

Completing the “Great Reset” *Todd International Intrinsic Value Review*

	2Q 2017	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	5.4%	14.4%	19.8%	0.3%	7.5%	8.2%	2.6%
(Net)	5.2%	13.9%	18.8%	-0.6%	6.6%	7.3%	1.7%
MSCI ACWI ex-US	6.0%	14.5%	21.0%	1.3%	7.7%	7.1%	1.6%

* Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.

Was the financial crisis of 2008 "The Great Recession" or the start of a long period that should be called "The Great Reset"? Corporate and consumer leverage got too high going into the recession, and they reset spending over years to reduce those debt loads, slowing growth. China reset their economy over years to promote consumption, causing a slowdown in their growth. Emerging markets suffered deep recessions on the years long reset in commodity prices, slowing growth. Developed markets saw a reset in political tone as populism gained traction. All of these were headwinds to confidence and growth rates. More importantly, all of these headwinds are mostly complete. Recognizing this, Central banks are raising rates back to normal levels. A typical late cycle expansion continues in the US. International economies seem to be in an early cycle recovery, implying good growth potential from here. These should contribute to synchronized global growth which would be a positive for stock performance in the second half. After the “Great Reset” things are getting normal again and we think that is good for the outlook.

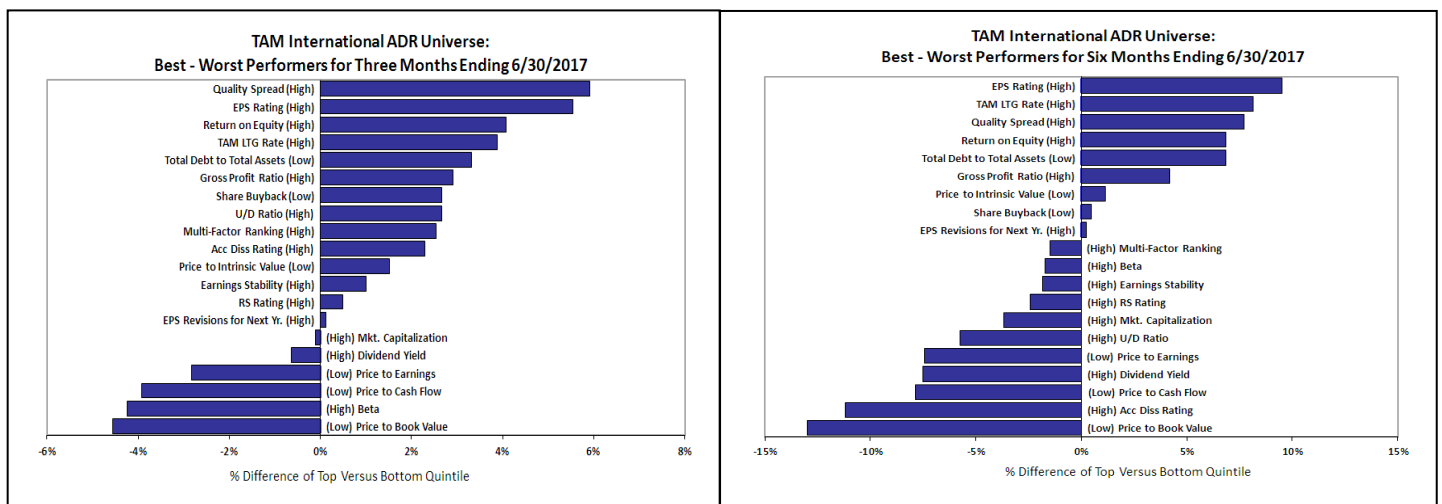
What makes us think the reset is complete and we’re getting back to normal economics?

- Many central banks are raising rates (or contemplating it), something they would not be doing unless the reset was almost finished. The US Fed, Bank of Canada and the Bank of England fall into this category. The ECB has hinted at the end of their QE program. To quote Mr. Draghi, “We see growth above trend and well distributed across the Euro area.” Rate increases from very low levels are more of normalization than a tightening.
- Political shocks appear to be subsiding. The French election for a pro-Europe candidate highlighted that populations are less dissatisfied than had been worried.
- Commodities have softened recently, lowering inflation estimates. Markets still act well, and are not showing the high levels of market angst that accompanied the reset mentality during the last period of commodity weakness. Confidence is better.
- Consumers and Corporations have seen their debt burdens decline since 2008, and both recently bottomed out. Corporations have actually started increasing their debt to assets from very low levels. We view that as a sign the reset is done and further income gains can go to capex or consumption.
- Various other indicators show better confidence is at hand. MSCI added Chinese stocks to global indexes, European yield curves became steeper, global credit spreads narrowed and many markets are responding positively. This indicates confidence in a continued economic expansion is growing. For the first time since 2010, investors believe growth is sustainable, indicating that the reset is probably complete.



Rates have the potential to move higher from here. As this occurs, we think investors will favor fundamentals when investing, like they have been doing for the past year. This probably positions our strategies to continue the recovery we have seen lately.

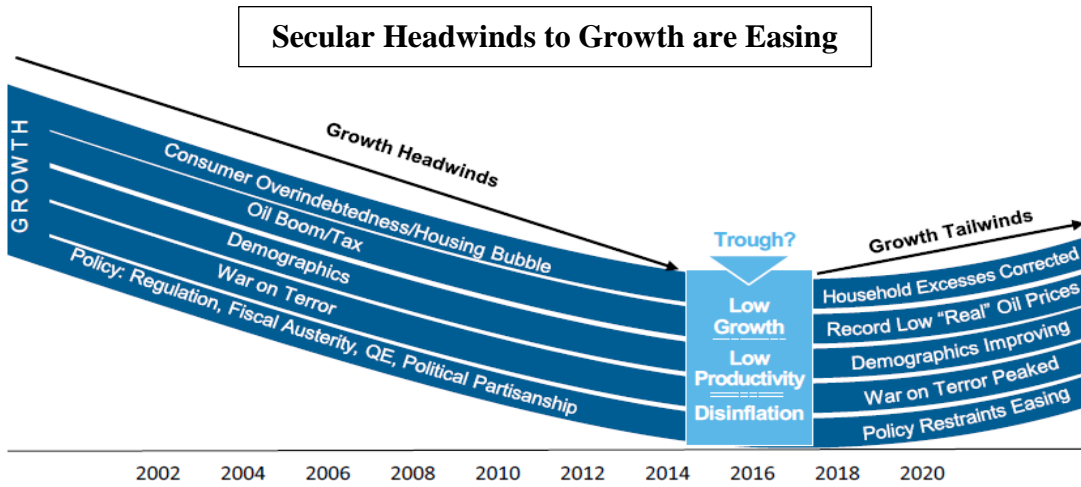
Our customary charts that illustrate the factors being rewarded within the marketplace during the second quarter of 2017 and the trailing six months period are presented below. They indicate how the best 100 of the largest US traded international stocks compared to the worst 100 for each measure. There is a very positive development to note here, the markets have rewarded more factors this past quarter than they have over the past six months. Last year, investors were concerned and rewarded a narrow group of attributes. That sentiment has now turned to tentative confidence, indicated by a broader list of factors that helped performance. This is a good development for our style, and active managers in general. In the most recent quarter, investors favored a mix of technical, quality and fundamental measures. The factors that are out of favor include several valuation measures, dividend yield and beta. This analysis looks very similar to what occurred in the US market.



Source: Bloomberg, TAM estimates

Performance for the first six months of the year favored the economically sensitive sectors of Information Technology and the Industrials. Technology was led by Chinese tech service companies and South Korean electronics manufacturers. The Industrials were led by the European heavy machinery and infrastructure companies. The Energy, Telecommunication Services and Materials sector were laggards, primarily on pricing concerns.

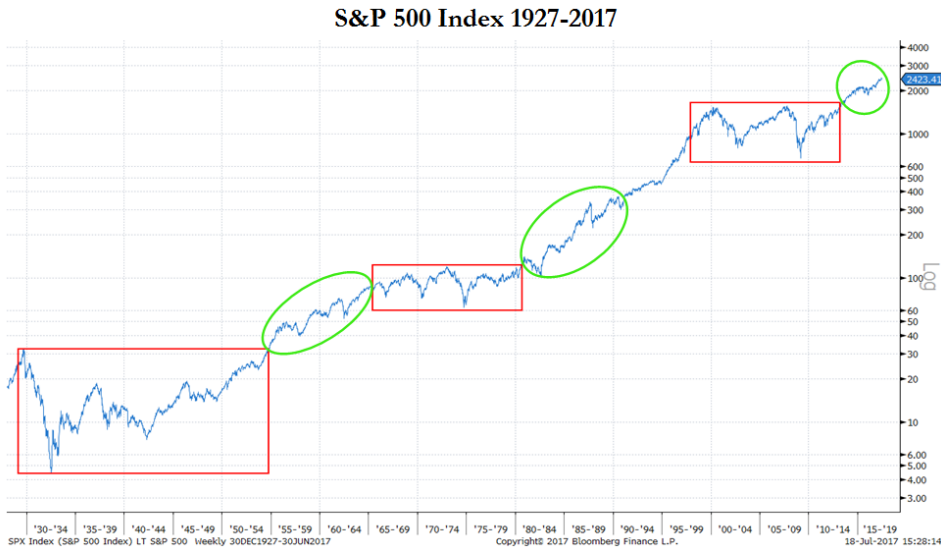
Interesting charts we saw this quarter



Source: Morgan Stanley

This chart, compliments of Morgan Stanley, nicely summarizes the theme of this article. There have been a number of headwinds to growth over the past cycle. Those headwinds appear to be peaking over the past two years, and should subside as we go forward. This is a key premise for why we are in a secular bull market. The FTSE 100, German DAX and S&P 500 indexes are all at or near all-time highs.

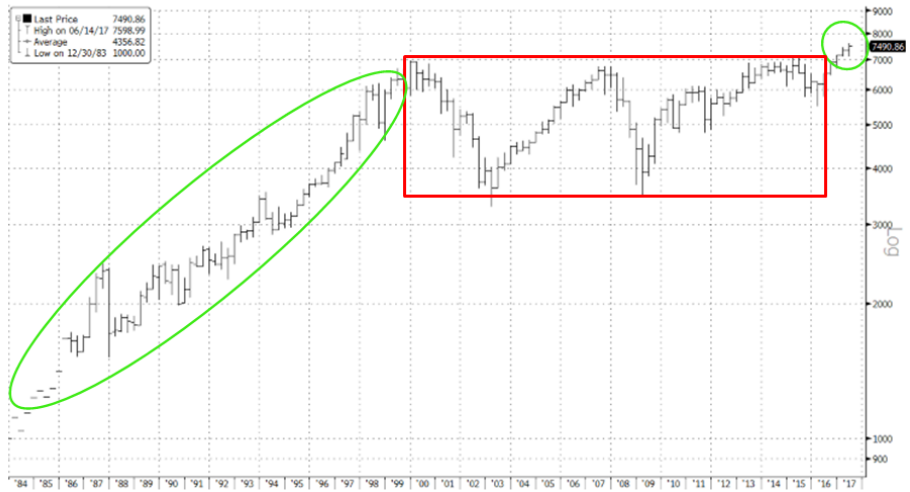
S&P Breaking to New Highs



Source: Bloomberg, TAM

UK's FTSE 100 Breaking to New Highs

FTSE 100 Index 1983-2017



Source: Bloomberg, TAM

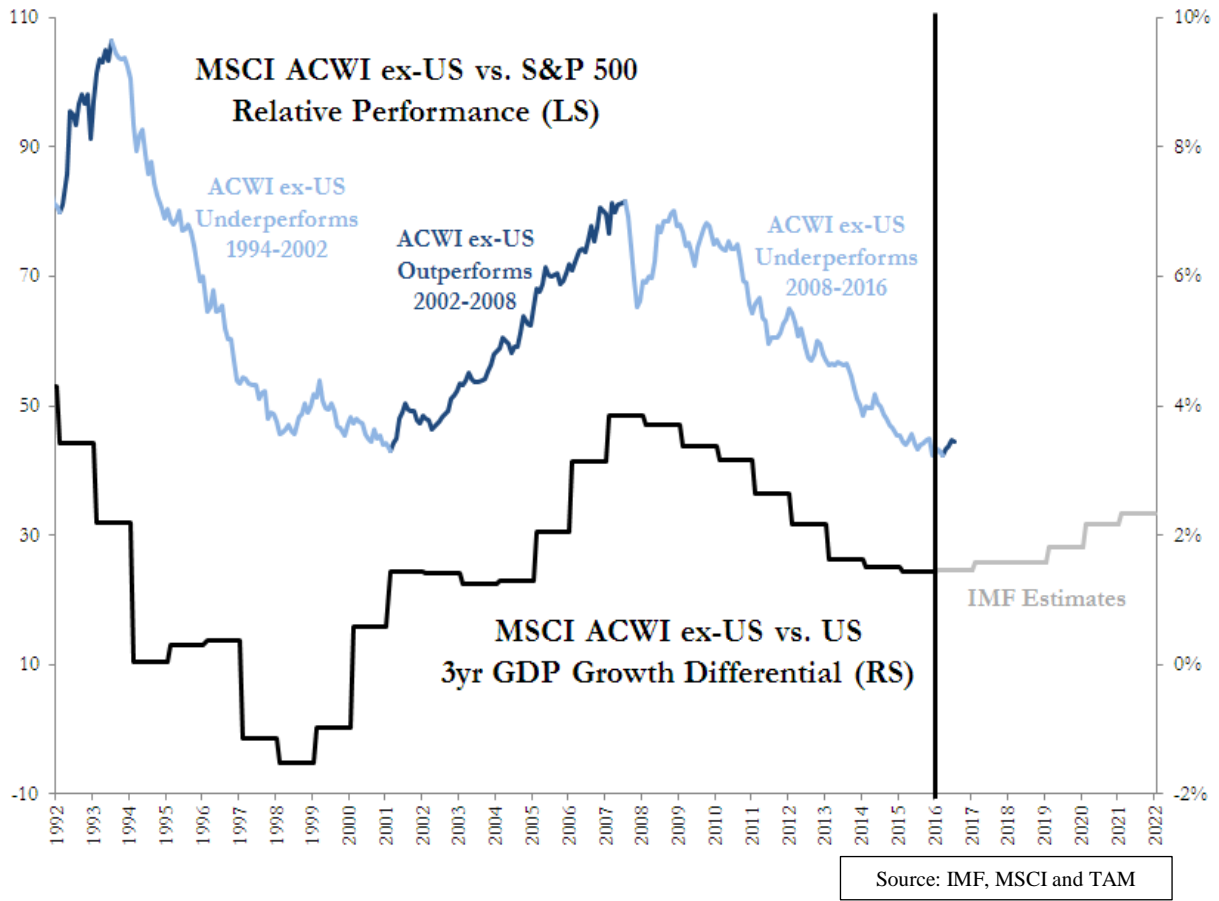
German DAX Breaking to New Highs

DAX Index 1961-2017

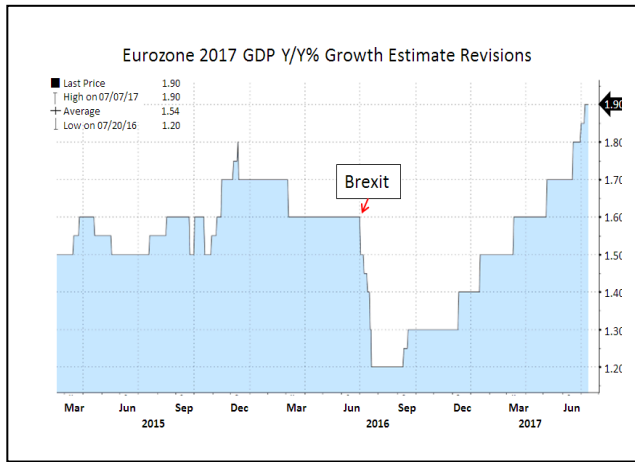


Source: Bloomberg, TAM

Time to Learn a Foreign Language



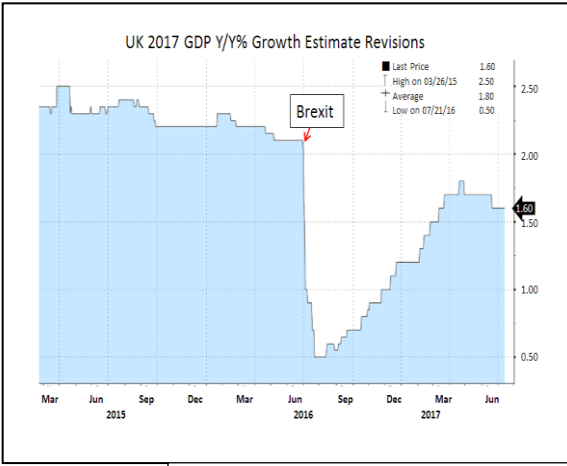
The chart above illustrates how relative economic growth rates lead to International Markets outperforming or underperforming the US. As international growth rates improve versus the US, those markets tend to outperform. As they deteriorate (like they did over the past seven years) they tend to underperform. The IMF recently issued forward estimates showing an expected improvement in the economic growth rate for the international markets, something we believe should lead to out-performance for international equities.



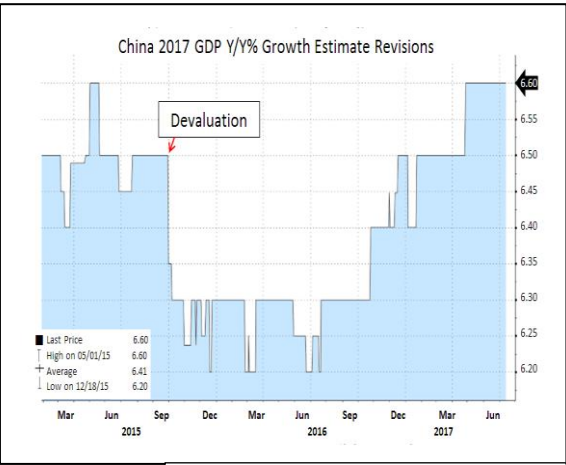
Source: Bloomberg, TAM

Post Brexit, European GDP growth estimates were dramatically reduced as investor feared for the stability of the EU. Since then, banks have recapitalized, political fears receded and estimates of growth have rebounded to surpass the prior expectations.

Post Brexit, UK 2017 GDP growth estimates were dramatically reduced as investor feared the outcome of exit negotiations and inflation. The economy has proven more resilient than feared, and estimates of growth have rebounded. More drama awaits us during the actual negotiations



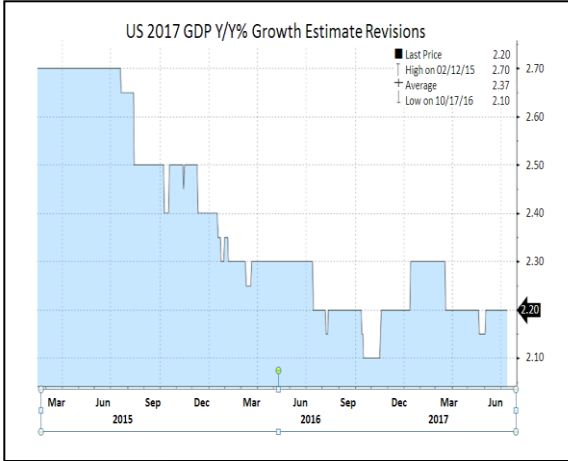
Source: Bloomberg, TAM



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Chinese 2017 GDP estimates declined in late 2015 on economic and financial stability worries and currency devaluation. The Chinese government instituted stimulative fiscal policies since then, which have led to a rebound in growth expectations.

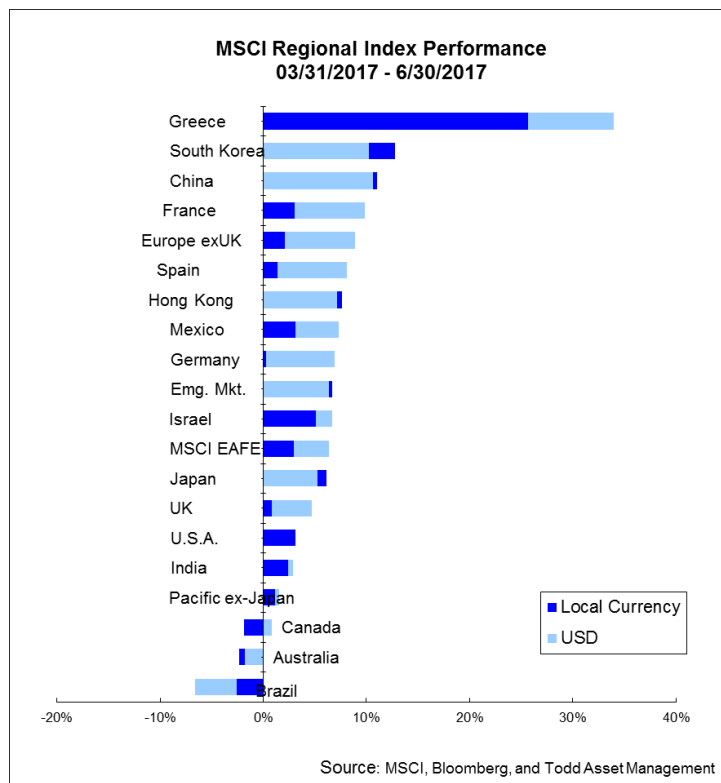
US 2017 GDP estimates came down in late 2015 on economic and financial stability fears. Unlike the other major world economies, listed above, expectations have not rebounded yet. If stimulative policies can be pursued by Washington, we may see estimates tick up.



Source: Bloomberg, TAM

Performance Review

The International IV strategy gained **+5.4%** (gross) during the quarter, slightly trailing the MSCI ACWI ex-US return of **+6.0%**. International stocks returned almost twice what the S&P returned during the quarter, and have outperformed the S&P 500 handily this year. Greece, South Korea and China were the three best performing regions while Brazil, Australia and Canada were the weakest. Commodity weakness seemed to pressure those at the bottom of the list. Greece benefitted from reduced risk of default. The other best performers tended to be either European or Asian beneficiaries of synchronized growth. Our overweight to Canada and underweight to Korea negatively impacted performance.



Stock selection drove our relative underperformance during the quarter while our sector positioning was additive. Consumer Discretionary and Financials were our two best performing sectors, driven by stock selection. Our worst performing sectors were Technology and Telecom. Our regional positioning detracted from performance due to our overweight position in Canada. Stock selection within Emerging Markets weighed on performance, but was offset by good selection within the United Kingdom.

We remain overweight Technology, Industrials and Financials. We are also remaining underweight Consumer Staples, Materials, Real Estate and Utilities. We have increased our positioning in Financials, most notably in European and Emerging Market banks. Among regions, we are overweight Canada and the UK. We are underweight Emerging Markets, Asia Pacific and Japan. We have been adding to Emerging Markets and reducing Canadian exposure over the past few quarters.

Our top five contributors to performance during the quarter were Ryanair, Icon, ING, New Oriental Education and Yandex. Ryanair continues to increase profits and margins as their low cost base in Europe leads to market share gains. Icon posted strong bookings for the first quarter that helped allay concerns around their Pfizer business which saw a trial cancellation late last year. ING reported better than expected results with solid loan growth, double digit fee growth and healthy capital ratios. New Oriental Education continues to beat expectations as strong enrollment growth for their K-12 programs and newly added learning centers are driving sales and earnings. Yandex saw search engine revenues accelerate and margins were much better than

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expected in the first quarter. This caused analyst estimates to increase for 2017 and shares rallied following the report.

Our worst five detractors from performance during the quarter were Mobile TeleSystems, Vermilion, Vipshop, Westpac Banking and Fujifilm. Mobile TeleSystems saw shares decline on concerns around a lawsuit filed against their largest shareholder, Sistema. Vermilion shares sold off as oversupply issues weighed on the price of crude oil. Vipshop has seen its margins deteriorate as competitor discounts have weighed on pricing. Westpac shares sold off after Australian authorities issued new regulations that are expected to weigh on their mortgage business. Fujifilm restated earnings for 2011-16 and although issue doesn't impact future results, shares sold off slightly on the uncertainty around the accounting adjustment.

In summary, we think many indicators suggest that the great economic reset from the 2008 financial crisis is probably close to finished. Exiting the reset period we have low rates, improving earnings, potential for more structural reforms in European/US regulations, and generally better confidence. That supports a positive secular call. Over the short term, there are some worries. Political negotiations over the Brexit are occurring. Expect more positioning from the politicians over that. The US political situation is unsettled and companies may be waiting to see how tax reform shapes up before committing to expansions. Commodities have been volatile lately, and may cause heartburn for investors before the summer is over. China is flexing their muscles in the South China Sea, North Korea is still crazy... and who knows what else could happen. There has been no shortage of drama as evidenced by Brexit negotiations, Russian election tinkering, EU Politics and Brazilian corruption. Despite that, many growth estimates have increased, profit forecasts are better and many global markets have moved to new highs. We don't see the excesses in place that spell the end of this bull market run yet.

As always, we are here to assist you. If you need any additional information, please feel free to contact any of us.

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Todd Asset Management LLC

07-19-2017

MSCI ACWI ex-US – 284

Refer to Performance Disclosure on the following page for more information on the performance numbers presented. These notes are an integral part of this letter and should not be reproduced or duplicated without these notes.

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TODD ASSET MANAGEMENT LLC INTERNATIONAL INTRINSIC VALUE COMPOSITE DISCLOSURE

Past performance does not provide any guarantee of future performance, and one should not rely on the composite or any security's performance as an indication of future performance. Investment return and principal value of an investment will fluctuate so that the value of the account may be worth more or less than the original invested cost.

Specific stocks discussed in this presentation are included to help demonstrate the investment process or as a review of the Composite's quarterly results and are not and were not recommendations for purchase or sale by investors. All or some of the specific stocks mentioned may have been purchased or sold by accounts within the Composite during the period, or since the period, and may be purchased or sold in the future. A complete listing of the holdings as of the period end is available upon request.

Todd Asset Management LLC ("TAM") is a registered investment adviser. The performance presented represents a composite of fully discretionary accounts invested primarily in large cap internationally domiciled, US traded equity securities, with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of these equities which TAM believes are trading at a discount to their intrinsic value. The minimum account size for this composite is \$1 million.

Todd Asset Management LLC, formerly Todd-Veredus Asset Management LLC, began operations on June 1, 1998 as Veredus Asset Management LLC ("VAM"). Effective May 1, 2009, VAM combined with Todd Investment Advisors, Inc. ("TIA"). TIA (and its predecessors) was founded in 1967 by Bosworth M. Todd. Upon the combination of VAM and TIA in 2009, Veredus Asset Management LLC changed its name to Todd-Veredus Asset Management LLC ("TVAM"). On February 28, 2013, after a change in ownership involving some VAM unitholders, TVAM changed its name to Todd Asset Management LLC. The firm continues to offer the same strategies managed by individuals using the process founded under TIA.

The International Intrinsic Value Composite contains fully discretionary, taxable, and tax-exempt accounts that use either the MSCI ACWI ex-US (Gross) or the MSCI EAFE Index (Gross) as the benchmark. Prior to April 1, 2010, this composite was known as the International Equity Composite; no changes in the strategy were made in conjunction with the name change. All fee-paying, fully discretionary portfolios under our management are included in a composite. Accounts are eligible for inclusion in the composite at the beginning of the first calendar quarter after the month of initial funding and upon being fully invested.

TAM claims compliance with the Global Investment Performance Standards (GIPS®). The Firm has been verified for the period January 1, 2008 through March 31, 2017 by Ashland Partners & Company LLP and for the period July 1, 1989 through December 31, 2007 by a previous verifier. TIA's compliance with the GIPS® standards has been verified for the period January 1, 1993 through April 30, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the International Intrinsic Value Composite for the period January 1, 2011 through March 31, 2017. To receive a complete list and description of TAM composites and/or a full disclosure presentation which complies with the GIPS® standards, please contact TAM at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or contact us through our Web site at www.toddasset.com.

The performance information is presented on a trade date basis, gross and net of management fees, and net of transaction costs and foreign withholding taxes, and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .80% applied monthly. Prior to January 2007, the management fee schedule applied to the composite was .60%. Actual investment advisory fees incurred by clients may vary. The currency used to calculate and express performance is U.S. dollars. All cash reserves and equivalents have been included in the performance. As of 6/30/2013, the primary benchmark was changed to the MSCI ACWI ex-US from the MSCI EAFE. The ACWI better reflects the strategy guidelines with emerging market and Canadian exposure. Both indexes have been presented in the past. As of the aforementioned date the EAFE has been removed.

The composite performance has been compared to the following benchmark. The index is unmanaged, and not available for direct investment; it includes reinvestment of dividends; it does not reflect management fees or transaction costs.

MSCI ACWI ex-U.S. (Gross) Index is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. The ACWI ex-U.S. includes both developed and emerging markets. For investors who benchmark their U.S. and international stocks separately, this index provides a way to monitor international exposure apart from U.S. investments.