IVA Funds Semi-Annual Update Call
September 17, 2020

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 Foreside Fund Services, LLC.

Total Returns as of 9/30/20	1 Year	3 Year	5 Year*	10 Year*	Since Inception*
IVA Worldwide Fund A (no load)	-4.86%	-1.42%	2.59%	4.01%	6.15%
IVA Worldwide Fund A (with load)	-9.63%	-3.10%	1.54%	3.48%	5.70%
IVA Worldwide Fund I	-4.58%	-1.16%	2.86%	4.28%	6.42%
MSCI All Country World Index	10.44%	7.12%	10.30%	8.55%	7.79%
MSCI All Country World Value Index	-8.03%	-1.22%	4.96%	5.24%	4.87%
MSCI Al Country World SMID Value Index	-10.25%	-3.40%	4.13%	5.57%	6.50%
IVA International Fund A (no load)	-6.82%	-4.16%	0.89%	3.42%	5.39%
IVA International Fund A (with load)	-11.50%	-5.79%	-0.14%	2.89%	4.94%
IVA International Fund I	-6.62%	-3.91%	1.14%	3.68%	5.65%
MSCI All Country World Index (ex-U.S.)	3.00%	1.16%	6.23%	4.00%	4.45%
MSCI All Country World Value Index (ex-U.S.)	-10.83%	-5.09%	2.14%	1.50%	2.35%
MSCI All Country World SMID Value Index (ex-	-6.50%	-3.84%	3.61%	3.30%	5.41%

*****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. The funds recently experienced significant negative short-term performance due to market volatility associated with the COVID-19 pandemic.*

The expense ratios for the funds are as follows: IVA Worldwide Fund: 1.16% (A shares), 0.91% (I shares); IVA International Fund: 1.17% (A Shares), 0.92% (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 September 30, 2020, the IVA Worldwide Fund's top 10 holdings were: Berkshire Hathaway, Inc. Class A; Class B (5.4%); Bayerische Motoren Werke AG (3.3%); Astellas Pharma, Inc. (3.2%); Newmont Corporation (2.9%); Compagnie Financiere Richemont SA (2.5%); H.U. Group Holdings, Inc. (2.4%); LKQ Corp. (2.3%); Bureau Veritas SA (2.1%); Western Union Company (2.0%); Sodexo SA (2.0%). As of September 30, 2020, the IVA International Fund's top 10 holdings were: Newmont Corporation (4.0%); Bayerische Motoren Werke AG (3.8%); Astellas Pharma, Inc. (3.8%); H.U. Group Holdings, Inc. (3.0%); Bureau Veritas SA (2.6%); Compagnie Financiere Richemont SA (2.5%); Rohto Pharmaceutical Co., Ltd. (2.3%); Sodexo SA (2.2%); Gold Fields Orogen Holdings (bvi) Ltd. (1.8%); Bollore SA (1.7%).

Economic and Market Events Risk: The impact of the outbreak of a novel coronavirus may be short term or may last for an extended period of time, result in a substantial economic downturn and could negatively affect the worldwide economy. Any such impact could adversely affect the Fund and may lead to losses on your investment in the Funds.

Effective July 13, 2020, Chuck de Lardemelle is no longer portfolio manager of the IVA Funds. Charles de Vaulx is the sole portfolio manager of the funds and is the Chief Investment Officer of IVA, the funds' adviser.

MSCI All Country World Index is an unmanaged index consisting of 52 country indices comprised of 24 developed and 28 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. Unlike the composite the index has no expenses. 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 51 country indices comprised of 23 developed and 28 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. Unlike the composite the index has no expenses. The Index is a trademark of MSCI Inc. and is not available for direct investment.

The MSCI All Country World Value Index (Net) is an unmanaged index that captures securities exhibiting overall value style characteristics. It consists of 52 country indices comprised of 24 developed and 28 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 MSCI All Country World Value Index (ex-U.S.) (Net) is an unmanaged index that captures securities exhibiting overall value style characteristics. It consists of 51 country indices comprised of 23 developed and 28 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 MSCI All Country World SMID Index (Net) captures mid and small cap representation across 24 developed markets and 28 emerging markets countries. The SMID cap indices capture mid and small cap representations and the growth and value indices capture securities exhibiting these style characteristics.

The MSCI All Country World SMID Index (ex-U.S.) (Net) captures mid and small cap representation across 23 developed markets and 28 emerging markets countries. The SMID cap indices capture mid and small cap representations and the growth and value indices capture securities exhibiting these style characteristics.

The views expressed herein reflect those of the portfolio managers through March 18, 2020 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 points (bps): the percentage change in the value of financial instruments or the rate change in an index or other benchmark. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Free cash flow: represents the cash available for the company to repay creditors or pay dividends and interest to investors.

NASDAQ Composite Index: market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange.

Price-to-book: ratio compares a company's market value to its book value. The market value of a company is its share price multiplied by the number of outstanding shares.

TIPS: Treasury Inflation-Protected Security is a Treasury bond that is indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money.

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. The purpose of this call is to update you on IVA, the funds, and share current investment thinking. Our portfolio manager, Charles de Vaulx, will give prepared remarks on the portfolio and describe what he’s seeing around the world today. And then we’ll open up the call to questions. As a reminder, both funds are open to all investors. We are required to provide performance information through the most recent quarter end.

As of June 30th 2020, the IVA Worldwide Fund Class I returned -8.98% for the one year period, while the MSCI All Country World Index returned 2.11% over the same period. For the five-year period on an annualized basis, the IVA Worldwide Fund Class I returned 1.51% versus the MSCI All Country World Index return of 6.46%. Since the fund's October 1st, 2008 inception, it's returned 6.33% in an annualized basis, while the MSCI All Country World Index returned 7.25% over the same period.

As of June 30th, 2020, the IVA International Fund Class I has returned -11.62% for the one year period, while the MSCI All Country World ex-U.S. index has returned -4.80% over the same period. For the five-year period on an annualized basis, the IVA International Fund Class I returned -0.39% versus MSCI All Country World ex-U.S. index of 2.26%. Since the fund's October 1st, 2008 inception, it has returned 5.56% annualized, while the MSCI All Country World ex-U.S. Index returned 4.01% over the same period.

Year to date through yesterday, Wednesday, September 16th, the IVA Worldwide Fund has returned -6.94% versus the MSCI All Country World Index return of 3.04%. The IVA International Fund Class I has returned -10.07% versus the MSCI All Country World ex-U.S. Index return of -2.28%.

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 erratic market conditions, economic and political instability, and fluctuations in currency exchange rates. Value-based investments are subject to the risks that the broad market may not recognize their intrinsic value. An investor should read and consider the fund's investment objectives, risks, and charges, and expenses carefully before investing. This and other important information are detailed in our prospectus, the summary prospectus which can be obtained by visiting our website at www.ivafunds.com. And now, I will hand the call over to Charles de Vaulx.

Charles de Vaulx: Our last conference call was March 18th, just six months ago. The pandemic was raging then in the tristate area. Most IVA employees had started to work remotely by then, but we were still able to hold a conference call in our offices in midtown Manhattan. The following Sunday, the greater New York City area was under lockdown. The day of that conference call was my last day in our offices. I then went to Florida for three months, and I returned to Upper Westchester June 19th, working remotely ever since mid-March. The earliest we might reopen our office is mid-January of 2021.

By that day, six months ago, March 18th, we had been able to put approximately 10% of the IVA Worldwide net assets that were in cash to work in various equities that had come down in price. Global equity markets happened to bottom the following week, I think the 23rd for the U.S. market, and the 24th for most foreign markets. The purpose of this conference call is to provide an update. We'll discuss:

1) Year to date performance.
2) Recent personnel changes at IVA.
3) Recent flows out of various IVA products over the past six months.
4) How both of the IVA Worldwide and International are currently positioned and why.
5) Discuss two new names in the portfolios.

I will have a few ending remarks by way of conclusion, and then open up for Q&A.

1) Performance year to date once again- for both funds looks horrendous. That is because once again, the value style has performed terribly both during the selloff in March and the subsequent rebound. It's only over the past few weeks, since the beginning of September that growth stocks, especially the darlings like Apple, Facebook, Microsoft, Amazon, and Tesla, have begun to lag value stocks. Year to date, the IVA Worldwide I shares are down roughly -6.9%, while the index is up 3%. But if you look under the hood, you'll see that the MSCI All Country Value Index is down -11.6%, and in fact the MSCI All Country SMID Value Index is down even more, down -13.7%. If you do the attribution analysis of the Worldwide Fund, you would see that year to date as of yesterday, the equities within that fund have been down -13.1% in line with the value indices I just discussed.

   Likewise, the IVA International I shares are down around -10.1% while the index is down -2.3%. But then again, if you look at the MSCI All Country ex-U.S. Value Index, it is down -13.7%. And interestingly, by the way, the SMID Value Index is down a little less at -11.7%. Again, if you look at the equity only portion of our International Fund, it is down -12.6%, again totally in line with those value indices. Again in the long run, we are supposed to- and have in the past- I hope again the future, do better than these indices. But at least our performance is explainable to large extent, if you will.

Why has it been a horrendous year for value? Well, for the exact same reasons I had articulated in that podcast with Morningstar in November 2019, the podcast whose title was “Why Value Investing Has Slumped but Will Rebound.” What are the reasons?

1) Near zero interest rates have encouraged investors to pay up for growth stocks; growth stocks are longer duration assets that benefit much more from lower rates than more mundane and less growing value stocks. Not only are rates lower now in the U.S. and in most of the world than before the onslaught of the pandemic, but what used to be the “lower for longer” view has morphed into “lower forever”. And that’s very important. In a recent Financial Times article, Robin Wigglesworth showed that the best evidence of the “lower forever”, is the 10-year ten year forward (which is a futures contract that shows what investors think the 10-year treasury yield will be 10 years from now), while in 2009 just after the financial crisis the 10-year ten year forward yield rose from 3% to north of 5% as investors bet into some normalization, both of the economy and interest rates. But this year, the 10-year ten year measure has collapsed to just 1.6%, which is even less than what the U.S. Federal Reserve Bank target is in terms of CPI inflation, as you know they're trying to achieve 2% per annum. So that low forever, of course, is not encouraging for bank stocks in the U.S. or in many foreign countries, by the way, which might explain why Mr. Buffett has been dumping some bank shares, with the exception of Bank of America, within Berkshire Hathaway.

2) The second reason for value’s horrendous performance is that the virus has forced many countries, the U.S. in particular, to shut down, accelerating the gains in the select few technology stocks that are uniquely capable of thriving with everyone stuck at home - the likes of Zoom, Peloton, Netflix of course, but also Amazon, Microsoft, Apple, Facebook, Alphabet. From the March 23rd low, the NASDAQ Composite rose 75.7% through September the 2nd. We’ve also seen bubbles in odd situations like Hertz Global and JC Penney, both in bankruptcy, and the likes of Nikola and Tesla, the two electric vehicle stocks. Tesla, a few days ago, commanded a market capitalization of nearly $450 billion, up from about $80

billion in March, and $40 billion just a year ago. Absolutely insane, in my humble opinion. That growth bubble has been fueled as well by millions of retail investors betting through online brokers that charge nothing or close to nothing in the U.S., but also in countries such as Korea.

3) The third reason for value's horrendous performance is that many of the mundane sectors where value stocks typically lie are being negatively impacted, not only now, but possibly for the long term; airlines, commercial real estate, hotels, energy, and maybe many other sectors.

4) The fourth reason is that while value stocks these days are increasingly concentrated among more cyclical sectors, that was a lot less so the case 20 years ago. The problem with that is that the prospects for a global economic rebound around the world remain muted, since the pandemic has not been totally contained yet. And for all we know, it could actually get worse this fall and winter in the Northern Hemisphere unless some viable vaccines are made available soon. So it is difficult for bank stocks, mining stocks, energy stocks, retail stocks, automobile stocks to truly rally significantly until the prospect for such an economic rebound becomes clear. The fact that international stocks were down even more during the pandemic than U.S. stocks and then also rebounded less than U.S. stocks – a little bit like value stocks versus growth stocks - is precisely due to the fact that these stocks tend to be populated by many more value stocks in the U.S. market and by far fewer technology stocks than the U.S. Let me try to quantify that: Technology companies today account for 27.5% of the S&P 500 versus just 7.5% of the S&P Europe 350. Conversely, the biggest weighting in Europe is financials at 15.1% of the index, while in the U.S., financials only account for 10.3%. In fact, it has been observed that half of the underperformance of non-U.S. markets relative to U.S. markets over the past 10 years is due to foreign markets having a lot less exposure to tech companies.

2) Let's now discuss the recent changes at IVA in terms of personnel and outflows. IVA announced on July 13th that Chuck de Lardemelle had left the firm. That has been discussed with most of you. So nothing there for me to add today, all I can say is that the transition has been seamless as I had been CIO for many, many years, as well as co-

PM since May of '08 when I joined IVA. So at IVA, we feel that having one voice only to steer the portfolios, one voice only to steer the team of analysts, we believe is the best way to go forward during these difficult times.

3) Outflows have continued unabated, at least until a few weeks ago when value stocks became much more resilient than growth tech stocks. We now have in total $4.95 billion under management, down from $8.3 billion late March. So because markets have rebounded since, the net outflows that we have experienced with IVA have been approximately $4 billion, and that includes some institutional separate accounts that we have lost. The IVA Worldwide fund is now $2.7 billion in size across all the share classes. And the IVA International fund is $1.1 billion in size. As a result of that shrinkage, IVA has had to let go of four employees that became redundant from various departments a few weeks ago and we now have 38 employees and that includes the partners. We have been able to meet these outflows both by using some cash in the various portfolios, but first and foremost, by trimming most positions so as to maintain the desired individual weightings in each name.

   Because IVA's AUM are down, but also because we own fewer thinly traded stocks, the liquidity portfolio of our portfolios including both funds is very good. Besides the cash position of 36% today in the Worldwide, 31% in the International Fund, we could now theoretically liquidate 26% of all equities held by all IVA products in one day, we could liquidate 44% of such equities in three days, 57% in five days, and 69% in 10 business days if we made the assumption that we would represent 20% of the average daily volume. Fifteen months ago, we could only have liquidated 30% in three days versus 44% currently. Both funds appear in good shape regarding year-end distributions, which we make typically around mid-December. Based on tentative numbers that I have as of a week ago, the total distribution would be 0.4% in the Worldwide Fund, and 1.7% in the International Fund.

4) How are both funds positioned today and why? As of last Friday, the IVA Worldwide had approximately 58% in equities, and that I'm excluding there the two gold miners we own; 2.9% in fixed income, 3.8% in two gold mining stocks, and approximately 36% in cash. The IVA International had approximately 62% equities without the gold miners, 1.8% in fixed income, 5.6% in those same two gold mining stocks, and approximately

30.7% in cash. The allocation to equities is, in the case of the Worldwide, a little less than what it was when we had the last conference call. Equities were 60% in Worldwide back then, but it's quite a bit less in the case of the International Fund as it then had 70% in equities. As you may recall, we had put approximately 10% of the Worldwide net assets in cash in March as markets were imploding, and very little in the International fund because it had a lot less cash than its counterpart.

We had discussed previously, and I will do it again today, why we had put 10% of cash to work and not a lot more. We were obviously aware that the price of many securities were down significantly around the world. However:

1) They were down from exceedingly elevated levels, but also we were sensitive to the fact that the intrinsic value estimates of many companies both that were owned by the funds, or perspective names, that those intrinsic value estimates were down a lot as well due to the pandemic. Think about stocks which we own such as Airbus, the plane manufacturer; Sodexo, the food catering company; Astronics, the airplane equipment manufacturer; or Allied Irish Bank.

2) We were also struck back then by the fact that high quality stocks, the likes of Expeditors International, Kuehne and Nagel, Amazon, Costco, Manpower, had not come down that much, and were not that cheap, and certainly not remotely as cheap as during previous crises.

3) Because the uncertainties were such back then, and to some extent still today, how bad will the pandemic be, how bad the economic impact, that worst case scenarios both for many of our holdings in the funds but also prospective names, worst case intrinsic value estimates had to be brought down significantly.

As markets bounced back in April, May, June in Worldwide, we trimmed or sold certain names, but we were also able to find some new U.S. names such as American Express, which we had owned in the past; Wells Fargo, Chevron, Skechers (the athletic shoe company), and Tapestry, for instance. While in the International Fund, we were not able to find many new names. The only exception that comes to mind is Heineken, the beer company. Also in the International markets, we saw a few names rebound very sharply so that we're able to sell out of those; KIWOOM Securities, benefiting from all the trading mania going on in the world; Kyung Dong Pharma, and Hyundai Motor in Korea. Hyundai Motor went up 2.5 times from its lows of late March, ASKUL and Sumitomo Seika Chemicals in Japan for instance.

So why are we still cautiously positioned in both funds? Because the valuation of many stocks is still somewhat elevated, especially when one looks for certain attributes like a decent quality business, decent corporate governance, decent capital allocation, decent balance sheet, and reasonable liquidity of the stock. Even though the valuation spread between value and growth stocks is as high now as during the late '90s, there remains a relative valuation spread. In absolute terms, stocks and in particular value stocks, are not remotely as cheap as they were back then. I would argue that they are probably 30% to 40% on average more expensive now than back then, courtesy of low interest rates I guess, which again benefit the growth stocks a lot more, but still obviously benefit the value stocks as well. Besides valuation, there are still huge economic uncertainties today, huge uncertainties regarding the evolution of this COVID-19. Will an effective vaccine be found soon? What happens to the economy when checks and unemployment benefits are curtailed? And finally political risks, especially in the U.S. with the upcoming elections both presidential and congress. Regarding the economy, a few commentators have used the image of the Wiley Coyote in mid-air. We shall see.

5) Why did we initiate a position in Wells Fargo especially at a time when Mr. Buffett has reduced his stake?

    1) Because we have little exposure to bank stocks in the portfolios. We no longer own Bank of America, for instance. Conversely, Berkshire Hathaway had quite a bit in bank stocks, although that ratio is coming down with Apple having gone up so much.

    2) Wells Fargo is broadly similar, in our opinion, to Bank of America. It is the third largest bank in the U.S. behind JP Morgan and Bank of America. Its deposit franchise is best in class like Bank of America, (though that can be masked in a low interest rate environment) they also have a very well-deserved reputation as a conservative underwriter. Because of lingering regulatory issues from its

unauthorized accounts scandal, it has had to pay sizeable fines, and is subject to an asset cap from its regulator, making it almost impossible for them to grow for a few years. That scandal had significantly increased Wells Fargo's operating expenses. As a result, Wells Fargo trades around 65% of book value, while its peers trade at price to book values between 0.8 and 1.2 times. Our thesis, and thank you for the great work that our analyst, Adam Ackerman, has performed on this name, our thesis is that these issues may take another two to three years more to work themselves through, but after that, we expect Wells Fargo's growth and profitability to revert back to prior levels and industry averages.

How about Heineken, which we're able to put in both funds? We put it in both funds, due to partially, but only partially by trimming a position we had initiated in March with ABI, Anheuser-Busch InBev, which we had built back then as markets were falling and so forth. The share price of ABI has bounced back quite a bit more than Heineken since late March. So suddenly, Heineken a few weeks ago started to look more appealing than the other, offering more of a discount and less downside risk, especially as Heineken is a lot less levered financially than Anheuser-Busch InBev. Heineken, is the number two global beer company. Its key markets are Mexico, Western Europe, U.S., Brazil and Vietnam where they have done a phenomenal job taking market share away from ABI. They are family-owned which we like, and do have a long term oriented culture, they have had good capital allocation in the past. Now their margins are lower than ABI. Europe, for all sorts of reasons, structurally has lower margin. They also, I believe, make better beer which increases their cost of production. One of the main reasons why the stock has recently lagged ABI on the rebound is that they have a lot more on-trade consumption (as opposed to off-trade), and on-trade has been affected quite negatively by the various lockdowns in the U.S. and in Europe in particular. So we now have roughly 100 basis points position in Heineken and 50 bps in ABI in the Worldwide. It's a little more for the other fund.

Why do we still own some gold? At the current gold price, we believe that the leverage of the two gold mining companies we own to be approximately 1.8 to 1. That's a function of the price of gold compared to the operating cost of both companies. Thus the 3.8% allocation to gold miners in Worldwide is akin to 5.9% roughly in gold bullion, while the 5.2% in gold miners in the International Fund is akin to roughly 9% in gold bullion. As I think you know from the past, our preference would be to be in gold bullion, but there are some complicated tax issues due to the fact that the IRS views gold as a bad asset and there's a limit every year as to how much income you can derive from a bad asset. Gold has been behaving exactly as we would have hoped for. It's up over 30% year-to-date. But why? Because real interest rates have become even more negative. If you look at the 10-year TIPS in the U.S., the yield is around -1% which has come down quite a bit this year. So with negative real yields, the relative opportunity cost to buying and holding bullion is a lot less than ever before. Also, over the past few months, the U.S. dollar has started to weaken, which is normally good for gold. The expectation is that real interest rates, maybe not nominal rates, but real interest rates may remain negative for many years to come in many currencies. So that should remain supportive for gold and for an increased amount of investment demand for gold, which is needed for the price of gold to stay where it is, or go up further, because as you might have expected between the pandemic and the higher price of gold, jewelry demand so far this year is only half of what it was a year ago.

In conclusion, these have been exceedingly trying times. If you would have told me that I would witness another tech bubble just 20 years after the previous one and the trigger would have been a global pandemic, I am not sure I would have believed you. And this of course with the great financial crisis in between. The U.S. bubble is firmly on track to be one of the biggest in stock market history, wrote Andrew Parlin in the Financial Times just a few days ago. Mr. Parlin gave some interesting numbers, he said that in 1990, the market cap to GDP in the U.S. was 60%, then went to 120% in '96 when Alan Greenspan uttered the expression "irrational exuberance". And now, we're close to 200% of GDP.

Just three points before we open it up. Our entire team at IVA remains very solid, dedicated, and experienced. In my case, I have had many years of experience dealing with the so called "manias, panics, and crashes" that Charles Kindleberger, the historian from MIT, chronicled in many of his books. Two, even though value investing is being intensely and severely challenged, and because it is still not clear when interest rates may move back up, or when industry disruptions may abate, yet I more than ever believe that the concept of price versus value, and the need for a margin of safety remains key especially for all the clients out there whose ultimate priority remains preservation of capital. Three, some interesting short term trends; the tech bubble may have been burst, time will tell. But also international stocks may finally start to perform better with a weaker U.S. dollar, and possibly with the fact that some of the foreign countries seem to have so far, it could change tomorrow, contained COVID-19 better than we have so far in the U.S. I also find it encouraging the historic agreement on July 21st by the EU to create a €750 billion euro European recovery fund. So now, the EU have a three legged stool. It used to have a common policy, it's used to have a central common federal bank, and now it has a credible commitment to a unified fiscal policy.

A recent Wall Street Journal article, September 8th, the article was titled "Which Sectors Will Lead the Market Next?" And that article highlighted the appeal of non-U.S. stocks, at least on a relative basis. It mentioned that the economic situation seems currently better outside the U.S. than inside. Second, the foreign stocks are of course far cheaper at least on a relative basis than U.S. stocks. The article mentioned that the forward P/E for the MSCI index in the U.S. is 22.7 versus 18 in Japan, and 17.7 in Europe. Also intriguing that Mr. Buffett or at least one of his lieutenants just invested $6 billion or so in various Japanese trading companies, the likes of Mitsui, Mitsubishi, Sumitomo at prices ranging from 75% of book value to 1 times book value. That might be saying something. Although understanding they put a little bit of money in Snowflake, which I think had a very successful IPO yesterday.

Question: Do you buy Heineken or Heineken Holdings?

Charles de Vaulx: We bought Heineken. Heineken Holdings is a cheaper entry into it, but the average daily volume is a lot less. Now it's still respectable. I think it's $10 million or so a day. So if the discount were to widen on the Holdings versus the regular company, we might decide to buy a little bit of the parent company as well.

Question: I just wondered if you had any comments on the current U.S. budget deficit, deficit spending, size of the Fed's balance sheet, how that will ultimately play out?

Charles de Vaulx: I find very amusing or sad, I don't know, some of the right wing parties in the world that used to being fiscally responsible have decided that deficits don't matter anymore. So it's not only the left wing types who think that way. Now it's probably tempting to start thinking that way because interest rates are close to zero, so the feeling is that debt has no cost. But my problem is that I'm a student of history. Now I know history doesn't repeat itself, it just rhymes. You never know which part rhymes, which part repeats itself, which part will be new. But over the past 5,000, or 6,000, or 7,000 years of civilization, budget deficits, and central banks relying on fiat money, it never ends well. But as you know, there's two very strong forces, this fire and ice, this violent deflationary forces out there, and then there's the monetary fire, which has not been totally unleashed. I'm not an economist, but the central bank's balance sheets have gone up, but the velocity of money is down sharply.

I, again, as a worry wart, as a Nervous Nellie, as someone who wants to protect ultimately my clients' wealth, and my wealth after inflation, of course I worry about those things. And maybe that's one of the things gold is signaling that that there might be some long term issues with some of those policies, fiscal and monetary.

Question: Other than gold, historically, have you found there's other investments that tend to at least preserve buying power, or are there asset about? I mean, obviously real estate are hard assets come to mind, and I just wonder if you feel that way as well, branching out from just gold?

Charles de Vaulx: The real estate is interesting, but I think that in countries where real estate overwhelmingly has been bought and financed with credit as opposed to countries like Argentina where you have to put almost 100% down basically, there's no mortgage – I think that the more real estate has been financed with credit, the more it loses its hard tangible characteristics and becomes a financial asset.

So now looking at the U.S., I find that the home prices seem reasonable in the grand scheme of things. So as an individual, I personally would be on a relative basis much more comfortable owning real estate, and maybe renting some out as opposed to chasing Amazon and Zoom and so forth. Forestry assets used to provide in the long run, some good inflation protection. Now that asset class, as you know, has been more than discovered by many institutional investors as yields, as interest rates have come down, the cap rates at which these forests trade have come down a lot as well. The same with commercial real estate.

So I think that the best way to protect yourself against inflation is to buy the Buffett-type companies that have the pricing power, and especially if the company is not very capital intensive. If inflation comes back, if a company's business doesn't require it to plow back a lot of its cash flow into higher inventories, or higher receivables because of inflation or if it doesn't have to be plowed back in maintenance CapEx, that would have gone up in price because of inflation. So the more capital light business model, and the more it has the moat and the pricing power, the more it can generate free cash flows that would rise nicely with inflation, should inflation come back. So I think that's what I would try to favor. But many of these companies' stocks are quite pricey, but it may still be one of the best defense.

Question: No interest at all in paying the short term, perhaps short term carry costs of TIPS with the expectation that over the long haul, they are in fact inflation protected securities?

Charles de Vaulx: I don't know. I feel we missed the boat. So today, I'm not eager to chase them, but next time I'll try to not forget to buy them.

Question: Charles, what are your views on oil; short term, intermediate term, and then longer term with competition from renewables, and the whole green movement phenomena?

Charles de Vaulx: We own less in energy than we before, now, we didn't own a lot before, but whatever we own has hurt us - the Cimarex of the world, and some bonds of the Rowan companies and Ensco. But we did as I mentioned buy Chevron, which is a lower cost, stronger balance sheet, a nice dividend, which they are earning right now.

We use a long term price of oil of $45. I think natural gas is $2.25. So like you, we do worry that we may soon reach a peak demand for oil. We worry that between the conservation movements and also the adoption here and there in some parts of the world of more and more electrical vehicles will hurt the demand for oil. And of course, even though what is used for planes is not that huge, the longer it takes for plane travel to come back, the more it's going to hurt the prospects for oil. So we're not that optimistic long term.

Question: What's your read on Buffett's purchase of the midstream asset from Dominion?

Charles de Vaulx: I haven't analyzed the deal that closely even though we do own a lot of Berkshire Hathaway. But if I understand it, it's a reasonably stable businesses, a free cash flow generating business. I think often times there's some tax angles when Buffett does things especially in the energy space and with utilities. My sense is that from an after tax return standpoint, it's a lower risk asset bought at a reasonable price. So I have no issue with it.

OK, well, thank you. Well, ladies and gentlemen, thank you for attending the conference call. Within two hours or so, the replay of this call will be available on our website. And then within a week or so, the full transcript of this call will be available as well. Again, thank you so much for your patience during these very trying times. Goodbye.