically.

Chuck de Lardemelle: I have not. I'm not aware of his work. But when it comes to political situations and so on, I think that's over our pay grade. We look at situations from a financial stand point. We look at companies one by one and that's how we make our decisions, from the bottom up.

I have to say that the Italian situation from a financial standpoint is a big worry for us because the Italians cannot print euros and therefore are somewhat vulnerable to a large shock.

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