IVA Worldwide I IVWIX

A solid long-term choice for wary investors.

Morningstar's Take IVWIX

Morningstar Rating	★★★
Morningstar Analyst Rating	Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral

Role In Portfolio

Core

Fund Performance IVWIX

Year	Total Return (%)	+/- Category
YTD	-7.78	-1.68
2019	12.68	-3.42
2018	-7.30	0.96
2017	13.84	-0.95
2016	6.48	0.44

Data through 2-29-20

8-09-19 | by Gregg Wolper, Ph.D.

It takes some doing to understand IVA Worldwide's approach, but investors with a long-term, cautious orientation will find it worthwhile to do so. And a recent price reduction addresses what had been a weak point. The fund retains its Morningstar Analyst Rating of Silver.

Managers Charles de Vaulx and Chuck de Lardemelle place great importance on the potential problems that could arise in the global markets and with individual companies. For that reason, they buy only stocks trading at a steep discount to their estimate of fair value. Few stocks meet their standards, and the fund often holds huge cash stakes. For example, the fund had about 40% of its assets in cash in 2017 and early 2018. When markets slid late in 2018, the managers did some buying, and the cash stake dropped to 30% at year-end, where it remained at the end of April 2019.

The cash provided a cushion during the fourth-quarter turmoil, helping the fund hold its 2018 loss to 7.3%, 1 percentage point milder than the world-allocation Morningstar Category average and 2 points better than its MSCI All Country World Index benchmark. Although the fund did outperform, de Vaulx concedes it should have had an even better showing. He cites investors' rush to sell even strong companies, but also some misfires among the fund's stock picks, such as Hyundai and Genting, the Malyasian casino firm.

Typically, the fund does hold up relatively well in downturns. That's resulted in impressive results since its October 2008 inception. It's also outperformed for shorter periods in risk-adjusted terms, though not with straight total returns. The fund usually lags during rallies that favor companies with high valuations or fundamental risks.

The managers and a core of the analysts have been in place a long time, implementing the strategy consistently. On June 3, 2019, the management fee was cut by 0.10% and breakpoints added, making the expense ratios more palatable. This fund has a place for investors who expect markets to go through rough times along with the buoyant ones.

Process Pillar Positive | Gregg Wolper, Ph.D. 08/09/2019

Although this fund seeks returns that will exceed the all-stock MSCI ACWI 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, 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.

In recent years, the most unusual aspect of this portfolio has been its high cash level. At the end of 2018's first quarter, Charles de Vaulx and Chuck de Lardemelle had 40% of assets in cash. That was a huge stake even for this fund, which often leaves money on the sidelines when the managers can't find opportunities that meet their strict valuation guidelines. When the long stock-market rally went into reverse in 2018's fourth quarter, they finally found some stocks falling into their range. they bought some new holdings, such as Grupo Mexico, which owns copper mines in Mexico and Peru, and added substantially to existing holdings, including Samsung Electronics and Bank of America BAC. By the end of the year the cash stake had fallen but still sat at 30% of assets, the same level it was at on April 30, 2019. De Vaulx says the downturn wasn't severe or lengthy enough to bring more stocks into an appealing valuation range, and he notes that many issues about the global financial environment still concern him, such as levels of debt and deteriorating economic growth in Europe.

For these managers, gold remains appealing as a hedge against all kinds of potential problems; the fund's stake in gold rose slightly to 6.4% of assets at year-end and now lies at 5.6%. Evidence that the managers aren't permanently committed to a high cash stake comes from sibling IVA International IVIQX, where they cut cash all the way to 10% of assets at year-end.

Performance Pillar Positive | Gregg Wolper, Ph.D. 08/09/2019
This fund's returns are strong since its inception and are even more impressive on a risk-adjusted basis. So, although its standard total returns lagged during more recent periods, its risk-adjusted measures are more acceptable. It receives a Positive rating for Performance.

From its 2008 inception through May 31, 2019, the I shares' return crushed the world-allocation category average, 7.5% (annualized) to 4.2%, and also beat the Morningstar Global Allocation Index, which posted a 6.6% gain over that period, and the MSCI ACWI (the fund's chosen benchmark), which rose 7.2%.

That said, the fund had an unusual advantage, relatively speaking, during its first months. It launched just before the October 2008 market crash, so its large cash stake insulated it in that year's disastrous fourth quarter. (The I shares rose 2.8% while the category plunged 15.1%, the MSCI index sank 22.4%, and the Morningstar Global Allocation Index dropped 10.6%.) But the managers' cautious strategy deserves credit, too. The fund's resilience during market declines is also demonstrated by 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. It did not fare as well, however, in the rallies of 2012 and 2017, and it trailed far behind in the exuberant market of 2019's first quarter.

People Pillar Positive | Gregg Wolper, Ph.D. 08/09/2019
Chuck de Lardemelle and Charles de Vaulx have managed this fund together since its October 2008 inception, with support from a medium-sized analyst group, many of whom have been on the team a long time. The team's experience and dedication to the strategy earn the fund a Positive rating for People.

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 U.S. 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. Two of the firm's analysts worked with them at First Eagle for many years.

The analyst corps gradually grew to a total of 10 as of 2015. It now stands at eight (plus a research associate), five of whom have been in place since 2010 or earlier. One analyst left in August 2015; another, founding partner Simon Fenwick, departed in late 2017; and a third left to go to business school in 2018 but was quickly replaced by an experienced analyst.

De Vaulx and De Lardemelle each have more than $1 million invested in this fund and the same amount in sibling IVA International IVIQX.

Parent Pillar Positive | 08/09/2019
International Value Advisers has many appealing traits, resulting in a Positive Parent rating. The firm was founded in 2007 by a group of managers, analysts, and others who migrated from First Eagle. They launched just two strategies, both of which use the patient, value-oriented approach in which the team had specialized. IVA closed both of its mutual funds to new investors in early 2011 and did not reopen them until September 2018, even though that meant the firm had no funds open to new investors for that entire period. (A smaller version of its global strategy offered to European investors reopened in 2017.) That restraint demonstrates IVA's priority is investment success for fund shareholders rather than amassing a huge asset base.

Also helpful is the "owner's manual" that explains the firm's philosophy, increasing the likelihood that appropriate investors, comfortable with its unusual approach, will own the funds. The firm has good retention; the original two portfolio managers remain, as does the firm's original president, and analyst departures are uncommon.

The expense ratios of the IVA funds had been one less-appealing aspect. But in June 2019 the firm cut its management fee and installed breakpoints. That leaves succession as the only sticking point. Although there are several very experienced analysts, it would be big loss if just one of the portfolio managers needed to be replaced for any reason.

Price Pillar Neutral | Gregg Wolper, Ph.D. 08/09/2019
Effective June 3, 2019, IVA reduced its management fee by 10 basis points and added breakpoints for that fee to decline further if assets hit certain levels. As a result, the expense ratio for the fund's I shares, which hold more than three fourths of assets, is now 0.90%, which lands squarely in the middle quintile when ranked against the institutional shares of other world-allocation funds. The other share classes have also improved their rankings. Therefore, the fund's Price Pillar has been upgraded to Neutral.

Important Information Concerning the Attached August 9, 2019 Morningstar Reprint
This disclosure must accompany the August 9, 2019 Morningstar article reprint.

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Total Returns as of 3/31/20	1 Year	5 Year*	10 Year*	Since Inception* 10/1/2008
IVA Worldwide Fund A (no load)	-14.43%	-0.52%	3.39%	5.47%
IVA Worldwide Fund A (with load)	-18.72%	-1.53%	2.86%	5.00%
IVA Worldwide Fund I	-14.22%	-0.27%	3.65%	5.73%
MSCI All Country World Index	-11.26%	2.85%	5.88%	5.78%

**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: 1.16% (A shares); 0.91% (I share). Amounts redeemed within 30 days of purchase are subject to a 2.00% fee. The fund recently experienced significant negative short-term performance due to market volatility associated with the COVID-19 pandemic.*

MSCI All Country World Index is an unmanaged index consisting of 49 country indices comprised of 23 developed and 26 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.

Investment Objective

The IVA Worldwide Fund will seek long-term growth of capital by investing in a range of securities and asset classes from markets around the world, including U.S. markets.

IVA reopened all funds to new investors in September 2018

As of March 31, 2020, the IVA Worldwide Fund's top 10 holdings were: Berkshire Hathaway, Inc. Class A; Class B (6.4%); Astellas Pharma (3.1%); Compagnie Financiere Richemont SA (2.9%); Bayerische Motoren Werke AG (2.7%); Gold bullion (2.6%); Sodexo SA (2.4%); LKQ Corp. (2.4%); Miraca Holdings Inc. (2.1%) Bureau Veritas SA (2.0%); Rohto Pharmaceutical Co., Ltd. (1.7%).
As of March 31, 2020, total firm assets under management were $8.3 billion.

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 Fund.

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.

Past performance is no guarantee of future results. The Morningstar Rating^{TM} 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 I (NAV) Morningstar ratings as of 3/31/20 – World Allocation Category; I Shares: Overall: 3 stars/396 funds, Three-year rating: 2 stars/396 funds. Five-year rating: 3 stars/ 329 funds. Ten-year rating: 3 stars/ 199 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.