**International Value Advisers, LLC**
**IVA Funds Update Call**
**March 21, 2018**
**Important Disclosures:**
Mutual fund investing involves risks including possible loss of principal. There are risks associated with investing in funds that invest in securities of foreign countries, such as erratic market conditions, economic and political instability and fluctuations in currency exchange rates. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value. **An investor should read and consider the fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information are detailed in our prospectus and summary prospectus, which can be obtained by calling 1-866-941-4482 or visiting www.ivafunds.com. Please read the prospectus and summary prospectus carefully before you invest.** The IVA Funds are offered by IVA Funds Distributors, LLC.

| Total Returns as of 12/31/17 | 1 Year | 5 Year* | Since Inception* |
|---|---|---|---|
| IVA Worldwide Fund A (no load) | 13.54% | 7.26% | 8.87% |
| IVA Worldwide Fund A (with load) | 7.88% | 6.16% | 8.27% |
| IVA Worldwide Fund I | 13.84% | 7.53% | 9.13% |
| MSCI All Country World Index | 23.97% | 10.80% | 8.44% |
| IVA International Fund A (no load) | 16.98% | 7.25% | 8.81% |
| IVA International Fund A (with load) | 11.14% | 6.15% | 8.21% |
| IVA International Fund I | 17.25% | 7.51% | 9.08% |
| MSCI All Country World Index (ex-U.S.) | 27.19% | 6.80% | 5.97% |

**Annualized; Inception Date 10/01/08*

**Past performance does not guarantee future results.** *The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown net of fees and expenses and assume reinvestment of dividends and other income. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, please call 1-866-941-4482.*

As of the most recent prospectus, the expense ratios for the funds are as follows: IVA Worldwide Fund: 1.25% (A shares), 1.00% (I shares); IVA International Fund: 1.25% (A Shares), 1.00% (I shares). Maximum sales charge for the A shares is 5.00%.

As of December 31, 2017, the IVA Worldwide Fund's top 10 holdings were: Gold Bullion (5.6%); Berkshire Hathaway, Inc. Class A; Class B (4.7%); Astellas Pharma, Inc. (3.3%); Bureau Veritas SA (2.5%); Nestle SA (2.3%); Oracle Corporation (1.7%); Bollore SA (1.6%); Mastercard Inc., Class A (1.6%); Bank of America Corp. (1.4%); News Corp. Class A; Class B (1.4%). As of December 31, 2017, the IVA International Fund's top 10 holdings were: Gold Bullion (6.8%); Bureau Veritas SA (3.8%); Astellas Pharma, Inc. (3.6%); Nestle SA (2.6%); Airbus Group SE (2.0%); Alten SA (1.9%); Samsung Electronics Co., Ltd. (1.9%); Bollore SA (1.7%); News Corp. Class A; Class B

(1.7%) Antofagasta plc (1.7%).

MSCI All Country World Index is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is a trademark of MSCI Inc. and is not available for direct investment.

MSCI All Country World Index (ex-U.S.) is an unmanaged index consisting of 46 country indices comprised of 22 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is a trademark of MSCI Inc. and is not available for direct investment.

The views expressed herein reflect those of the portfolio managers through March 21, 2018 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 Point: one hundredth of one percent*

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

Tara Hannigan: Thank you. Good afternoon everybody from snowy New York City and welcome to the Semi-Annual IVA Funds Update Call. We thank you for joining us. I am Tara Hannigan, the Director of Mutual Fund Distribution.

The purpose of this call is to update you on the Funds and share our current investment thinking. Our portfolio managers, Charles de Vaulx and Chuck de Lardemelle, will give prepared remarks explaining what they're seeing around the world today, and then we will open up the call to questions.

To update you on IVA as a firm, as of February 28, 2018, we had approximately $19 billion in total assets under management with our two mutual funds comprising approximately $12.4 billion of that total. Both of the Funds do remain closed to new investors.

A quick note on performance, as of December 31, 2017, IVA Worldwide Fund Class I returned 13.84% for the one-year period while the MSCI All Country World Index returned 23.97% over the same period. And for the five-year period on an annualized basis, the IVA Worldwide Fund Class I returned 7.53% versus the MSCI All Country World Index return of 10.80%. Since the Fund's October 1, 2008 inception, it has returned 9.13% on an annualized basis while the MSCI All Country World Index has returned 8.44% over the same period.

As of December 31, 2017, the IVA International Fund Class I returned 17.25% for the one-year period while the MSCI All Country World (ex-U.S.) Index returned 27.19% over the same period.

For the five-year period on an annualized basis, the IVA International Fund Class I returned 7.51% versus the MSCI All Country World (ex-U.S.) Index of 6.80%. Since the Fund's October 1, 2008 inception, it has returned 9.08% on an annualized basis while the MSCI All Country World (ex U.S.) Index returned 5.97% over the same period.

Year-to-date, through Tuesday, March 20th, the IVA Worldwide Fund Class I returned 0.69% versus the MSCI All Country World Index return of 1.18%. The IVA International Fund Class I has returned 0.11% versus the MSCI All Country World (ex U.S.) Index return of 0.16%.

I will now make some necessary brief legal disclosures before we begin the call. There are risks associated with investing in funds that invest in securities of foreign countries such as erratic market conditions, economic and political instability, and fluctuations in currency exchange rates. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.

**An investor should read and consider the Fund's investment objectives, risks, charges and expenses before investing. This and other important information are detailed in our prospectus and summary prospectus, which can be obtained by visiting our website at www.ivafunds.com.**

I will now hand call over to Charles and Chuck.

Charles?

Charles de Vaulx: Tara, thank you for going over those performance numbers, including year-to-date numbers.

Of course, year-to-date has been achieved in four distinct phases:

1. January 2- January 26, when equity markets were melting up. At one point, the MSCI ACWI Index was up 7.32% and the MSCI ACWI Ex U.S. was up 7.09%.
2. A brutal correction until February 8th and 9th, respectively.
3. A subsequent rebound until March $12^{th}$.
4. A relapse since then.

So volatility is back finally! If this were to continue, this would be music to a value investor's ears and even greater music if we had a proper bear market.

Among the stocks that have hurt us year-to-date are Bureau Veritas, Nestlé and Samsung Electronics in both Funds. We had sold quite a bit of our position in Samsung Electronics over the past 12-18 months. We are very comfortable with valuation on all three of those names. In fact, with one of those three names, we've been able and willing to add a little bit to our position a few weeks ago. We have also had strong performers year-to-date such as Astellas Pharma, Airbus and MasterCard, which is only held in the Worldwide Fund.

The topics I'd like to discuss today:

1. Discuss some of the changes in the world seen over the past six months.
2. Discuss why our portfolios remain so defensively positioned.
3. Highlight some of the areas where we have been active both as buyers and sellers over the past six months.
4. A few words on gold and on the so-called digital gold, i.e., cryptocurrencies.
5. A few words on Simon Fenwick, one of our founding partners who stopped working for us as an analyst at the end of 2017.

**Discuss some of the changes in the world seen over the past six months.**

Boy, what a difference six months can make! While inflation expectations had come down so drastically last year, inflation worries did resurface when some employment and wages data came out late January in the U.S. Also, while the tax reform was applauded by equity markets, the realization that the federal deficit could soon double in the U.S. in the next fiscal year at a time when the Fed will no longer be buying all the treasury bonds that will have to be issued by the government, that realization has started to weigh in on government bond yields. Also, the inflation rate could be the impact of the recent weakening of the U.S. dollar.

Political uncertainty also seems to be on the rebound worldwide with, in the U.S., the recent changes in the Trump administration, Rex Tillerson and Gary Cohn have left, the ratcheting up of the protectionist rhetoric, but also the recent elections in Italy with the populists, the Five Star Movement and Lega obtained together around 50% of the popular votes.

Also interesting and probably worrisome longer-term is the announcement that Chinese President Xi Jinping may now stay in office for life after the constitution was changed at the request of the Communist Party. In Russia, President Putin was just reelected and will probably want to stay in power for a long, long time.

While democracy is not necessarily a condition for reaching a higher income status and whilst authoritarian regimes can, at times, prevent chaotic changes, still high-income countries are overwhelmingly democracies around the world and in Asia, in particular.

**Discuss why our portfolios remain so defensively positioned.**

The Worldwide Fund is today roughly 53.8% invested in equities, up a little from the 51.4% at the end of September 2017, while the International Fund's equity exposure is now 69%, up from 62.2% late September. So the good news is that we've been able to be slight net buyers in both Funds. Still, the pretty high cash levels of 38.8% in Worldwide and 20.6% in the International Fund indicate that we remain very defensively positioned and are struggling to find enough genuine bargains.

So why is that? Same reasons we gave earlier- basically and overwhelmingly due to valuation. Ultra-low interest rates, which are still typically negative in real terms in most currencies – real terms, meaning adjusted for inflation – those negative rates have convinced, if not forced, investors to pay up significantly for bonds, but also for stocks, businesses, real estate and collectibles because of TINA: There Is No Alternative.

We could not agree more with the Jeffrey Gundlach in his Barron's interview this past weekend, "Suddenly, the performance of stocks and bonds has become correlated. Interest rates are starting to matter because the price/earnings ratio on stocks is so high." I also enjoyed his view that, "Periodically, the world is afflicted by mass psychosis," which he saw recently during the bitcoin mania as well as the shorting of volatility through the sale of futures on the VIX, the CBOE Volatility Index.

Also very sobering were the words written by Warren Buffett in the recently released 2017 annual report of Berkshire Hathaway. Incidentally, the Worldwide Fund remains a very happy, significant and confident shareholder of Berkshire Hathaway. Berkshire did hold a record $116 billion in cash at the end of 2017. And to quote Warren Buffett, "Charlie and I sleep very well. Both of us believe it is insane to risk what you have and need in order to obtain what you do not need."

I remember using that very quote six months ago during our previous conference call to discuss what I labeled then the "asymmetrical nature of money" Warren Buffett added, referring particularly to CEOs unable to resist the lure of higher priced acquisitions financed with cheap debt, "The less prudence with which others conduct their affairs, the greater the prudence with which we must conduct our own."

Besides valuation, we remain worried by the still rapid credit growth in China and what an economic slowdown in China would mean for the global economic growth and for commodity prices in particular.

We also worry about the rising debt levels in the world. "What deleveraging?" has been the question posed since the great financial crisis of '08. That is true, for instance, of U.S. companies. The Bank Credit Analyst, the BCA, now estimates that the interest coverage ratio for U.S. companies, operating income divided by net interest expense, could drop from four times to 2.5 times if interest rates were to increase by 1% across the yield curve. Such a move would take the coverage ratio 2.5 times to the lowest level in the 30-year history of their sample.

Marty Whitman used to say that value investors should buy stocks that are both, "safe and cheap." Most stocks in the world today, we believe, are neither cheap nor safe.

And, of course, we remain most intrigued in so many industries by the upheavals and disruptions that are taking place. Sometimes we actually believe that the fear of disruption has gone too far. Over the past six months, we have started buying into a few advertising stocks, WPP, Omnicom, a few others, which Chuck will discuss later, with the view that their businesses may not shrink as much as the stock prices seem to reflect.

By the way, you will have seen that our International Fund carries slightly less cash than the Worldwide Fund. Two reasons:

1. There are some small names in Mexico, South Korea, and Japan that were able to find their way into the International Fund but that were too small for the larger Worldwide Fund.
2. The International Fund is more specialized than the Worldwide Fund. Since the International Fund is used more by advisors that do their own asset allocation, it tries to be – everything else being equal – a little more fully invested than the Worldwide Fund.

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

Looking at our recently released N-Q filings for the mutual funds, which shows the mutual funds' holding at December 31, 2017, you'll see quite a few new names: some advertising-related names such as **Omnicom** and **Criteo**; other energy-related names such as **Schlumberger** as well as high-yield bonds of two offshore drillers, **Rowan** and **Ensco**. You'll also see **DaVita** in the U.S., the company that operates the dialysis centers. You'll find **Kimberly-Clark** of Mexico and **PINFRA** which operates motorway concessions in Mexico. You'll find **Boskalis**, the global dredging company listed in the Netherlands. You'll find **Hyundai Elevator**, which has been on a tear lately, as investors and speculators are willing to fantasize about a possible thaw, if not an outright reunification between North and South Korea. The International Fund was also able to buy into **WPP Australia**, the subsidy of WPP as well as **Kiwoom Securities** in South Korea.

But we also had to eliminate positions entirely, for instance, **Cosel** in Japan, **Emerson Electric** and **Ralph Lauren** in the U.S., **Henderson Land** in Hong Kong, and two of our bond holdings got called away.

During the first quarter of 2018, we were able to find a few new names for the Funds and had to eliminate two smaller Japanese names.

So even though the cash levels remain elevated, we do remain busy at the individual security level, not that being a genuine active investor (in contrast to passive) should mean an investor with lots of activity nor does it mean being activists. In fact, we are, at times, willing to be very *re*-activists, having our own Managing Partner, Michael Malafronte, join the Board of Adtalem, the old DeVry, 18 months ago or so. This seems to have had a very positive impact indeed.

Also recently, we were able to defeat the takeover of Millennium & Copthorne, the U.K.-listed hotel company, which is owned by both Funds, by its parent company, City Development from Singapore. In our opinion, the price significantly undervalued the company. That was achieved with the help of several other large shareholders who were also willing not to tender their shares.

Thanks to our mutual intervention, the takeover price was first increased fractionally, but not enough to entice us. In aggregate, IVA owned 7% of Millennium & Copthorne, and more than 50% of the minority shareholders voted against the takeover.

**A few words on gold and on the so-called "digital gold", i.e., cryptocurrencies.**

Gold has historically exhibited a pretty good inverse correlation with the U.S. dollar and with real interest rates. So the past six months have been neutral for gold as the U.S. dollar has stopped weakening and real interest rates are up a little, in fact. We believe real rates may stay low for a while though nominal rates may rise if inflation does keep rising and that gold remains a good hedge against extreme outcomes, whether it be in the economic, financial or geopolitical sphere. So we are happy to maintain a roughly 5.5% and 6.5% weighting in the Worldwide and International Funds, respectively. This is all in the form of gold bullion, as mining stocks remain, by and large, too expensive and too risky vis-à-vis the metal itself.

In the conference call we had six months ago for the registered mutual funds, I, at the end, thanked the listeners for not having the indecency to ask us about bitcoin. I did however suggest reading a Howard Marks memo, a recent one, entitled “Here We Go Again… Again,” where Howard discusses cryptocurrencies in two or three pages. I did also recommend reading Roy Sebag’s paper, “The National Order of Money” and “Why Abstract Currencies Fail.”

Reading that someone had referred to bitcoin as digital gold made me reflect that the death of gold had been announced before. A while back, the economist John Maynard Keynes referred to gold as a “barbarous relic”. Interestingly, Keynes thought that the kiss of death for gold was that gold had become out of sight, “It no longer passes from hand to hand, and the touch of the metal has been taken away from men’s greedy palms. Gold is out of sight. Concentrated in the vaults of central banks, gold has ceased to be a coin, a tangible claim to wealth. Gold has become a more abstract thing.”

So now to hear that gold is too physical not digital enough and thus will be disrupted and will fade away is quite ironic, farcical and grotesque if you ask me.

Now the reason we care to own some gold at times is that more often than not, it has been the observation in the past, gold will be inversely correlated to stocks and bonds. So gold is a very helpful tool for our long-only strategy in both Funds that seek absolute returns in the short-term as gold often, not always, zigs when the rest of the portfolio zags and vice-versa.

I was reading a couple of months ago that, over the past few years, bitcoin had been positively correlated to the stock market 94% of the time- not quite what we are looking for at IVA when we use gold!

One of the many flaws we find with cryptocurrencies is their ability to “multiply like rabbits”, to use Jim Grant’s expression. Gold, on the contrary, remains very scarce. The annual production of gold has only added approximately 1.6% per annum to the above ground levels of gold over the past 80 to 90 years. Considering that the world population has grown by approximately the same amount, 1.6% per annum, that basically means that the amount of gold per capita has remained totally static over the past 80 to 90 years. That’s pretty cool and obviously helps maintain the store of value that we believe gold and proper currencies is supposed to have.

Now we are very aware that block chain itself, the technology, has and should have major influences in many industries- in the financial industries and stock markets, and custody and settlements, but also in areas such as freight forwarding or many other areas, so we are monitoring this as well.

**A few words on Simon Fenwick, one of our founding partners who stopped working for us as an analyst at the end of 2017.**

Simon had gone back to his native Australia over three years ago for personal reasons. Simon's contributions to the firm have been many – as a founding partner, as an analyst and helping train some of our younger analysts. He was also a member of the Audit Committee and interacted with many of our clients.

The industries he covered had been shared with other IVA analysts for several years now, so Simon's departure has been seamless. He remains an investor in some of IVA's Funds and also in the investment adviser itself, International Value Advisers. Many of us will keep picking his iconoclastic brains.

I will now turn it over to Chuck for him to share his remarks.

Charles de Lardemelle: Thank you, Charles. I will now describe briefly how our mutual funds are positioned as of March 19, 2018 and make some brief remarks on the investment landscape.

Currently our overall equity exposure is roughly 54% in Worldwide and 69% in International. Our corporate and sovereign bonds exposure is 2% in Worldwide and 3% in International. Our gold bullion exposure is roughly 6% in Worldwide and 7% in International. Our cash, invested in short-term commercial paper, is 38% in Worldwide and 21% in International.

In terms of geographic exposure to equities, for the Worldwide Fund, approximately 21% of the Fund is invested in U.S. equities, 18% in European equities and 15% in Asian equities.

As for the International Fund, approximately 37% of the Fund is invested in Asian and Australian equities (with Japan being 15% of the Fund's assets, South Korea 9%) and 28% in European equities. 3% of assets are in South America and the remaining 1% in South Africa and Canada.

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

It's been a decade since the fall of Bear Stearns and central bankers around the world are contemplating how to unwind the extraordinary measures taken to keep the global monetary system running.

There is little question that Q.E. has manipulated long-term interest rates down worldwide, pushing asset values to extreme levels. According to the Bank Credit Analyst, or BCA, global market capitalization to global GDP recently reached the same record level as in 2000 and 2007, around 90%. In both cases, the following 10 years offered nominal returns in the range of 0% to 2% per year, including income, resulting in negative real returns over 10 years in both cases.

There are differences between March 2000, October 2007 and now. In March of 2000, there were plenty of cheap securities, be they old economy stocks or small caps in Europe or gold, which delivered very strong real returns over the following decade.

In contrast, in October 2007, it was harder to hide. High-yield and equities worldwide were expensive. The 10-year U.S. treasury yield, however, was hovering around 5% mid 2007 and bottomed around 1.5% nine years later in the summer of 2016 offering strong total returns over those years.

Well, where are we now? Certainly, some tech companies sport very high overall market capitalizations: Amazon and Google are both valued at over $750 billion each, Apple is close to $900 billion, Facebook close to $500 billion. These are real companies, however. They are handsomely profitable and carry valuation metrics that may be justifiable. Amazon at $750 billion seems to be the most expensive and would need to show $75 billion of operating profits someday; Wal-Mart peaked at $28 billion of EBIT in 2014, so Amazon reaching $75 billion won't be easy, but is not inconceivable. All of this is in very sharp contrast to the late 90's when unproven business models were valued into the tens of billions.

While equities are expensive globally today in our opinion, high yield is probably the most overvalued asset class. Developed economies' government bonds now are also much less likely to deliver a solid 10-year record from today's levels in contrast to 2007 and may be as risky as equities today.

So it's harder to hide in 2018 than it was in 2000 or even 2007. Risk parity may be the next strategy to be thrown out the window. Equities don't appear as grossly overvalued as they were in 2007 given the low interest rates. Also missing, compared to 2007, is the uncontrolled credit growth in mortgages and massive mispricing of credit risk through misrated structured securities. What we have as a potential large issue though is China and its bloated financial system. We would expect some very subdued returns over the next 10 years. Hopefully we'll have some volatility along the way.

Fortunately there are areas of serious pain in today's stock market, and a number of stocks are down substantially from the highs. In other words, volatility is back and stock picking is alive and well.

I'll mention two areas of interest for value investors like us today: oil and advertising agencies.

The discovery and successful exploitation of shale oil in the U.S. has disrupted the overall oil markets and the offshore oil market in particular. There are many difficulties in investing in commodities: the price of the commodity itself can be quite unpredictable, and the relative costs of exploitation from one basin or one country to another can shift abruptly at times. We believe the key is to attempt to find low-cost producers who also have a strong commitment to capital discipline rather than production growth and sport a balance sheet in good shape to be able to weather difficult times. One also needs to understand the cost curve of the commodity. Unfortunately in oil, the low-cost providers are not listed: they are national oil companies of Iran, Iraq or Saudi Arabia. We believe, however, that Cimarex in the U.S. is a low-cost producer in shale oil and has demonstrated strong capital discipline over the years. Today the share price appears quite depressed due in part to Cimarex's gas production which suffers from large negative differentials, that is Cimarex is selling its gas below market prices due to a lack of gas pipeline capacity in areas of the Permian Basin in Texas. We believe this phenomenon to be temporary, offering a decent entry point into the name, in our opinion.

Even though one not be able to buy the low-cost producers of oil today, Schlumberger represents a roundabout way to get exposed to that low-cost production. Schlumberger is widely recognized as the class act company in global oil services, and recently the stock reached levels that we think are reasonably attractive. Were the name to fall further to even more attractive valuations, it may qualify to become a larger position: top-notch technology, a solid balance sheet, substantial research and development expenses, strong profitability over a cycle, strong management, good capital allocation, make Schlumberger an ideal IVA investment at the right price. The stock does look expensive optically today at 30 times 2018 expected earnings, but these earnings are depressed. Schlumberger trades at roughly 12 times peak 2014 earnings despite being down 50% or so from the level reached in July 2014. Schlumberger in our opinion is reasonably priced, but far from dirt cheap. These days, we have to settle for merely reasonable.

Finally, we've been able to buy a few high-yield bonds of two offshore drillship and jack up rig providers, as well as bonds of a provider of helicopter service for the oil industry in the 8% plus yield to maturity with these bonds due 2022 to 2025. Hopefully by then, the oil market will have recovered. We expect the shale boom and growing U.S. oil production to go on for a few more years if oil stays around $60 per barrel. Whether or not OPEC has the discipline to continue to lose share to the U.S. shale producers remains to be seen. The fact that we're considering 8% as adequate for the risk taken gives you a hint that we believe equity-like returns these days aren't what they used to be. We believe 8% yield to maturity is likely to beat equity indices by wide margin over the next five to seven years. To put matters in perspective though, when we were finding a large number of opportunities in high-yield in 2002 and 2009, the yields to maturity were double-digits and risks taken were less, in our opinion, than with these oil-related bonds today.

Including a provider of oil service vessels in Europe we are currently buying for both Funds, our overall exposure to oil and oil-related securities remains reasonable at 3% of assets for Worldwide and 2% for International.

We are fully aware that the situation in the energy markets could get much uglier before it gets better particularly if the OPEC cartel proves unable to limit its production or the global economy slows down. We believe that the companies we own would be able to withstand another severe down leg in the oil market, and we would be in a position to potentially average down if we chose to, given our cash levels and our reasonable exposure of both Funds to the industry.

Oil and gas is far from being the only industry beset by fundamental changes. Another industry facing rapid change today is the advertising industry. The advertising agency stocks are down substantially over the last few years.

Advertising agencies today are beset by two adverse developments – the advent of internet giants, Google and Facebook, and a change in spending behavior by large consumer goods companies from Procter & Gamble to Heinz-Kraft. Let me address these two points.

Over the last decade or so roughly a third of the total advertising budget has migrated to the Internet. Two companies, Facebook and Google, dominate the space and often sell their advertising space through an auction mechanism. Google and Facebook are not willing to pay commissions or award discounts for volume to the advertising agencies. In addition, YouTube and Netflix are now infringing substantially on TV audiences. TV remains a substantial source of profits for WPP; we estimate around 25% of WPP's EBIT is related to TV advertising and is at risk over the next decade. In TV advertising, WPP is able to buy blocks of advertising time wholesale – and resell those to their clients piecemeal – in a word, WPP is buying wholesale and selling retail, procuring a nice spread for the service. As a result of TV slowly losing share to Internet advertising, Netflix and YouTube, we do expect the profitability of advertising agencies to erode over time.

In addition to these issues, many consumer good companies are under substantial pressure from changing consumer habits and from saturated markets. Tearing a page from the Heinz-Kraft 3G zero budgeting playbook, these large clients of advertising agencies are slashing advertising budgets and pressuring advertising companies to cut costs. The creative agencies tasked with creating the actual TV spots, for instance, used to live large and be able to charge substantial sums of money for making a TV spot – no more – not only have the budgets been slashed, the amount of spending needed for Internet advertising in terms of creative costs is substantially less than what is required for TV.

However, while part of the advertising agencies' businesses are under severe pressure, we believe that reaching your audience effectively into this world remains a complex process. Most of the costs of advertising agencies are employee costs. These costs can be adjusted swiftly. If one is to think of the advertising agency business simply as a consulting business, a few interesting comparisons can shed light on where margins may settle over time. Consulting businesses of high quality settle in the 10% to 12% range in terms of margins. Accenture may be a tad above this; Cap Gemini is below 10% operating margins on average, although some divisions within Cap Gemini achieve double-digit operating margins. Bureau Veritas, which we own and provides certification services such as ISO certifications, achieves over 15% operating margins. In good times, advertising agencies used to operate at 15% operating margins. No more, we believe. 10% to 12% margins may well be the new norm and revenues are likely to grow below GDP growth for a few years as TV continues to erode and Internet advertising continues to grow. We are treading carefully and we have kept the position small for now in both Worldwide and International, given the strong headwinds WPP is facing currently. We also note that the short interest on advertising agencies today is large.

However, we do not believe the advertising agencies are in secular decline, and the WPP's share price seems to be discounting an awful lot of issues. Free cash flow to equity is of the order of 10%; the balance sheet is strong, yet we expect the name to be volatile over the next few years as WPP may struggle to meet sell side expectations. At these valuations of roughly ten times earnings, the Company is priced for slow secular demise. While we expect little to no growth over the next few years, we do not believe that WPP is in secular decline, simply that it is temporarily losing share to a new form of advertising, called digital advertising. Overtime, we expect WPP will use its free cash flow wisely and not overpay for acquisitions. In the meantime, our dividend yield is 5% and well-covered. The Company is also vulnerable to a recession, as advertising is quite cyclical.

Mitigating our risks is the fact that we also own Google and Criteo. How do value investors stomach the valuation of a Google, one might ask? Well, we were fortunate to be able to buy into Google a few years ago during the transition from advertising on large P.C. screens to advertising on smaller Smartphone screens. At the time, the name derated substantially because some believed the lower price per ad on smaller screens spelled doomsday for Google. We took a contrarian view, that now consumers carried Google in their pockets all day long, and that volumes would make up for lower price per ad. Of course, the YouTube acquisition helped tremendously as well. If YouTube kills TV advertising faster than expected, hurting WPP in the process, we're well-hedged by owning Google.

Finally, we were able to buy into Criteo, particularly CRTO late last year after the stock was crushed in December 2017 following a change to the Apple iOS or operating system that blocked certain types of cookies used to track visitors on Web sites.

Criteo is in the business of what is called retargeting ads. Criteo has roughly 18,000 clients such as Brooks Brothers or car manufacturers or cosmetics companies. The clients around the world share the data from their own Web sites through cookies: who visited, when, what did the client look at, et cetera. These clients of Criteo are unwilling to share their Web site proprietary data with a Facebook, Google or Amazon. Armed with this data that gives Criteo an edge, Criteo I.T. infrastructure present in 90 countries, through algorithms, will decide, literally in a split second, how much to bid to place a display ad in front of a particular consumer surfing the Web. Because of the proprietary data shared by its clients and thanks to its topnotch I.T. infrastructure and algorithms, Criteo achieved three to four times the normal click-through rate for display ads. That is worth a substantial amount of money to advertisers as it allows them to find their clients more effectively and at a lower costs. Criteo pockets part of these savings for its service. Criteo's business model is reminiscent of a typical winner-takes-all software model: given Criteo's scale, it can continue to develop better and more powerful algorithms; because the Tiffany's and BMWs of the world have no interest in sharing their proprietary Internet data with Facebook, Amazon or Google, it is unlikely that these larger companies will try to enter the business.

Criteo may become, in some cases, a subcontractor to the advertising agencies. I am not sure how much the advertising agencies, such as WPP, may be able to get from Criteo as fees or commissions, but my sense is not much. Criteo has enough of a head start to become a virtual monopoly in the small but fast-growing ad retargeting market. The Criteo success story shows, however, how fast digital marketing is evolving and how traditional advertising agencies will struggle to dominate the digital business the way they dominated the TV business.

Criteo's business model, however, suffers from a substantial vulnerability: its technology rests on the usage of cookies; regulations may restrict the use of such cookies in the future; indeed the reason why the stock fell over 50% last year and become cheap enough for us to invest was due to a change in Apple's settings in its new operating system iOS 11. This change has rendered Criteo's algorithms ineffective on Apple devices or the Safari browser to be more precise. 20% of Criteo's revenues is at risk for 2018; given the fact that the company is growing at 20% per year, possibly 2018 revenues will be flattish versus 2017, and will grow again strongly in 2019. The other browsers, Explorer and Chrome, have no incentive to try to block cookies and advertising.

In this case, we were able to buy into a fast-growing company at a cheap price, but we understand our risk may also be political; certainly Facebook is under scrutiny, and it is not inconceivable that new regulations around privacy on the Internet could hamper Criteo's business. However, we believe that Criteo offers a non-invasive advertising technology that consumers do not resent. Additionally, if digital advertising ends up destroying WPP against our expectations, we own a nice and reasonably cheap hedge in our portfolio against the demise of traditional advertising.

Bottom line, we believe that the advertising market offers enough room for Google, WPP and Criteo to coexist profitably; Criteo likely offers the most potential for appreciation over time but is also the riskiest of the three; there is a price at which we would buy more of each; there is also a price at which we would sell these securities. We bought each of those businesses on their own merits, at prices we thought were appropriate for the challenges they faced at the time. It is an unintended benefit that if we're proven wrong on WPP, we may profit handsomely by owning Criteo and Google. In the end, it all comes down to buying the securities always with an appropriate margin of safety.

The few examples I just went through today highlight the challenges facing all investors: not only does one have to contend with overall stretched valuations in nearly every asset class, stock pickers also must ponder heavy disruptions in a number of industries. Our analysts have done a remarkable job over the last few years helping us navigate these changes. We've been able to evolve as value investors beyond the traditional price-to-book metrics which worked well for the industrial and cyclical economies of the 20th century, but are unlikely to be the relevant metrics in the service and software economy of the 21st century. The fundamental principle of value investing, however, remains alive and well: buy at a substantial discount to what a knowledgeable buyer would pay in cash for the whole business.

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

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

This concludes my prepared remarks and I would like to now turn the call back over to the operator and open up the call questions. Thank you.

Question: Thank you for the call. I had two questions. One is the MasterCard valuation, as good a company as it is. And second is in years ago reading the Oracle proxy, it seems like the management were handing themselves a lot of options. If you could please comment on those.

Charles de Vaulx: MasterCard we bought many years ago at the time of the Durbin amendment act at prices which were far, far, far below current levels, and indeed, as the multiple has expanded tremendously, we have reduced our weighting.

Now, over the past two or three years, volume growth has still been very high. As you know, it's a fabulous business model, there's no capital intensity, and rightly or wrongly, we and our analysts don't believe that the business model is at a huge risk despite the innovations in terms of the ability of companies or businesses or consumers to pay one another, sort of bypassing the banking system.

We understand that, for us, holding a security that has gone up a lot in price is very different from buying it for the first time today. We would certainly not buy MasterCard nor would we buy Bank of America.

I also assume that Warren Buffett would not buy Bank of America or Wells Fargo at today's prices, but he's willing to hold onto those and hopefully those will continue to act as compounders.

The position size is not tiny, but it's not outrageous. No reason in the next two, three years to believe that the growth rate of MasterCard will slow down, so we're comfortable with that.

In terms of Oracle, every year we ask the analyst how they would vote the proxy, and we are mindful that the compensation is somewhat extravagant. But we believe that the way they've run the business has been almost impeccable, capital allocation has been almost flawless – almost is the keyword.

And we're still willing to approve their compensation packages, but frankly it's reaching a point where our analyst may be a little tougher on them. In fact

I believe we voted against management compensation in the latest (non-binding) resolution.

Chuck, I don't know if you have any thoughts on those two questions.

Charles de Lardemelle: Thank you, Charles. Simply on MasterCard, to put things in perspective, today, it's true that the valuation appears quite high around 30 times earnings, that gives you about a 3%[1] earnings yield.

Now, we think that 3%[1] earnings yield is inflation-protected in the sense that if inflation were to come back, MasterCard earns higher commission mechanically. It's also a company where the top-line continues to grow at 10% per year.

Also, contrary to what some people believe, there is no credit risk at MasterCard. It's really a software company and it takes a tiny, tiny, tiny fee to allow the transactions to go through. Most of the credit card fees are kept by the banks, both the acquiring bank and merchant bank, meaning the bank of the client in the store and the bank of the store itself.

We believe that in the future, if our children don't use plastic anymore, the MasterCard and Visa infrastructure may well still be in place. We think if there are changes, it's probably more likely to hurt American Express. We have reduced our position in American Express. That is certainly exposed credit risk. We were able to buy American Express after the Costco contract loss and it's worked well for us. But whereas I think we have a fairly strong opinion as to how MasterCard looks 10, 15 years down the road, it's not the case necessarily for American Express. We hope that they are not aggressively expanding credit at the wrong time in the cycle.

So, I would put MasterCard in sharp contrast to American Express and also reiterate what Charles said, which is, we would not be buying MasterCard at these prices but we're happy holding it.

Question: There are many who believe that we're on the eve of a technological driven fourth industrial revolution. How do you reconcile that technology-driven event with value investing?

Charles de Vaulx: You do ask a very important question. Traditional value investing was based on the belief that things or industries didn't change too much, that there was reversion to the means.

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[1] This refers to the return on securities in the Fund, not the performance of the Fund.

And with these technological revolutions, it becomes very hard to handicap the extent and the speed at which industries and companies are being disrupted. Now, sometimes, the disruptions are not as severe as feared. I think 30, 40 years ago, people were bidding on the disappearance of checks and some of these companies that print checkbooks got cheap as a result.

There was an earlier question on Oracle. We started buying into Oracle about five years ago when the stock temporarily got cheap for many reasons, but the main one was the threat of cloud computing. Investors apparently thought, and we disagreed, our analysts disagreed, that Oracle would be hurt a lot more by the cloud than it has been so far.

The same thing with advertising, some people believe that the Accentures of the world may totally replace or take over the duties performed by a WPP and Omnicom or Publicis.

When the internet came along, I'm talking about a while back now, we quickly realized that it would hurt the newspaper publishers quite swiftly. And we were able to take action as a result.

There was a major technological innovation with the shale revolution, Chuck touched upon it. I mean, boy, has that totally changed the supply/demand picture worldwide and the cost curve has changed tremendously as a result.

So, we need, not only Chuck and I, but our analysts, first and foremost, to be open-minded to think about inflection points to try to quantify what it may mean.

A year and a half ago, we were willing to buy a little bit of BMW even though we are quite aware that, at one point, the usage of electric battery-powered cars may be significant. But we felt that the company still had a great brand, that they had the balance sheet, the net cash, family-owned, no mistake in terms of capital allocation on their part in the past. We felt that the stock was cheap enough and that the company would be able to navigate whatever change would happen because of the technological disruption.

So, again, as I think Chuck said it very loud and clear, it's not only today's stretched valuations, which I don't believe can last forever, but all these disruptions. Chuck and I have talked a lot over the past year about the fact that probably the universe of stocks that are buyable by the IVA Funds may have shrunk somewhat permanently not because of valuations today but because the visibility of these businesses has become too fuzzy. Look at Macy's, Sears, the television companies- in so many cases, it's too fuzzy for us five, 10 years out to have enough of an idea of where sales and margins might be.

So, if indeed the universe of stocks has shrunk, it means that when we find something like a Bureau Veritas, the certification company, or Expeditors International or Kuehne + Nagel at the right price, where we think the risks of disruptions are de minimis or can be handicapped and understood, we will (and we have started to) have larger position sizes in our portfolios.

I remember 15, 20 years ago at the SoGen Funds, there were times when we had in our global fund 250 names. Now, if today, we could find many cheap, small and mid-cap stocks in Europe and U.S., we may have 150 or 160 names as opposed to the 90 or 100 names we own, but because of the disruptions, I doubt we'll ever be able to have as many names as we did a long time ago. Chuck, do you have additional thoughts?

Charles de Lardemelle: Just simply that you are going to hear more and more about the demise of value investing. And the reason is simply that the way it's divided by quants in the market is they look at price-to-book and they say high price-to-book growth, low price-to-book value.

And these metrics worked very well during the 20th century where the economy was mostly asset-based – utilities, banks, industrial companies. For service companies and software companies, price-to-book is completely irrelevant.

And so, if you continue to look at over time, low price-to-book versus high price-to-book, where in the 20th century, up until the 90s, low price-to-book did well over time. In the future, low price-to-book may mean lower quality businesses, more cyclical, whereas high price-to-book (service companies, software companies), by and large, is higher quality. We've been able to make that transition I believe because we define value as buying a security substantially below what a knowledgeable buyer would pay in cash for the whole business.

And so, we've been able to invest successfully I believe in software. We owned Microsoft at some point, we owned Symantec. Today, we own Oracle, we own MasterCard. We've been successful in mature tech (not high growth tech), understanding the software business model and being able to operate as value investors in that sector.

And we've done quite well also I believe on service companies, be they the cyclical ones, like temporary staffing or high-quality service companies like Bureau Veritas or Altran, who places engineers around the world, and understanding each and every business and understanding the relevant metrics to judge them by.

And again, in the 21st century, the relevant metric is not price-to-book anymore, and unfortunately, commentators who comment about the demise of value investing usually just look at price-to-book metrics over time, and yes, that metric is not the relevant one going forward.

Question: I would like you to elaborate a little bit on the threats to the current advertising giants, Facebook and Google, the threats that they face from resentment against the pop-ups, resentment against the sale of user data and then the Amazon phenomenon where you can just bypass the ads on Facebook and Google and go directly to a seller.

So, Chuck did a very good job on the threats to agencies – ad agencies and WPP, but how about on Google and Facebook?

Charles de Lardemelle: On Google and Facebook, I think the main threat today is simply regulation. And Facebook certainly did not help the industry acting in a somewhat reckless way over the last few months and not being able to demonstrate clearly that they were policing what was happening on their site.

Also, I would argue that Facebook is not a franchise that is as useful to its users as maybe Google. Google has a utility function that is recurring and an entertainment function through YouTube that might be secularly more stable and stronger than Facebook. I hear that the younger generation already is turning its back on Facebook, but definitely, the main risk to these two giants is regulation.

And for Amazon, the nature of these winners is that eventually the government meddles, just as the government meddled with Microsoft a number of years ago and Amazon may well be accused at some point of predatory behavior, monopolistic behavior.

Now, we are only exposed to Google, not in a huge way. We've reduced the position early – too early indeed. We believe the risk/rewards are still in our favor with Google. We certainly wouldn't own Facebook because I don't think the franchise is that strong, and Amazon's valuation is just so stretched.

There is a price at which we would be willing to own both Facebook and Amazon, but it's not anywhere near the current levels. And Google, again, we wouldn't buy at today's price, but we're happy holding on to it. And yes, we do expect headline risks, more regulation on those companies.

We believe that the display ads are not invasive and are not resented by users of the Internet. All the free content that you get on the Internet, users understand that it needs to be paid for. There are a number of sites where you cannot access the site if you block the cookies, which we believe makes sense. And indeed, the most annoying pop-up ads are now gone.

Question: Is there a way of measuring the efficacy – the effectiveness of ads on the Internet versus what WPP uses?

Charles de Lardemelle: Yes, absolutely. In the sense that if somebody who surfs the Web, clicks on the ad, that's how the advertisers get paid. And then some, you only get paid if the consumer actually buys for the site.

So you can actually measure the return on your investment much better with digital advertising than you could on traditional advertising. Now, there are some goods, for instance, luxury goods, where obviously you need to continue with traditional advertising – magazines, billboards – to build the brand. Not all advertising can be done digitally.

Charles de Vaulx: Now, in the case of Google specifically, which is the one we still own a little bit of, they have had a lot more scrutiny than others from the antitrust authorities, particularly the European antitrust authorities. That gives me comfort. Unless the population wants change, then I agree with Chuck that people understand that they have to pay to get free stuff. I'd just be very surprised if things truly change that much for Google's business model.

Question: A question in regards to the valuation discrepancy between Europe and the U.S.- I do understand that U.S. investors do not need to travel to Europe to gain exposure to U.S. businesses given the international exposure and makeup of the U.S. companies.

But still, it looks like governments are doing a better job in reforming the economy, there's more to do. It looks like the central bank is a bit more disciplined. It looks like there's a clear attention to reducing the debt level, which could potentially help European growth to become more sustainable.

So, it looks like the environment is conducive to higher valuation, not to mention this might just be me having a naïve read of the news, but Greece is running a surplus, but still more than meets the eye and justify the fact that Europe should trade at such a deep discount compared to the U.S.

Charles de Vaulx: I think there is an optical illusion. On the surface, there is a valuation discrepancy, but it's all optics. What do I mean by that? If you look at the U.S. market, it trades at a much higher price-to-book than Europe, much higher P/E, much lower dividend yield, so what's the catch?

The catch is that, in Europe, the larger stocks by far remain stocks of capital-intensive businesses that have low barriers to entry and therefore cannot have ever achieved very high returns on capital. In Europe, bank stocks, insurance stocks, regulated telephone companies, regulated electric utilities account for a much, much bigger portion of the market than here.

So, anecdotally, when we compare good businesses be they small stocks, mid-cap stocks, large stocks, mega-cap stocks of similar quality in the U.S. and Europe today, we find that oftentimes European stocks are, in fact, to your points, even more expensive than the U.S. Maybe they deserve a higher valuation.

Today, if you compare Expeditors International, the freight forwarding company, to Kuehne + Nagel, it does trade at a discount to Kuehne + Nagel. Some of the food companies in Europe, I have Lindt & Sprüngli in mind, it's probably a fine company, do trade at an even higher multiple than similar companies in the U.S.

A few weeks ago, the average yield of speculative-grade bonds in Europe was not even 2%. So, again, I totally disagree with the view that European stocks are any cheaper. In fact, over the past three to six months, it's not as if we have found it a lot easier to find things in Europe than in the U.S.

People oftentimes will ask me, "Hey, when I look at your portfolio, I see a lot more in France than Germany. Do you have an issue with Germany?" I have no issue with Germany. We've owned so many, many fine German companies in the past. There was Bertelsmann or the preferreds. But the reality is that in Germany, 8%, 9%, whatever the number is, of the industrial fabric is not listed. All of those are private companies. I believe most of the finest Italian companies are private.

Question: I would like to know more details on the cash position. Can you give me an overview of where it is invested? I remember you had some things in Singapore. And what kind of yields are you getting on that cash, please?

Charles de Vaulx: Yes, the few Singapore bonds we still own or had were never classified by us as cash, they were under fixed income.

For both Funds, it's all in U.S. dollars in the form of commercial paper. Chuck and I go over a list of names that are eligible. We keep the average duration of that commercial paper very short.

Now, the good news, if any, was that a year ago or so we were making 8, 10 basis points on our commercial paper. Now, we're getting, 1% or 1.2%, but we keep it very simple and the attempt on the cash is not to try to get extra yield. It's just to make sure that it can be ammunition that can be used at any given time to pounce when there's enough blood on the street.

Charles de Lardemelle: Hey, Charles, I have great news for you actually. We now get 1-month LIBOR or so which is roughly 185 basis points! Now, it ranges from usually LIBOR plus 10 to LIBOR minus 10. So, around 185 basis points.

The record low this morning was a one-day piece of commercial paper for UPS that was yielding 1.15% and we bought a piece that was yielding I think 2.10%. But on average, we get 180, 185, which is about equivalent to LIBOR one month.

Charles de Vaulx: After the inflation, it's still not that exciting!

Question: No, I understand, but can you also tell me how many different papers do you have, with how many different banks, and what's the credit rating?

Charles de Vaulx: Oh, it's not banks. Commercial paper is mostly various corporations, many American companies, and a few European companies. In fact, we avoid banks to a large extent because there may be a black hole somewhere. I think we probably have between 15 and 20 names at any given point, Chuck?

Charles De Lardemelle: That's right, at least 15, 20. To give you a sense of the types of names that we carry: UPS, Microsoft, Apple, Google, AstraZeneca- so more industrials/healthcare companies and no financials. And we review that at least once a month to add or take names out.

And in terms of ratings, for commercial paper, the best rating is A1/P1. A2/P2 is the worst we accept. But we don't pay much attention to the rating. We pay attention to the names and our knowledge of these names. And so, that's how we select our commercial paper.

Again, I think what's important to note is that, as Charles mentioned, no financials make it on that list, so no leverage to speak of.

Charles de Vaulx: Thank you so much for your participation and attendance.