Charles de Vaulx

Chuck de Lardemelle

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' 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.*

October 31, 2016

Dear Shareholder,

Over the period under review, October 1, 2015 to September 30, 2016, your Funds delivered positive returns (+6.75% for the IVA Worldwide Class A and +5.93% for the IVA International Class A), albeit less than their respective benchmarks (+11.96% for the MSCI All Country World Index and +9.26% for the MSCI All Country World (ex-U.S.) Index).

Even though there were some bouts of volatility (late 2015, early 2016 and briefly after the Brexit vote), Central banks reasserted their sway over financial markets. It was Goldilocks all over again with a most soothing, seductive and intoxicating combination of moderate global economic growth, very supportive monetary policies and subdued volatility in many markets (equities, fixed income, currencies and commodities).

We remain unimpressed. Markets seem far too sanguine about the prospect of "low interest rates forever." We believe the nosebleed valuation levels many stocks and bonds trade for is simply the by-product of "insufficient uncertainty" about the future. ("The future is uncertain," Ben Graham liked to remind us). We believe that policy makers are very misguided. The idea that the best policy response to poor economic performance is to create even higher levels of debt seems absurd to us. That seems both corrosive for society and painful for savers to have governments punish thrift and savings, while encouraging governments to further spend beyond their means. We believe historians will look back on this era and lament the huge damage inflicted by central bankers. Global markets may remain distorted for a while longer by unprecedented levels of liquidity as central bank balance sheets stay bloated with past asset purchases. Yet we are encouraged to maintain our very cautious stance (with only 52.1% and 53.9% invested in equities in the Worldwide Fund and International Fund, respectively, on September 30, 2016, while the cash levels were 37.3% and 34.1%, respectively) as we see that inflation expectations are beginning to perk up due to commodity base effects unwinding and tightening labor markets in many geographies. We also note that policy makers are slowly realizing that low or negative interest rates have very negative consequences, hurting many retirees, pensions, insurance companies and banks, not to mention the general misallocation of capital resulting from these low rates (in real estate, in equities with excessive share buybacks, in speculative grade bond markets…).

Another factor increasing the probability that stocks and bonds might face significant headwinds in the years (or maybe even months?) to come is the rising tide of populism in many countries (in the U.K., Continental Europe and in the U.S.) and the growing resentment towards both rising wealth and income inequalities. With largely ineffective economic policies followed since the Great Financial Crisis, there is a growing chorus of voices arguing for new policies focused on fiscal spending (and/or "helicopter money") instead of monetary policy. These policies, if followed, could result in rising interest rates, yet also stagflation, and could cause stocks and bonds to fall enough so as to become attractive to us. We would like nothing better than genuine bargains to surface in the years ahead so that we could put both Funds' cash holdings to work! That cash has clearly diluted both Funds' returns for the past few years and we are looking forward to showcasing the great attributes of cash: not only its ability to act as a buffer when stocks and bonds go down but also its "optionality value", i.e. the dry powder needed to pounce and be used to scoop up genuine bargains whenever and wherever these opportunities may surface.

Besides unattractive valuations and the possibility that policy makers may soon change tactics, we are also cautious today as we have seen many years of unprecedented credit growth in China (especially to struggling State-Owned Enterprises). We believe that China will suffer at some point as a result of these excesses. When, though, is hard to guess. There is also the possibility for the U.S. dollar to appreciate against many currencies in the years ahead, hurting on one hand the many U.S. companies that derive a significant portion of their earnings overseas but also the performance in U.S. dollar terms of many non-U.S. stocks if one were to be unhedged from a currency standpoint (the current hedging stance in both Funds is discussed in the Management's Discussion of Fund Performance on the following pages).

Since our last Annual Report, we have been able to articulate several general thoughts and discuss a few individual names in your Funds' portfolios in publications such as *Value Investor Insight* (June 30, 2016), *Barron's* ("IVA's Trifecta: Value Stocks, Cash, Gold", July 16, 2016), during our semiannual conference calls (March 16 and September 13, 2016) and in two newsletters ("Do Low Rates Truly Justify Higher Valuations?", December 2015 and "A History of Winning by Not Losing", October 2016). If you have not already done so, we invite you to go on our *ivafunds.com* website to read some of those pieces.

Among the questions we have tried to address in these publications and pieces:

Is value investing still relevant in today's world?

We have argued for many years now that value investing has been facing strong headwinds, due to: a more crowded and competitive field; greater and faster access to information through technology; much higher securities prices (stocks and high yield bonds in particular) due to ultralow, if not negative, interest rates; more and more companies (especially in the U.S.) implementing stock buybacks that appear accretive, even when done at elevated levels, as they are financed at almost zero percent interest rates; 'blind' and rising investment flows into pools of securities comprising an index (Exchange Traded Funds or "ETFs"); and still vibrant merger and acquisition activity.

Yet, in spite of these challenges, some of which are hopefully just temporary, we believe that the time-tested approach of trying to realistically appraise businesses and insisting on a margin of safety still works very well indeed. In fact, over the one year period under review, the performance of the equity-only component of both the Worldwide and the International Funds show a return of approximately 14.5% and 13.5%, respectively, while their benchmarks were up 11.8% and 8.9%, respectively. These numbers suggest that, on one hand, value investing has been difficult for us as ultra-low interest rates and high profit margins, along with our worries regarding certain macro-economic imbalances (China, Europe) have made it difficult to find enough genuine bargains to be fully invested (and indeed our cash has been very dilutive to both Funds' returns). Yet, on the other hand, when we look at stocks that we have been willing to buy and hold, stocks that met our investment criteria and offered enough of a margin of safety, we are pleased to showcase that stock picking and value investing still work. People who claim that value stocks have underperformed for many years use, in our opinion, an overly simplistic and flawed definition of value investing, i.e. it is all about low price to book, low price to earnings and high dividend yielding stocks. This can be particularly flawed today as low interest rates have resulted in overinvestment and overcapacity in many sectors (steel, mining, retail, etc.) while high corporate profit margins and technology have opened many industries and business models to disruption. Ben Graham talked about the margin of safety as being a discount to what a rational buyer would pay, in cash, for 100 percent of a business. At IVA, we stick to that definition and avoid shortcuts. We try to be eclectic in our value approach, putting a lot of emphasis on the qualitative aspects of the business, the pricing power, the strength of the market, etc., rather than relying strictly on low price to book or a low P/E. So yes indeed, value investing is still very relevant today, but not at all a truncated and formulaic form of value investing.

The Fed Model: Should one pay up for stocks (or high yield bonds) in an ultra-low interest rate environment?

Basic math would suggest that, if the value of a business, and by extension of a stock, is the present value of the discounted cash flows to be generated by that business, it would stand to reason that the use of a lower discount rate would result in higher valuation for that business. So, it would appear that lower interest rates would lead to lower discount rates that would then lead to higher valuations. We believe that such a conclusion today would be way too hasty.

The discount rate is said to be the sum of a risk-free rate plus an equity risk premium. With low risk-free rates today (1.7% on the 10-year U.S. government bond yields and zero percent on similar Japanese or German government bond yields), many new questions need to be thought through: Are these ultra-low rates artificially manipulated or are they truly at their natural equilibrium levels? Will these remain low for a long time (equities are very long duration assets after all) or will they normalize? If they remain low, are they not then signaling still massive imbalances in the world economy and possibly much lower earnings in the decades ahead? We are willing to consider that the risk-free rate is indeed lower now than 10 to 20 years ago. However, with many industries being disrupted today (retail with ecommerce, media with streaming, energy with the shale revolution, etc.) at a time of still elevated corporate profit margins (though those have come down for 5-6 quarters in a row in the U.S.), the equity risk premium ought to be a lot higher today than in the past. So, while 8, 15, 20 years ago we believed that for most stocks we should be shooting for an 8% type return[a], we believe that today, and despite lower rates, we should still be insisting for those kinds of returns in light of all the risks out there. Today, we believe most stocks are not cheap enough to offer these types of returns.

Which active strategies are still relevant today and what could be the flaws associated with some passive strategies?

Many active strategies are flawed, with their goals of trying to beat a benchmark, rain or shine, year after year. A goal that does not correspond to the true investment needs of most clients (individual or institutional) and a goal that is also impossible to fulfill, as it is virtually impossible to constantly outperform, before fees (and even less after fees). While there are cycles during which many active equity strategies beat the passive ones (when Small beats Large, when International beats U.S., when Value beats Growth…), there are many other cycles when the opposite is also true.

[a] *This refers to returns on securities in the Worldwide Fund or International Fund, not performance for the entire Worldwide Fund or International Fund.*

Conversely, we agree with Paul Smith, President and CEO of the CFA Institute; "The best managers are those with a goals-oriented approach… They need to focus on investment returns and not growth of assets under management. They need to experiment with portfolios that are not constrained and charge less. And above all, the word "benchmark" needs to be removed from the active manager's lexicon."

For many clients, we believe their genuine investing goals are actually asymmetrical. "Why risk what you have and need for what you don't have and don't need?" to quote Warren Buffet. And so, beating a benchmark should not be the primary investment goal compared to, say, a goal of preserving wealth in real terms.

At the recent Morningstar conference held in Chicago a few months ago, Dennis Lynch, who runs the Morgan Stanley Institutional Growth Fund, made the observation that only 15% of active managers are persistent market leaders. And then he added, The managers that tend to outperform have certain characteristics in common. They tend to be longer-term in nature, not traders; they are willing to be different to the benchmarks; most importantly, they also tend to have a lot of skin in the game. We could not agree more, we are big believers in eating our own cooking at IVA. Whilst we believe that certain subsets of markets are less inefficient than others (large-cap core, investment grade bonds) and might be accessed cheaply through passive vehicles, we also believe that other subsets still offer significant inefficiencies (small and mid-cap stocks in the U.S. and outside the U.S., high yield corporate bonds, real estate related securities, emerging markets) that can be profitability exploited by good active managers.

Many passive strategies have significant flaws as well:

- Their goals (to deliver benchmark returns less a modest fee) do not typically match the true goals of most investors. How many clients would go talk to their financial advisers and suggest that their goal is to achieve an S&P 500 return over the next 20 years or that of a Bloomberg Barclays U.S. Aggregate Bond Index?
- Many of them have way too much downside volatility for investors to tolerate. The S&P 500 recently lost 53% of its value (from September 2007 until March 2009), a drawdown that would be too painful for many to stomach.
- Many of these benchmarks can be very "top heavy" at times and virtually guarantee large exposure to bubbles. The MSCI World Index had a 45% allocation to Japan in 1989 at the height of the Japanese bubble, the S&P 500 had a huge allocation to Technology, Media and Telecommunications stocks in March of 2000 and to Financials in 2007. It is obviously even more striking with more specialized ETFs: 'Horizon Kinetics' Steven Bregman recently gave the example of the iShares U.S. Energy ETF (IYE) noting that the top four holdings (Exxon, Chevron, Schlumberger and Occidental Petroleum) make up nearly 50% of the fund.
- Are most investors able to measure the amount of true investment risk taken through most of the passive vehicles? We really doubt it.
- Finally, the liquidity of many of the passive strategies remains untested and shall remain unknown until such time when they will face drawdowns and redemptions.

A quick word on DeVry Education Group, Inc., which is held by the Worldwide Fund: in mid-July we were invited by the company to put someone from our firm, Michael Malafronte, our Managing Partner, on the Board of DeVry. That came about as we started to question over the past year or so the company's capital allocation moves, seemingly paying up for several acquisitions on one hand while not increasing its dividend, nor implementing significant share buybacks at prices that seem very attractive on the other hand. Whilst it is new for IVA to put someone on the Board of a company its Funds are invested in, it is not new for us at IVA, nor in our former lives, to react when we believe it is appropriate and in the best interests of our clients.

In conclusion, we still believe that over the next five years, financial assets will deliver modest returns based on their elevated valuation levels today and a challenging global economic outlook. We believe that an eventual pickup in volatility and good stock picking should enable us to post respectable performance numbers as we keep following time-tested rules.

We appreciate your continued confidence and thank you for your support.

Charles de Vaulx, Chief Investment Officer and Portfolio Manager

Chuck de Lardemelle, Portfolio Manager

Important Information Concerning the Attached October 31, 2016 Letter from the IVA Funds Portfolio Managers

The views expressed in this document reflect those of the portfolio manager(s) only through the end of the period as stated 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.

Total Returns as of 12/31/16	1 Year	5 Year*	Since Inception* (10/1/08)
IVA Worldwide Fund A (no load)	6.24%	5.92%	8.31%
IVA Worldwide Fund A (with load)	0.92%	4.84%	7.65%
MSCI All Country World Index	7.86%	9.36%	6.69%
IVA International Fund A (no load)	2.50%	5.97%	7.86%
IVA International Fund A (with load)	-2.62%	4.88%	7.19%
MSCI All Country World Index (ex-U.S.)	4.50%	5.00%	3.66%

**Annualized*

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As of the most recent prospectus, the expense ratios for the funds are as follows: IVA Worldwide Fund: 1.25% (A shares); IVA International Fund: 1.25% (A Shares). Maximum sales charge for the A shares is 5.00%.

As of December 31, 2016, the IVA Worldwide Fund's top 10 holdings were: Gold Bullion (5.6%); Berkshire Hathaway, Inc. Class A; Class B (4.3%); Astellas Pharma, Inc. (4.1%); Samsung Electronics (2.7%); Nestle SA (2.1%); Bureau Veritas SA (1.6%); Oracle Corporation (1.6%); CVS Health Corporation (1.4%); Bank of America Corp. (1.3%); MasterCard Incorporated Class A (1.3%). As of December 31, 2016, the IVA International Fund's top 10 holdings were: Gold Bullion (6.8%); Astellas Pharma, Inc. (4.4%); Samsung Electronics Co., Ltd. (3.2%); Nestle SA (2.5%); Alten SA (2.3%); Bureau Veritas SA (2.1%); Genting Malaysia Berhad (1.8%); Antofagasta plc (1.5%); News Corporation Class A; Class B (1.5%); Hongkong & Shanghai Hotels Ltd. (1.4%).

As of December 31, 2016, total firm assets under management totaled $17.4 billion.

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 Index is a trademark of MSCI, Inc. and is not available for direct investment.

MSCI All Country World Index (ex-U.S.) (Net) is an unmanaged index consisting of 45 country indices comprised of 22 developed and 23 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is a trademark of MSCI, Inc. and is not available for direct investment.

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 funds' investment objectives, risks, charges and expenses carefully before investing. This and other important information are detailed in our prospectus and summary prospectus, which can be obtained by calling 1-866-941-4482 or visiting www.ivafunds.com. Please read the prospectus and summary prospectus carefully before you invest.

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

Effective February 22, 2011, the IVA Worldwide Fund and IVA International Fund are closed to new investors.

This disclosure page must accompany the October 31, 2016 Letter from the IVA Funds Portfolio Managers