

Fund Find of the Month: Tocqueville Select (TSELX)

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After several months focusing on large-cap funds, it's high time we turned our attention back to small- and mid-cap funds. Size *does* matter! When building a portfolio for your future, you should consider balancing your overall holdings (investing in funds and/or companies of various size and purpose). In general, smaller funds and/or funds that own small- to mid-sized companies are relatively more volatile. That is certainly the case with TSELX. But volatility used judiciously can be beneficial so you might want to take a peek at this fund.

What: TSELX is a much smaller, nimbler version of DEFIX, The Delafield Fund, and is run with similar investment philosophies by the same management. DEFIX, though, has grown to about \$1.2 billion since beginning in the early 1990s, while TSELX is a runt by comparison at only \$74.7 million. As for TSELX's pedigree, it began in 1998 as a partnership, converting to Delafield Select in 2008 before settling down as TSELX a year later.

Why: So why should you buy into a fund that lost 11.83% in 2011? 2011 was not a stellar year for small- and mid-cap funds but that means you have opportunities to pick up bargains now if you know where to look. TSELX management's forte is finding down-and-out companies that are in a coma but not brain dead (tactfully called "special situations"), and buying them at a steep discount before they rebound. Don't chalk this up to luck but to the investment team knowing their niche and understanding whether a business can turn around or needs to be put out of its misery.

Risk: TSELX is highly concentrated, typically carrying at most 30 companies but management is not averse to holding cash (25%+) when they cannot find suitable investments. TSELX's exposure to micro-, small-, and mid-caps drives risk, but its risk-to-return is lower than the larger fund (DEFIX). In fact, TSELX has outperformed its larger sibling since inception by an obvious amount.

Summary: If you are young and/or can tolerate a moderately aggressive fund, do yourself a favor and give TSELX a look.

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