



# Quarterly Reviews

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

**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 (866) 941-4482.

## 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.

The IVA International Fund Class A (NAV) ("the Fund") ended the quarter on December 31, 2016 with a return of -1.90% versus the MSCI All Country World Index (ex-U.S.) (Net) ("Index") return of -1.25% bringing YTD performance to 2.50% versus the Index return of 4.50% for the same period.

Donald Trump becoming President-Elect of the United States on November 8 was a turn of events that stunned the world and was by far the defining event of the fourth quarter of 2016 - if not the entire year. Despite Armageddon-style predictions of what such an outcome could mean for global markets the news was, for the most part, calmly digested by markets. Bonds were struck with the reality that inflation and higher interest rates will most likely be a byproduct of any fiscal stimulus package initiated by Trump and a Republican-controlled Congress. Equities fared better, especially in the U.S., as markets embraced an optimistic view of a 'pro-business' Trump administration that would cut taxes, engage in deficit spending, and roll back regulations. As is our nature at IVA, we are taking a more cautious approach to evaluating the situation. The U.S. election results do not fundamentally change the fact that global valuation levels remain high. We also view the outcome of the election, along with December's referendum in Italy, as evidence of the rising tide of populism in many countries (the U.K., Continental Europe and the U.S.), which could shift economic policies from monetary to fiscal spending (and in the long run favor labor over the owners of capital), revive trade tensions and protectionism and potentially lead to a break-up of the Eurozone. These shifts could result in lower corporate profits and rising interest rates, which may act as a headwind to both bonds (we are already seeing this) and stocks. In the U.S., the Fed raised rates in December and strongly suggested that there would be additional rate increases in 2017. The European Central Bank and the Bank of Japan may at some point signal an end to their bond-buying programs. Having floated on ultra-low interest rates for so long, equities could face a difficult transition as rates normalize and prices begin to align with fundamentals. In addition to shifting political tides and their unknown consequences, we continue to have concerns over unprecedented credit growth in China (especially to struggling State-Owned Enterprises). There is also the possibility that the strong U.S. dollar will appreciate further against multiple currencies in the years ahead, hurting on one hand the many U.S. companies that derive a significant portion of their earnings overseas but also the performance in U.S. dollar terms of many non-U.S. stocks if one were to be unhedged from a currency standpoint. The many Emerging Market companies that have borrowed extensively in USD would suffer as well. We also continue to have concerns about the sustainability of the often high profit margins of companies in light of the many disruptions facing their industries. The cautious positioning of our portfolio is in large part a result of all of these considerations.

The Fund lagged the Index for the quarter as our equities underperformed, down -3.0%, compared to those in the Index\* which were down -1.1%. Our names in Japan detracted the most from performance, taking away -1.0%, hurt by a top 10 name, Astellas Pharma (Health Care). Our Asia Ex-Japan exposure detracted -0.8% and News Corporation (U.S., Consumer Discretionary) detracted -0.4%. We hold News Corporation in our International portfolio due to its meaningful Australian exposure. On a relative basis, we were hurt by our limited exposure to non-U.S. financials. The sector, which represents over 20% of the index, rebounded over the

quarter particularly in Japan and Europe. We continue to avoid Eurozone banks which remain undercapitalized and bear substantial political risk. Our UK names contributed the most to performance, adding 0.5%, led by a top 10 name, Antofagasta (Materials). Our technology name in South Africa added 0.2%.

Fixed income detracted -0.1% from performance. Our total fixed income exposure ended the quarter at 4.1%. Our currency hedges added 1.1%, as the USD appreciated against multiple currencies this quarter, most significantly the JPY. Our hedges remained relatively unchanged over the quarter, ending the quarter at: 42% Australian dollar, 20% euro, 35% Japanese yen, 31% Korean won.

Gold, down -12.7% this quarter, was our worst performer detracting -1.0% from return. Our gold exposure decreased from 7.6% to 6.8% due to the metal's price decline. We are mindful of the inverse correlation between gold and the USD, and if the USD continues to strengthen we will not be surprised to see gold continue to go down. However, in this fragile investment environment we are still very happy to hold gold in our portfolio as we believe it provides a good hedge against extreme outcomes. Furthermore, even though nominal rates have gone up, we believe that real interest rates may stay low for quite a while, which is positive for gold.

We added a few names in Japan and Continental Europe over the quarter, including in France, Germany and the Netherlands. We took advantage of price and currency weaknesses in Mexico after the U.S. election to add to our existing exposure there and initiate a new position. We also added to our position in Bureau Veritas, which is now a top 10 name in the portfolio. Bureau Veritas is a French-based service company which conducts testing, inspection and certification around the world. It is a high margin, non-capital intensive business with large free cash flows that can be distributed out or used to make acquisitions. Our equity exposure increased from 54.0% to 55.9% over the quarter and cash decreased from 34.4% to 33.0%.

Charles de Vaultx and Chuck de Lardemelle commented on our elevated cash position in their letter in the IVA Funds Annual report dated September 30, 2016:

“We would like nothing better than genuine bargains to surface in the years ahead so that we could put both Funds’ cash holdings to work! That cash has clearly diluted both Funds’ returns for the past few years and we are looking forward to showcasing the great attributes of cash: not only its ability to act as a buffer when stocks and bonds go down but also its ‘optionality value’, i.e. the dry powder needed to pounce and be used to scoop up genuine bargains whenever and wherever these opportunities may surface.”

Until then, we will continue to be disciplined and cautious as we navigate this challenging investment environment. We will analyze securities one name at a time, looking for what we believe to be quality businesses trading at reasonable valuations. We believe that sticking to our time tested approach to value investing, taking advantage of pickups in volatility and good stock picking should enable us to provide respectable absolute returns for our clients.

Our strongest commitment, as always, is preserving our clients’ assets. We appreciate and thank you for your continued support.

\* Excludes gold mining stocks

## Performance Information (as of December 31, 2016)

Class	Average Annual Total Returns					
	3 Months	YTD	1 Year	3 Year	5 Year	Since Inception**
A (NAV)	-1.90%	2.50%	2.50%	1.61%	5.97%	7.86%
A (with load)	-6.83%	-2.62%	-2.62%	-0.11%	4.88%	7.19%
C	-2.13%	1.74%	1.74%	0.85%	5.17%	7.04%
I	-1.84%	2.82%	2.82%	1.87%	6.24%	8.13%
MSCI All Country World Index (ex-U.S.) (Net)	-1.25%	4.50%	4.50%	-1.78%	5.00%	3.66%

\*\*Inception date is 10/1/2008.

### Past performance does not guarantee future results.

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: 1.25% (A Shares); 2.00% (C Shares); 1.00% (I Shares).

As of December 31, 2016, the IVA International Fund's top 10 holdings were: Gold Bullion (6.8%); Astellas Pharma, Inc. (4.4%); Samsung Electronics Co., Ltd. (3.2%); Nestle SA (2.5%); Alten SA (2.3%); Bureau Veritas SA (2.1%); Genting Malaysia Berhad (1.8%); Antofagasta plc (1.5%); News Corporation Class A; Class B (1.5%); Hongkong & Shanghai Hotels Ltd. (1.4%).

**MSCI All Country World Index (ex U.S.) (Net)** is an unmanaged index consisting of 45 country indices comprised of 22 developed and 23 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 in this document reflect those of the portfolio manager(s) only through the end of the period as stated on the cover 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.

**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). Please read the prospectus and summary prospectus carefully before you invest.** The IVA Funds are offered by IVA Funds Distributors, LLC.



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