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IVA Worldwide A IVWAX

These managers are very concerned about capital preservation.

Morningstar's Take IVWAX

Morningstar Rating	★★★★
Morningstar Analyst Rating	Silver
Morningstar Pillars	
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral
Role In Portfolio	
Core	

Fund Performance IVWAX

Year	Total Return (%)	+/- Category
YTD	6.94	-0.07
2016	6.24	0.20
2015	-2.47	1.68
2014	3.20	1.67
2013	16.93	6.86

Data through 5-31-17

5-15-17 | by Gregg Wolper

IVA Worldwide's uncommon approach won't suit every investor, but its dedication to a cautious value approach pays off over the long run, earning it a Morningstar Analyst Rating of Silver.

Managers Charles de Vaulx and Chuck de Lardemelle are open to owning a wide variety of securities, including common and preferred stocks, corporate and government bonds, and gold, but they won't buy anything unless they're convinced the price is cheap enough to provide substantial prospects for gains with limited possibilities of serious losses. This helps explain why the fund had 41% of its assets in cash at the end of first-quarter 2017, an extremely high level even for this fund. The managers say that valuations are elevated around the world, making it tough to find stocks or bonds attractive enough to buy priced at a level they'd be willing to pay. The fact that firms in so many industries are (or could be) vulnerable to attack from new "disrupters" makes them even more insistent on a hefty discount before buying.

Their caution has served them well. From its Oct. 1, 2008, inception through March 31, 2017, the I shares' return crushed the world-allocation Morningstar Category average, 8.9% (annualized) to 4.5%. They also beat the Morningstar Global Allocation Index, which posted a 6.8% gain over that period, and the MSCI ACWI Index, which rose 7.3%. (The fund's start date did give it a jump-start, in relative terms--its wary approach was well suited to the October 2008 meltdown.) Over the trailing three- and five-year periods, the I shares are ahead of the category but lag both indexes.

The latter situation warrants attention. The managers' caution, along with their ability to choose rewarding opportunities when they do buy and hold stocks and bonds, should lead to outperformance in the long run. But when markets are in an upward trend for an extended period, this fund can have trouble keeping up, given its willingness to keep so much cash on the sidelines and an unwillingness to own high-priced fare. Over the long term, though, the fund should succeed.

Process Pillar Positive | Gregg Wolper 05/15/2017

Although this fund seeks returns that will exceed the all-stock MSCI All Country World Index over the long haul, the managers' value bent and focus on capital preservation are key here. They regularly hold a hefty cash stake (ranging from the teens to more than 30% of assets) when they can't find investments that meet their stringent value criteria. They also typically own some gold bullion, which the managers say can act as a hedge in a variety of climates. Fixed-income securities appear in varying amounts.

The largest portion of the portfolio is composed of equities. Managers Charles de Vaulx and Chuck de Lardemelle look for what they consider a large discount to their assessment of a company's intrinsic value. In determining intrinsic value, they come up with a base-case number, but they also compute a worst-case scenario. The sector and regional weightings can vary markedly from those of the MSCI ACWI Index, allocation benchmarks, and the portfolios of its peers.

The fund's fixed-income investments can include sovereign bonds and high-yield corporate bonds bought at what the managers consider deep discounts, owned for their capital-appreciation potential more than for income. The fund's high-yield stake reached a peak of more than 30% of assets early in its life. The managers often hedge varying amounts of the fund's currency exposure into the U.S. dollar. Overall, this strategy earns a Positive Process rating.

The fund's latest cash stake is quite high even for this fund, whose managers aren't shy about keeping money on the sidelines. At the end of 2017's first quarter, Charles de Vaulx and Chuck de Lardemelle had 41% of assets in cash. The managers say equities tend to be fully valued just about everywhere at this point, so compelling stock opportunities are tough to come by. Bond markets don't offer much better values, in their view. Gold remains appealing as a hedge against, among other things, a stock-market decline caused by a U.S. recession, which de Lardemelle says is inevitable at some point. (The fund had 5.8% of assets in gold bullion at quarter-end). All told, the fund had only 50.8% of assets in equities, just below the world allocation Morningstar Category average. The managers aren't sitting still; for example, they like Airbus and Bureau Veritas, an instrument-testing firm in France, and made substantial investments in both in 2016's fourth quarter. And it's encouraging that the managers have found plenty of opportunities at sibling fund IVA International IVIQX, which, with fewer assets, can more readily buy smaller companies. That fund's cash stake fell from 34% to 28.3% in 2017's first quarter.

Meanwhile, the fund's stake in bonds, just 2.5% as of March 31, is far lower than the category norm. A lower-than-average bond stake is typical here, but the current gap is a bit wider than usual.

Performance Pillar Positive | Gregg Wolper 05/15/2017

This fund's overall performance is strong in the world-allocation category, and it receives a Positive rating for Performance. From its 2008 inception through March 31, 2017, the I shares' return crushed the category average, 8.9% (annualized) to 4.5%, and also beat the Morningstar Global Allocation Index, which posted a 6.8% gain over that period, and the MSCI ACWI Index, which rose 7.3%.

That said, the fund had an unusual advantage over its rivals and the benchmarks during its first months. It launched just before the October 2008 market crash caused by the Lehman Brothers collapse and other factors, so its cash stake insulated it in that year's disastrous fourth quarter. (The I shares rose 2.8% while the category plunged 15.1%, the ACWI index sank 22.4%, and the Morningstar Global Allocation index dropped 10.6%.) But the managers' cautious strategy deserves credit as well. The fund's resilience during downturns is also demonstrated by its Morningstar risk-adjusted return and other volatility measures, such as downside capture ratios.

Interestingly, this wary fund also landed near the top of the category in 2010 and 2013, when stocks rose sharply (though not in 2012's rally). This can be explained by its unusual mix of investments. In addition to its fluctuating cash stake, its high-yield bond holdings and gold exposure have also had an effect.

People Pillar Positive | Gregg Wolper 05/15/2017

Chuck de Lardemelle and Charles de Vaulx have managed this fund together since its October 2008 inception, with support from an analyst corps that gradually grew to a total of 10 as of 2015. The number is nine after an analyst left in August 2015, and a research associate upgraded from part-time to full-time in September 2016. De Vaulx, who is also chief investment officer, worked on a similarly styled fund, First Eagle Global SGENX, first as an analyst beginning in 1987, then as a comanager from January 2000 through December 2004, and finally as the sole manager from January 2005 through March 2007. He also played key roles on First Eagle Overseas SGOVX and First Eagle US Value FEVAX.

De Lardemelle also came from First Eagle, where he served for 10 years as an analyst and then director of research, and briefly as a portfolio manager. Three of the firm's analysts worked with them at First Eagle for many years.

De Vaulx and de Lardemelle, as well as two analysts and the firm's CEO, are partners in IVA, the fund's advisor. They are compensated based on the firm's profits. While in theory such an arrangement might induce managers to focus on asset-gathering at the expense of investment flexibility, the fact that they closed both of IVA's funds after just a few years mitigates that concern. The experience, tenure, and ability of the team and dedication to their approach merits a Positive People rating.

Parent Pillar Positive | Gregg Wolper 09/10/2015

International Value Advisers is an admirable parent. The firm, run as a partnership, was founded in the fall of 2007 by a group of managers, analysts, and others who migrated from First Eagle. They launched just two funds, which use the patient, value-oriented strategy that the team had specialized in, and said the funds would close before they became too large. IVA did close both funds in January 2011 and has not reopened them, nor created new ones. That restraint demonstrates a clear priority on investment success for fund shareholders rather than amassing the largest asset base possible. Admittedly, with $20.3 billion in assets firmwide as of July 31, 2015, IVA is not hurting for fee income; even so, many firms would have kept their funds open or expanded the lineup.

IVA provides a lengthy "owner's manual" in each shareholder's report and on its website. This document explains clearly the details of the firm's "atypical strategy," and states which investors each fund is best suited for. This reduces the chance that shareholders will be surprised when looking at their fund's holdings--such as gold bullion or hefty cash stakes--or be disappointed when their fund lags during strong rallies.

Less impressive are the IVA funds' expense ratios, which are reasonable when compared with peers but not cheap. These could be lower if the management fee included asset-level breakpoints, a common practice in the industry.

Price Pillar Neutral | Gregg Wolper 05/15/2017

IVA Worldwide's institutional shares hold more than two thirds of its total assets. That share class had an expense ratio of 1.00% in 2016, which edges into the above-average range among world-allocation funds in the institutional distribution channel though it's just 5 basis points higher than the median. Meanwhile, the 1.25% expense ratio on the fund's A shares and the 2.00% expense ratio on its C shares, which together have the remaining assets, each land in the average range when compared with their respective rivals in those distribution channels. And its brokerage fees are modest, owing to low turnover. Therefore, the fund gets a Neutral for Price. The fund's management fee of 0.90% represents its biggest expense.

Important Information Concerning the Attached May 15, 2017 Morningstar Reprint
This disclosure must accompany the May 15, 2017 Morningstar article reprint.

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Total Returns as of 06/30/17	1 Year	5 Years*	Since Inception* (10/1/08)
IVA Worldwide Fund A (no load)	11.92%	7.17%	8.70%
IVA Worldwide Fund A (with load)	6.29%	6.07%	8.07%
IVA Worldwide Fund I	12.14%	7.44%	8.99%
MSCI All Country World Index (Net)	18.78%	10.54%	7.63%

**Annualized*

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, maximum sales charge for the A shares is 5.00%. The expense ratios for the fund are as follows: IVA Worldwide Fund: 1.25% (A shares); 1.00% (I share).*

MSCI All Country World Index (Net) 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 Morningstar Global Allocation Index represents a multi-asset-class portfolio of 60% global equities and 40% global bonds. The Index is not available for direct investment.

As of June 30, 2017, the IVA Worldwide Fund's top 10 holdings were: Gold Bullion (5.7%); Berkshire Hathaway, Inc. Class A; Class B (4.3%); Astellas Pharma, Inc. (3.4%); Nestle SA (2.5%); Bureau Veritas SA (2.2%); Oracle Corporation (2.0%); MasterCard Inc., Class A (1.5%); Bollore SA (1.4%); CVS Health Corporation (1.3%); Antofagasta plc (1.3%).
As of June 30, 2017, total firm assets under management totaled $18.4 billion.

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. The IVA Funds are offered by IVA Funds Distributors, LLC.

Past performance is no guarantee of future results. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Morningstar Rating is for the share class specified only; ratings for other share classes will vary. IVA Worldwide Fund Class A (NAV) Morningstar ratings as of 06/30/17 – World Allocation Category; A Shares: Overall: 4 stars/395 funds, Three-year rating: 4 stars/395 funds. Five-year rating: 4 stars/337 funds. Different share classes may have different ratings.

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider numeric and qualitative factors, but the ultimate view on the individual pillars and how they come together is driven by the analyst's overall assessment and overseen by an Analyst Ratings Committee. The approach serves not as a formula but as a robust analytical framework ensuring consistency across Morningstar's global coverage. A fund may receive a Gold rating and still have negative, flat or poor performance.

The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. A fund with a "Gold" rating distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. A fund with a 'Silver' rating has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. A "Bronze" rated fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. A fund with a "Neutral" rating isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. A "Negative" rated fund is flawed in at least one, if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar's current expectations about future events; therefore, in no way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.

The IVA Funds are closed to new investors.