International Value Advisers, LLC
IVA Funds Update Call
March 22, 2017

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 3/31/17	1 Year	5 Year*	Since Inception*
IVA Worldwide Fund A (no load)	10.17%	5.63%	8.65%
IVA Worldwide Fund A (with load)	4.65%	4.55%	8.00%
IVA Worldwide Fund I	10.48%	5.88%	8.91%
MSCI All Country World Index	15.04%	8.37%	7.33%
IVA International Fund A (no load)	8.31%	6.01%	8.39%
IVA International Fund A (with load)	2.93%	4.92%	7.74%
IVA International Fund I	8.57%	6.28%	8.66%
MSCI All Country World Index (ex-U.S.)	13.13%	4.36%	4.47%

**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: 1.24% (A Shares), 0.99% (I shares). Maximum sales charge for the A shares is 5.00%.

As of March 31, 2017, the IVA Worldwide Fund's top 10 holdings were: Gold Bullion (5.8%); Berkshire Hathaway, Inc. Class A; Class B (4.2%); Astellas Pharma, Inc. (3.7%); Nestle SA (2.2%); Bureau Veritas SA (2.1%); Oracle Corporation (1.8%); Samsung Electronics (1.5%); MasterCard Incorporated Class A (1.4%); CVS Health Corporation (1.3%); Antofagasta plc (1.3%). As of March 31, 2017, the IVA International Fund's top 10 holdings were: Gold Bullion (7.1%); Astellas Pharma, Inc. (4.0%); Bureau Veritas SA (3.1%); Nestle SA (2.5%); Alten SA (2.3%); Samsung Electronics

Co., Ltd. (2.3%); Antofagasta plc (1.8%); Airbus Group SE (1.6%); First Resources Ltd. (Singapore) (1.5%); Hyundai Mobis Co., Ltd. (1.5%).

MSCI All Country World Index is an unmanaged index consisting of 46 country indices comprised of 23 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.

MSCI All Country World Index (ex-U.S.) 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 herein reflect those of the portfolio managers through March 22, 2017 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.

The IVA Worldwide Fund and the IVA International Fund are closed to new investors.

Tara Hannigan: Thank you. Good afternoon, and welcome to the semi-annual IVA Funds update call. We thank you for joining us. I'm Tara Hannigan, the Director of Mutual Fund Distribution at IVA.

Our goals on this call are 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 February 28, 2017, we had approximately $18 billion in total assets under management. Our two Mutual Funds comprise approximately $12 billion of that total. Both of the Funds remain closed to new investors.

A quick note on performance, as of December 31, 2016; the IVA Worldwide Fund class I returned 6.48% for the one-year period, while the MSCI All-Country World Index returned 7.86% over the same period. For the five-year period, on an annualized basis, the IVA Worldwide Fund Class I returned 6.18% versus the MSCI All-Country World Index return of 9.36%.

Since the Fund's October 1, 2008 inception, it has returned 8.58% on an annualized basis, while the MSCI All-Country World Index returned 6.69% over the same period. As of December 31, 2016, the IVA International Fund Class I returned 2.82% for the one-year period, while the MSCI All-Country World ex U.S. Index returned 4.50% over the same period.

For the five-year period on an annualized basis, the IVA International Fund Class I returned 6.24% versus the MSCI All-Country World ex U.S. Index return of 5%. Since the Fund's October 1, 2008 inception, it's returned 8.13% on an annualized basis, while the MSCI All-Country World ex U.S. Index returned 3.66% over the same period.

Year to date through yesterday, Tuesday, March 21, 2017, the IVA Worldwide Fund Class I has returned 4.36% versus the MSCI All-Country World Index return of 6.59% and the IVA International Fund Class I returned 5.83% versus the MSCI All-Country World ex U.S. Index return of 8.22%.

I'll 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 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 before investing. This and other important information are detailed in our prospectus and summary prospectus which can be obtained by visiting our web site at www.ivafunds.com.

I will now hand the call over to Charles and Chuck. Charles?

Charles de Vaulx: Thank you, Tara. Thanks for mentioning all those performance numbers. So, year to date, we are lagging in both strategies. But then again, the Worldwide Fund did capture 66% of the year-to-date index return, while the International Fund captured

71% of the year to date index return; while the Worldwide Fund had, on average, only around 51% equities and the International Fund around 61% in equities. So at least stock picking is still paying off.

Our last conference call was six month ago and there have been some dramatic changes since:

- An unexpected victory by Mr. Trump in November's presidential election
- A surprising rally in global equity markets since that election
- A rally in the U.S. dollar
- Rising bond yields
- A Federal Reserve board that has resumed its gradual increase in short-term rates.

So-called value stocks, particularly banks, energy stocks and other cyclicals have finally been acting a lot better after the election, yet the rise of passive investing continues unabated and hedge fund performance remains disappointing. Even though the global economy seems to be going through somewhat of a synchronized recovery, investors are more confused than ever by how should they invest and what kind of returns they can expect to generate with a five-year view.

The topics I'd like to cover today are:

1. **Discuss some of the changes over the past six months, including a few thoughts on what President Trump may mean for investors.**

2. **Discuss why our portfolios remain defensive.**

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

4. **Review – yet again – our views on active versus passive and the respective merits and pitfalls of one and the other.**

5. **Why value investing, despite the many headwinds that remain, in our opinion, is relevant if properly executed.**

6. A quick update on DeVry.

Discuss some of the changes over the past six months, including a few thoughts on what President Trump may mean for investors.

Well, the big news has been the surprise victory of President Trump and the sweeping victory of Republicans who now control the two houses.

Also helping markets is the fact that the Chinese economy is still growing nicely, while capital outflows have subsided at least for now.

The U.K. seems to be moving ahead with Brexit, yet their economy has been quite robust so far, while there is broad-based recovery in Continental Europe; and after the recent elections in the Netherlands last week, less worry regarding the possibility of extreme right wing parties gaining power in Europe.

While the Fed has indicated that they intend to gradually increase rates, they still want to proceed cautiously, not only being data dependent, but also waiting to see what kind of economic policies President Trump can get approved by Congress.

Also helping markets was that the earnings recession that followed the sharp rise of the U.S. dollar several years ago and the sharp decline in energy and commodity prices seem to be behind us with corporate profits up 7% year over year during Q1 in the United States.

Among the negatives:

- The unknown risk of protectionist policies targeted at China and/or Mexico.
- The possibility, perhaps remote, of a border tax adjustment
- The possibility that the U.S. dollar could rise another 20% in the next three years (the U.S. dollar did rise an amazing 92% after President Reagan got elected back in 1980).

Such dollar strength that President Trump himself does not wish, should it materialize, would hurt many U.S. companies that derive a substantial portion of their earnings overseas. It would also hurt many emerging market companies that may have borrowed extensively in U.S. dollars. And, finally, a strong U.S. dollar would also dilute or possibly more than offset possibly good stock market performances in Europe or Japan if no foreign exchange hedge were to be put in place by the manager.

Among the unknowns:

- What type of tax cuts may eventually be legislated in the U.S.
- Whether President Trump can manage a relatively smooth working relationship with the Republican Party
- How the Fed will react and behave going forward. At the beginning of President Reagan's term, the Fed did raise rates further to try and eradicate inflation and that caused the U.S. market to drop 30% before its trough in August of 1982.

Speaking of dissonance, quite troubling is that, on one hand, President Trump's popularity is at an all-time low for a newly-elected president (I think I read somewhere near 39%), yet consumer and business confidence have shot up to pretty high levels. It is too early to tell and I would not want to pass judgment, but it seems that many of the Americans who voted for Trump have the least to gain from him and some could possibly lose from him.

Regarding China, it's our sense that everything is done there to maintain a semblance of growth and order, at least until the big National Party Congress later this year. Julian Evans-Pritchard, the China economist at Capital Economics has noted, "China's monetary stimulus over the last year has gone into infrastructure, consumer credit and property and not into making the economy more productive."

Not only have China's debt levels risen above red-line levels according to the World Bank and the IMF, but the reform process has faltered. You have all read about Chinese companies looking for growth opportunities heading overseas instead of investing in China. It will be interesting to see if long-delayed reforms are finally tackled post the Congress at year end.

Europe is slowly recovering. The weaker euro is helping as well, while very low interest rates are helping governments service their debts cheaply and while banks are slowly getting recapitalized and getting healthier.

There has been a lot of political uncertainty this year in Europe, but we are not unduly worried. The French, Spaniards, Dutch and Germans are still very committed to the Eurozone and the issues we see mostly are about immigration control. Coalitions seem possible so as to exclude the extreme right-wing parties. As The Bank Credit Analyst notes, medium term, it is mostly Italy where the population seems to have growing doubts about the euro and elections there will not take place until 2018.

Regarding Japan, things appear stable with Abenomics, while South Korea is having a lot of bad headlines with the Prime Minister and with the Chairman of Samsung Electronics put in jail. Yet, their economy is moving along and some of the largest companies, including Samsung Electronics and Hyundai Motor are doing well.

Discuss why our portfolios remain defensive.

So why are we still so defensive with cash levels of around 39% in Worldwide and 28% in International? Simply because valuations remain very elevated based on P/E ratios, enterprise value to EBIT and enterprise value to sales. These valuation levels are elevated around the world, which means that many stocks trade either at or at a premium to our intrinsic value estimates.

While we have noticed that some takeovers are taking place at higher-than-usual multiples, courtesy of ultra-low interest rates and easy access to cheap financing, we have not been willing to always take those M&A multiples at face values and will instead apply some haircuts to those multiples if deemed appropriate to determine realistic "intrinsic value estimates", to use Ben Graham's definition- "what a rational buyer would pay in cash to own 100% of the business."

As we've discussed at length over the past two years, so many industries are being disrupted – media, retail, finance, the shale revolution, new brands, changes in health care. This is another reason why we are reluctant to apply higher-than-normal multiples as the viability of so many businesses, 5, 10, 15 years out is less clear than ever before and, in some instances, quite foggy.

There may not be much retail participation in the stock market rally at this juncture, but there is still a perfect illusion of a calm sea because of multiple factors:

- Companies are massive buyers of their own shares, especially in the U.S., when borrowing at 0% will mechanically ensure that earnings per share can grow because of the buyback.
- The rising use of passive strategies is lifting so many boats at once.
- Volatility levels are very low

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

Even though our cash levels have not changed much in our Worldwide strategy (the cash levels have come down a little more in the International Fund), we have been quite active. Our NQ which we filed with the SEC a few weeks ago shows our holdings as of the end of December.

You will see that we have initiated some new positions, such as:

- BMW and Airbus in Europe
- In the health care sector in Japan, Rohto Pharmaceutical and Miraca Holdings
- In Mexico, names such as Grupo Comercial Chedraui SAB, a retailer in the International Fund only.

At the same time, we've started to reduce significantly our position in Samsung Electronics due to price appreciation.

We've also increased significantly our position in Bureau Veritas. We've also been able to add Bolloré and to a little extent Financiere de l'Odet. Interestingly, David Marcus from Evermore discussed that name in Barron's this past weekend. And apropos Airbus, the previous week, March 13, the CEO of Airbus, Thomas Enders, also answers a Q&A interview.

Chuck will touch upon some of these names in a few minutes.

What would it take for us to put a lot of our cash to work? Well, probably a 20%, 25% correction that would have to be quite widespread from a geographical and industry standpoint.

Europe is not as cheap as it appears. We keep hearing from advisors and commentators that in Europe the recovery in the market has lagged the bull market in the U.S. immensely. From a valuation standpoint, Europe is cheaper:

- Price to sales, the U.S. is 1.8 times, Europe is 1.2 times
- Price to book, the U.S. is 2.8 time, Europe is 1.9 times
- Price to cash flow, U.S. is 12.4 times, Europe is 9 times
- Dividend yield in the U.S. is 1.9, in Europe it's 2.9%.

So there's an appearance of cheapness relative to the U.S.

The reality is that it's really a two-tiered market in Europe. In Europe, unlike the U.S., the largest part of the index is comprised of stocks we believe deserve to be cheap – banks, insurance companies, reinsurance companies, regulated telecoms or electric utilities. While, in the U.S., some of the larger names are companies that are remarkably profitable or unique and those kinds of stocks simply do not exist much, if any, in Europe – the Apples, the Facebooks, the Googles, the Amazons and so forth.

Likewise, in the emerging markets it gives the appearance of relative cheapness vis-à-vis the U.S., but there, again, if you look under the hood and if you focus on quality names, quality stocks remain expensive while the cheap stocks are of dubious quality.

Review – yet again – our views on active versus passive and the respective merits and pitfalls of one and the other

Berkshire Hathaway, which is still a 4.3% position in our Worldwide Fund, recently published its annual report and Warren Buffet, again, this year reiterated his dim view of the majority of hedge funds and their inability to beat the S&P 500 index, while charging excessive fees.

Let me simply go over some of the points we've made recently in our Annual Report. It came out early December on the topic of active versus passive. We, too, have very low sympathy for many so-called active managers. Many are not active enough. They are more index huggers as opposed to displaying high active share, which we do. They tend to be asset gatherers as opposed to genuine money managers and the promise they make to their clients is an absurd and impossible one. Their promise is to try to outperform the benchmark year after year, quarter after quarter rain or shine. Conversely, we try to outperform over a full economic cycle, whether the cycle is five, seven or eight years, while, on a shorter-term basis, on a rolling 12- to 18-month basis, we try to deliver returns that are as positive and absolute as possible.

At a deeper level, the attempt to beat the benchmark is nonsensical because getting benchmark returns or beating them does not happen to constitute the true goal of most investors, we believe. Goals are often to maintain wealth in real terms or increase wealth in real terms. For many clients, we believe that their genuine investment goals are actually asymmetrical.

To quote Warren Buffet, "Why risk what you have and need for what you don't have and don't need?" As an astute advisor told me this weekend, "The only real goal of active managers should be to protect on the downside." I could not agree more.

It's also important to highlight the flaws and risks of many passive strategies. Besides the fact that delivering benchmark returns may not correspond to the true goals of most investors, I would highlight the fact that many passive strategies have way too much downside volatility.

As I mentioned in the annual report, the S&P 500 recently lost 53% of its price from September '07 to March '09, a drawdown that would be too painful for so many to stomach. Many of these benchmarks can be very top heavy at times and virtually guarantee large exposures to bubbles when they occur. The MSCI World Index had a 45% allocation to Japan late '89 at the height of the Japanese bubble. The S&P 500 had a huge allocation to energy in 1980, to technology, media and telecommunications stocks in March of 2000 and to financials in '07.

Also disturbing with many passive strategies is the fact that investors that use them seem unable to truly assess what degree of risk is embedded in them.

And then, finally, the liquidity of many passive strategies, especially the most specialized ETFs, remains untested and shall remain unknown until such time when they will face drawdowns and redemptions thereafter.

At a recent Morningstar Conference in June last year, Dennis Lynch, who runs the Morgan Stanley Institutional Growth Fund, made the observation that only 15% of active managers are persistent market leaders. He added that these 15% that succeed tend to have certain characteristics in common:

- They tend to be longer term in nature as opposed to traders.
- They're willing to be very different from the benchmarks.
- They tend to have a lot of skin in the game.

We could not agree more. We, too, are big believers in eating our own cooking at IVA.

So, in a nutshell to simplify, while we believe that some subsets of markets that can be accessed with passive strategies are probably quite efficient (the large cap stocks in the U.S., maybe outside the U.S., investment grade bonds in the U.S), it's intuitively reasonable to believe and it is our experience that other subsets of the market (small and midcap stocks in the U.S., even more so outside the U.S. and not to mention emerging markets, high-yield corporate bonds, distressed, real estate-related securities) offer enough inefficiencies that they should be able to be profitably exploited by good active managers.

Why value investing, despite the many headwinds that remain, in our opinion, is relevant if properly executed

So is value investing still relevant today? Why ask the question?

Well, I guess because, until the presidential election in November of '16, so-called value strategies were underperforming either growth strategies or index funds.

Because Warren Buffet stated in 2014 (and continued in this year's shareholder letter) that he doesn't seem to embrace value investing anymore. He who made the seminal speech of Graham and Doddsville back in 1984 proving to the world the superiority of value investing.

Instead Warren Buffet keeps lashing at active managers, especially the hedge funds and the excessive fees that many charge. Interestingly, Warren Buffet does not seem to care about the fact that something like the S&P 500 may be way too volatile for too many people.

Also, we've seen many "glamour stocks", a Ben Graham expression, over the past few years (Facebook, Netflix, Snapchat, Amazon, Google, Apple) captivate the attention of investors. Over the past 20 years it's undeniable that with globalization on one hand and then the rise of passive strategies, correlations among stocks is not what it used to be. It's still there, but the correlations are stronger than before, making stock picking more difficult.

Also, because of the Bernanke put, the fact that not only the Fed but many other central banks seem to always rescue markets and the markets are never allowed to correct enough to offer the genuine bargains that the value investors are looking for. Economic cycles seem to have been repealed. Markets are not allowed to be markets anymore and that is a headwind for the time being for value investors.

Now, we do believe that value investing can still be exploited. In fact, in our last conference call I gave some numbers regarding the equity-only performance of our Funds over the past year, three years, five years and since inception. And we've showcased that stock picking and value investing the way we do it can generate great returns.

The key, we believe, is to be eclectic – have the ability to buy small names or mid-sized ones or very large ones. We are willing to use bonds in lieu of stocks when they offer a safer risk/reward ratio. We have a focus on quality, although there's nothing wrong with a dirt-cheap company where the business is average if it's cheap enough. The balance sheet matters and the balance sheet has to be strong enough. We spend so much time thinking about what can go wrong and also quantifying it- in addition to computing a base case intrinsic value estimate, we also compute a worst-case scenario intrinsic value estimate. We have found this to be very helpful.

Apropos the need to be eclectic, I will note that Warren Buffet at Berkshire Hathaway recently has, on one hand been willing to buy Apple with its ginormous margins and very high return, if not infinite, on capital employed while also showing a willingness to buy airlines with the view that this may have been a very lousy industry for the past 80 years. But hopefully, with the industry being more consolidated, maybe that industry can migrate from very lousy to average as was his thesis on the railroad industry.

A quick update on DeVry.

DeVry Education which is held by the Worldwide Fund, as you know, mid-June last year we were invited by the company to put someone from our firm, Michael Malafronte, our Managing Partner on the board of the company. That came about because we started to question some of the company's capital allocation moves and the board agreed to have Michael join the board. The stock reacted very well to that.

And then, the stock also reacted well to Trump's victory at the presidential election. From a low of $16.5 late June last year, the stock is now around $33, it has almost doubled. We have reduced quite a bit of exposure to that name.

And as we were approaching 10%, interestingly, the company requested or suggested to us that Michael Malafronte could stay on the board even if we were to drop below 10% which we did shortly thereafter. And so, it's nice to see that Michael apparently is well accepted and respected both by the directors of DeVry and top management.

So before I pass the baton to Chuck, I want to *emphatically* reiterate that the way we manage money is unique. We believe that the fees are reasonable and fair. And we believe that our unique strategy does help meet the true goals of many clients.

Chuck?

Chuck de Lardemelle: Thank you, Charles. I will now describe briefly how our Mutual Funds are positioned as of Tuesday, March 21, 2017, and make some brief remarks on the investment landscape.

Currently, our overall equity exposure is roughly 51% in Worldwide and 62% in International. Our fixed income exposure is 3% in both Worldwide and International. Our gold bullion exposure is 6% in Worldwide and 7% in International. Our U.S. dollar cash levels invested in short-term commercial paper of our choosing are 40% in Worldwide and 28% in International.

In terms of geographic exposure to equities, for the Worldwide Fund approximately 20% of the Fund is invested in U.S. equities, 14% in European equities and 17% in Asian equities.

As for the International Fund, approximately 36% of the Fund is invested in Asian and Australian equities with Japan being 15% of the Fund, Hong Kong and China 4%, 23% in European equities and 3% in other geographies.

Finally, our Japanese yen exposure is roughly 25% hedged in Worldwide, 35% in International, while our euro exposure is approximately 10% hedged in both Worldwide and International.

Let me give you a brief overview of perceived opportunities or lack thereof by geography.

It remains difficult for us to find investment opportunities in the U.S. Valuations remain high in all asset classes while the economic cycle in the U.S. is very mature in our opinion. In particular, financials were cheap prior to the election and we took advantage of this last year, building positions in Bank of America, Goldman Sachs, Raymond James, UBS and HSBC outside the U.S. The valuations of financials in the U.S. today are a lot less attractive than a year ago.

Foreign markets however, having underperformed the U.S. for a while now, may be offering better value in our judgment but not without risks. During the fourth quarter last year and earlier this year, we were able to build two sizeable positions in Europe, Airbus and Bureau Veritas.

Bureau Veritas is now a top 10 position. The Company provides certification services in different industries. Think of an audit firm, not for financial records, but for industrial processes, very diversified by end markets (construction, shipping, nuclear plants, commodities, ISO certifications and so on). We view Bureau Veritas as a high-end consulting firm where the staff is mainly comprised of engineers. The company benefits from labor cost inflation over time, from tougher regulations and more stringent certification processes. Bureau Veritas is not subject to deflationary forces or low cost outsourcing. Organic growth is supplemented by acquisitions of smaller firms with a local specialty. The stock is recently re-priced today due to cyclical factors in our opinion: shipping and commodities just went through serious recessions and are temporarily depressing organic growth and margins, we believe, providing a reasonable entry price. As these segments normalize over time, the company targets mid to high single digit growth in revenues and some expansion in margins due to scale and best practices. We're associated with excellent management and a proven record of many smart acquisitions and smart capital allocation. We believe Bureau Veritas is an excellent business acquired at a reasonable price.

The case for Airbus rests on the belief that the Boeing/Airbus duopoly has reached a steady state and will act rationally going forward. Airbus is a company that has transformed over the last few years from a bureaucratic, politically influenced corporation to a solid and profitable franchise. The last problematic aerospace program is the military transport plane A400M, a manageable albatross we believe. On the other hand, the commercial airplanes are either gushing cash (especially in narrowbodies) or well on their way to becoming cash cows (the A350 wide-body aircraft in particular). Backlog is huge and highly profitable if the company can execute on its plans to ramp up production over the next few years. In a nutshell, we believe that the industry has reached an inflection point: two companies, Boeing and Airbus, sharing the growing aerospace market and acting rationally with no big, expensive, risky development program on the horizon. We expect free cash flow and profits to ramp up very substantially at Airbus by the end of the decade. While the Airbus may still be perceived as highly cyclical, we believe a combination of a larger replacement market, coupled with a very large backlog of outstanding orders will dampen cyclicality in a very substantial way going forward. Obviously, the barriers to entry are huge. It took the European Union a very long time to establish

Airbus as a profitable global player. Meanwhile, Boeing consolidated the industry in the U.S. The Chinese will try to enter the industry, but we believe it will take China decades to develop a large capacity airplane able to compete internationally. Other risks at Airbus include poor execution in ramping up the existing programs and costly new developments (akin to the failed jumbo A380).

Moving on to Asia, we remain concerned by the huge credit growth in China and the opacity both in terms of disclosure and economic data.

As for Japan, the market has moved up very substantially and a number of our midcap holdings there are nearing their intrinsic values. Those intrinsic values could still rise substantially if takeovers, mergers or (LBO) were happening in Japan. We have not seen any convincing signs yet, but we do note that corporations have been more willing to return some cash to shareholders, either in the form of dividends or buy backs.

Our large position in Japan, Astellas Pharmaceutical, remains the exception, excellent track record of capital allocation, strong and successful R&D and remains quite cheap in our opinion.

As for emerging markets, since our last conference call in September, we've been buying a few small companies in Chile, Mexico, Brazil and Korea for the International Fund and two larger companies in South Korea for the Worldwide Fund.

As a result of this activity in Europe and emerging markets, the International Fund is now over 60% invested in equities versus 55% six months ago.

More broadly, our top positions in both Funds are currently mostly made of what we believe are high-quality businesses. The terms "compounder" and "quality" are probably widely overused today on Wall Street. We use the term "quality" not in the Wall Street sense of low volatility, steady growth and rising dividends – sometimes, rising leverage, poorly understood prospects and unsustainable margins are mistaken for so-called "quality". – we use the term "quality" with the following definition – businesses that we would be comfortable owning for a very long time in a trust, with no ability to trade them, provided we paid a reasonable price at the time of purchase. Quality to us means having a sustainable competitive advantage, being well managed, having proper corporate governance, a bullet-proof balance sheet and demonstrating an ability to allocate capital and treat shareholders fairly. Some, like Samsung Electronics or Antofagasta, a reasonably low-cost copper miner, can be highly cyclical.

This cyclicality provides the opportunity to buy these businesses on the cheap once in a while.

In the case of Samsung, despite the recent Galaxy phone issue and arrested CEO on corruption charges, the stock has done well. Samsung is now much closer to our estimate of intrinsic value. A large issue remains governance, in particular, the accumulating cash and securities on the balance sheet to the tune of $70 billion. In a contrarian way, the recent arrest of the Vice Chairman puts additional pressure on Samsung to mend its ways. The heavy consolidation in the semiconductor industry has also helped to rerate the shares. The barriers to entry are large although the Chinese are trying to enter the industry. Because of the heavy cyclicality of the semiconductor industry, the Samsung share price may temporarily veer substantially away from its intrinsic value, both on the upside and the downside. We may take advantage of this situation from time to time. The main question mark for Samsung over the long term, besides dividends and capital allocation, is Chinese competition. Korea stole the shipbuilding industry, the consumer electronics industry and the semiconductor businesses from the Japanese in the '80s and '90s. Will the Chinese steal those businesses from the Koreans?

In closing, I believe our organization has never been stronger. Stock picking remains our strong suit at IVA. Our team of nine analysts continues to scour the globe for value and we remain confident that our quest will yield attractive returns.

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

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

This concludes my prepared remarks. I'd like to turn the call back over to the operator to open up the call for questions. Thank you.

Question: Thank you for the call. This question is for either Charles or Chuck. The strength, obviously, as you said, is your great stock picking ability and one thing that we always have in our mind is that, based on the fact that you've done a lot of great stock picking, why would you not be adding to certain of these positions you have and the only conclusion we can come up with is that the valuations are so stretched that you don't really want to do that. And so, are we correct by assuming that the valuations are very stretched, that we should see a lot more selling taking place over the next 12 months and raising more cash at this point, if you can't find new ideas? Thank you.

Charles de Vaulx: Thank you for your question. We would not mechanically want to increase every position or the top 10 by, I don't know, 50% just for the sake of reducing the cash level. Now, we're comfortable having 4.3% in Berkshire Hathaway. I would not be comfortable having 8%. They are still trading at a discount, they have quality assets, but the discount is not as big as it used to be.

You know, Mr. Buffet and Charlie Munger are not getting any younger. And Samsung Electronics, we're happy to have a large position especially as we said that capital allocation and corporate governance was going to improve, yet would not be comfortable having 8% in Samsung Electronics and so forth.

Now, as to your question, does that mean that you should expect more selling than buying in this next 12 months? Not really. We wish there was more volatility out there, but we had some volatility early last year, we took advantage of it a little bit including buying a few high yield bonds in the oil service sector or Intelsat.

Brexit, I think we had two and a half days to do some buying. I think we bought

Tiffany and Raymond James and added quite a bit to Goldman Sachs and to HSBC, among other names and then, this company-specific situations that over the past three or four months have allowed us to add significantly to Bureau Veritas. I think Chuck explained why. Airbus was sort of a unique situation as well.

In Korea, Samsung Electronics may have gone up tremendously last year, good for us. But then, many smaller cap, more domestic names have come down a lot for some reason and we've been doing a little buying there.

So I think it's hard to generalize and even though I somewhat in a facetious way made the point that markets are not allowed to be markets anymore and the central banks control everything and so forth, I would be very surprised if volatility remained low for the next 12 months. There's too many changes that President Trump wants to try to supposedly make happen.

The central banks are at inflection points, not only the Fed but the ECB to some extent. I've explained how in our view, the Chinese are deliberately manipulating things as much they can at least until the end of the year when they have their big Party Congress.

And some sectors are changing. There's been decimation in the retail. Now, are we having a look at Macy's or a Hudson's Bay or Kohl's or Neiman? Yes, although we're more frightened than anything because of the rapid changes. But I think disruptions in all those industries are also bound to create opportunities even if markets in aggregate do not move much.

Question: Hello, gentlemen, and thanks for the call. A couple of questions and I might have missed the first one. Number one, could you talk about any currency hedging you're doing within the Worldwide Fund?

And then, secondly, can you help me understand the path ahead for Europe. You mentioned that the country seemed to be committed to the euro and that hasn't wavered yet the banks seem very unstable there. How does that compare with what we experienced here in the U.S. 8 years,10 years ago? Thanks.

Charles de Vaulx: Regarding the hedging, we're a little hedged in both Funds. After late last year, we increased the hedge on the euro in both Funds. But then, as the euro weakened, we decided to bring the hedge back down to only 10%. And, of course, we tried to account for the kinds of businesses we own in Europe.

We talked about Bureau Veritas. Some of the companies we own, Sodexo for example, a big part of their business may be outside Europe, so these companies provide a natural built-in hedge. And apropos to the euro, on one hand, we believe that based on purchasing power parity it's probably undervalued. But then again, how can you put a value on a currency where, on one hand Germany may be exceedingly competitive on a global basis with the current exchange rate, 1.08, to the dollar while other parts of Europe are a lot less competitive?

The yen, we were somewhat agnostic as well. We are 25% hedged in the Worldwide Fund, 35% in the International Fund. Now, bear in mind, Chuck mentioned Astellas Pharma. Astellas Pharma accounts for almost half of our exposure to Japan in Worldwide, less than that in International.

The company derives a lot of their earnings outside Japan. So we believe that a weak yen mechanically, naturally would be offset by higher earnings generated outside Japan. So, again, we believe Astellas Pharma does not need to be hedged to a large extent because of the nature of its business.

We don't have much exposure to Australia. In fact, we've trimmed it as we've trimmed our stake in News Corp. But we are 40% hedged there and, in Korea, we are 30% hedged.

So we do not have extensive hedges in place. Also, we do own some gold around 5.7% in the Worldwide, closer to 7% in International. And now, gold is a complicated animal. We view it as something that could benefit should real interest rates stay low for a while. But one interesting thing about gold is not only its inverse correlation with real yields as opposed to nominal yields, but also with the dollar.

So if the dollar were to strengthen, which we think is a possibility, gold could weaken and vice versa. Now, the reason why we're willing to own gold even though we believe the dollar is more likely to appreciate than not is because we are very long on the U.S. dollar in both Funds, especially in the International Fund. All that cash is in dollars. We have these partial hedges and so that's why we own that gold. Your second question, do you want to answer that, Chuck?

Chuck de Lardemelle: Yes. So on the euro, it's a somewhat complex question. The Eurozone works almost like the gold standard and so it's very difficult politically because to adjust in a country, you have to go through deflation. And politically that's very difficult. And the Eurozone as a whole is very competitive today and would work exceedingly well if you had a federal government with federal borrowing. That is not going to happen because you would need to change the constitution in every single member of the union and given the political climate today that federalism seems to be off the table.

So the risk is that, politically at some point, you get an extreme party being elected. It doesn't look like it's imminent anywhere in Europe, but just to give you a sense of what could happen, let's say you are the CEO or the CFO of a large corporation in Italy. You believe that the extreme right would come to power and try to get out of the euro. What you do is take your cash, you send it to Germany and you keep your debt in Italy.

And, in fact, if you look at the balances between the different central banks within Europe, what is a concern is that the imbalances have been growing again and that money has been flowing out of Spain and Italy again and those two countries together were back at the peak of the imbalances we had in 2012 and that money has gone to Germany.

So Germany is exposed to the tune of 600 billion euros. Draghi had to answer some questions from an Italian representative as to what would happen to the balance that Italy has against the European Central Bank if Italy wanted to leave the euro. And, basically, what Draghi said is that the amounts would be due in euros, but I'm not sure Italy would be able to pay. So you have a political risk. I think right now that political risk is smothered by the fact that Draghi is buying government paper hand over fist. But the fact that the imbalances continue to grow means that the question or the problem has not been solved yet in Europe. And until you have federal bonds and a pure commitment by Germany and others to stand behind the debt of other countries, I think that question will remain out there.

That means, from our standpoint, that the Eurozone banks are un-investable because you cannot hedge against your own country going bankrupt or leaving the euro. It's impossible for a bank to do that. It's just too large of a risk. And, basically, in the regulatory framework in Europe, for banking, you have a huge lie at the heart of the whole thing which is simply that supposedly government bonds are money good.

Well, Italy will repay you potentially in lira, but can they repay in euros? I think it's an open question. And so, all these assets are carried on the books of the banks with zero risk rating and that's obviously a big lie. And so, once you start reviewing those government bonds, those country by country as being risk assets, then a lot of these banks are undercapitalized. So, to us, European banks are a speculation. It's not for us.

As for the equities we own in Europe, going back to our largest European position, Bureau Veritas, only 11% of the business is in France, for instance. It has a strong balance sheet. Hopefully, it would manage a euro splintering well by having its cash balances much more in Germany or in stronger countries and the debt in weaker countries. And by and large for all the companies we own in Europe, we have very little debt and devaluation would not be fatal to any of them. In fact, in the case of Airbus, it might be a bit messy, but probably makes the airplane manufacturer much more competitive.

So it's a risk. We keep an eye on it. As long as Draghi continues to buy government paper, it's not a risk that we think is imminent. And what you want to watch are those balances within the euro, between the different central banks. And it remains a political risk around an election rather than a financial risk today.

Charles de Vaulx: OK. Thank you. Well, if there aren't any additional questions, we thank you for listening. And over the next week or so a replay of this conference call as well as a transcript of the call will be available on our web site. Thank you again.