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July 24, 2018
Intrinsic Value Team
Todd Asset Management

Todd International Intrinsic Value Review

	2Q 2018	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-2.2%	-1.8%	8.6%	3.6%	6.2%	5.0%	4.4%
(Net)	-2.4%	-2.2%	7.7%	2.7%	5.3%	4.1%	3.5%
MSCI ACWI ex-US (Net)	-2.6%	-3.8%	7.3%	5.1%	6.0%	3.8%	2.5%

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

Performance Review

The International IV strategy performance was down -2.2% (gross) during the quarter and -1.8% (gross) year to date, outperforming the MSCI ACWI ex-US return of -2.6% and -3.8%, respectively. International markets underperformed the US, as the dollar strengthened and currency translation weakened their reported results. Most markets performed better in local currency terms than in dollars. Some international markets experienced a softer patch through the first half of the year, though we are starting to see indicators picking up for the second half. Our portfolio has had a tilt to favor economically sensitive sectors since that is where our disciplines are pointing us. We believe the economic recovery after a weak period in 2016 is still relatively early and should remain in place for some time to come. Employment growth is driving consumption in Europe, and China continues to see their consumer class increase in size. Both of these trends are long term improvements that are not likely to go away anytime soon.

During the quarter, the markets rewarded quality oriented factors and punished valuation factors. Since short term interest rates are still at generational lows, valuation does not seem to be important to investors at this point. Since central banks seem to be looking for opportunities to move away from the low rate environments we are in, this might change over the next year or so. Our emphasis on quality helped performance during the quarter and year to date periods, despite our value orientation. For more on these factors, please see our quarterly review of the international markets titled “Like a Bull in a China Shop.”

Stock selection drove all of our outperformance during the quarter. Energy, Consumer Discretionary and Materials were our best performing sectors. Our worst performing sectors were Financials and Consumer Staples. From a regional perspective our outperformance for the quarter was driven by both stock selection and regional allocation. Emerging Markets and Europe ex-UK were our best performing regions, while Japan and Pacific ex-Japan were our worst.

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We remain overweight Energy, Technology, Financials and Industrials. We also remain underweight Consumer Staples, Health Care, Utilities, Real Estate and Materials. Among regions, we are overweight the UK, Emerging Markets and Europe ex-UK. We are underweight Pacific ex-Japan, Japan and Canada.

Our top five contributors to performance during the quarter were CNOOC, Respol, Icon, Royal Dutch Shell and WNS. CNOOC shares with oil prices, which were up +13-14% in the quarter. The company's robust reserves and focus on profitability also make them more levered to higher oil prices. Repsol also benefited from higher oil prices and is seeing production and refining margins run ahead of expectations. Icon continues to diversify the business away from its largest client (Pfizer), which removes concerns of over concentration that had previously weighed on shares. Royal Dutch Shell benefited from higher oil prices and is using robust cash flow generation to pay down debt and boost shareholder returns. WNS is experiencing strong demand from customers utilizing their services as they adapt new technologies into their business models.

Our worst five detractors from performance during the quarter were Itau Unibanco, Sberbank, Mobile Telesystems, Banco Santander and Taiwan Semiconductor. Historically low policy rates in Brazil and a weak currency both weighed on Itau, as did slower loan growth. Sanctions enacted on Russia in April raised fears of increased credit risk for Sberbank and caused shares to sell off. These sanctions along with a weaker Russian ruble also weighed on Mobile Telesystems. Banco Santander has substantial exposure to Latin America where political uncertainty and weaker currencies weighed on results in the quarter. Taiwan Semiconductor shares weakened on a slowing outlook for the smartphone and crypto currency markets.

International markets outperformed the US markets last year as expectations for their growth rates had accelerated compared to US growth rates. That outperformance has paused this year, as investors are bumping up their US growth estimates after tax reform. Additionally, concerns have grown that a trade war is erupting that could cause some slowdown in European and Chinese Manufacturing. Concerns have reached a fever pitch, as you cannot turn on CNBC for more than a minute or two without hearing their news anchors mention it.

We would urge investors to slow down and take a deep breath. The question we ask is "who wins a trade war." Simply put, nobody wins in any war. We believe there is a strong probability of negotiated settlements occurring that offer the chance for better sentiment in the future. Unfortunately, those may take a few months to hammer out, and concerns may grow between now and then. As such, we are watching over the summer and expecting that concern grow through the end of September. As we move into the autumn, we would expect that international economies see a recovery from the first half slowdown. Additionally, some negotiated settlements are likely to help sentiment surrounding trade concerns. While President Trump may look like a Bull in A China Shop right now, history would suggest he is grandstanding to help his negotiating position. We will probably find out more before the US midterm election.

Please feel free to contact any of us for additional information

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7/24/18
MSCI ACWI ex-US (Net) - 224

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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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. There is no guarantee that this investment strategy will work under all market conditions.

Registration of an investment adviser does not imply any level of skill or training.

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 intended as recommendations of said securities and carry no implications about past or future performance. 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 or the MSCI EAFE Index 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 independently verified for the periods January 1, 2008 through March 31, 2018. VAM was verified 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. The International Intrinsic Value Composite has been examined for the periods January 1, 2011 through March 31, 2018. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting 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 12/31/2017, the benchmark was changed to the MSCI ACWI ex-U.S. (net) index, from the MSCI ACWI ex-U.S (gross) index. The ACWI (net) is computed net of foreign taxes withheld on dividends, this is consistent with the composite.** As of 6/30/2013, the primary benchmark was changed to the MSCI ACWI ex-US (gross) from the MSCI EAFE. The ACWI better reflects the strategy guidelines with emerging market and Canadian exposure. As of the 6/30/2013 the EAFE was removed from presentations.

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. (net) 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. The Net Index takes into account the impact of foreign tax withholdings on dividend income.