

Starting to Turn

Todd International Intrinsic Value Review

	4Q 2016	YTD	3 Years*	5 Years*	7 Years*	10 Years*
International Intrinsic Value (Gross)	-1.0%	-2.8%	-2.9%	6.1%	4.4%	2.2%
(Net)	-1.2%	-3.6%	-3.7%	5.2%	3.6%	1.3%
MSCI ACWI ex-US	-1.2%	5.0%	-1.3%	5.5%	3.4%	1.4%

* Annualized Total Returns. Please refer to the attached Performance Disclosure for further information. As of 12/31/2016.

All of our intrinsic value strategies, including the International Intrinsic Value, lagged their benchmarks during early 2016 to an extent we have not seen since the internet bubble distorted investment realities in the late 1990s. Following that bubble, when reality returned, our domestic strategy went on to outperform the S&P 500 for eight of the next nine years. The distortion in our current episode feels comparable and could be described as the yield bubble. During the first part of the year, international investors sought only extremely cheap stocks and domestic investors sought only dividends because of slower growth expectations and negative rates. By mid-year, both of these cycles were extremely stretched and we were looking for a turn in sentiment that would reward fundamental strategies like ours. Like a good horse race, after the turn you often see leaders change. We believe this turn is starting for the International Intrinsic Value and the outlook is improving, much like after our Domestic strategy passed the turn and began outperforming at mid-year.

Investor confidence is increasing, which has led to fundamentals regaining some traction. Investor confidence was a casualty earlier this year while concerns regarding commodity weakness, speculation of China devaluing and whispers of weakness in some of the European Banks impacted sentiment until March. After recovering slightly in the second quarter, the Brexit slammed confidence again, leading to several months where investors remained spooked and selective in the factors they rewarded. As we moved into year end, we saw signs of better economic growth in both the Developed and Emerging markets, which allowed fundamentals to be part of the investment selection process again and allowed our strategy to match the index performance for the quarter.

Economic growth has undershot most estimates over the past few years due to:

- Developed market consumers and corporations paying off debt,
- The Chinese slowdown as they shift their economy to more consumption,
- Deflationary worries and the commodity bust,
- US regulations,
- European austerity, and;
- Negative interest rates worldwide.

These forces depressed confidence and restricted growth, causing investors to turn their backs on most of the factors fundamentally oriented investment strategies use.



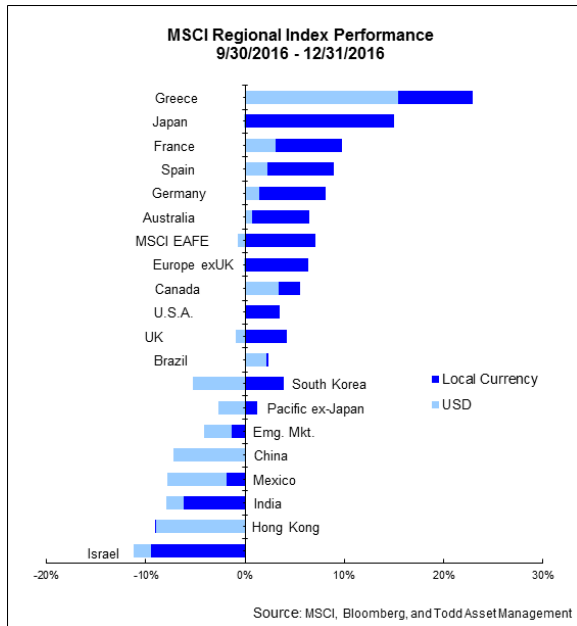
Recently, economic forecasts are rising as Chinese stimulus has prompted an economic recovery, and the beginnings of reflation. Chinese producer price inflation was significantly negative since 2012 while they began pursuing their economic shift to consumption. This inflation measure turned positive recently. Why is this important? Deflation in China led to low inflation (and a fear of deflation) worldwide, which is what prompted central banks to implement negative interest rates. Negative interest rates depressed confidence as investors assumed there was something dramatically wrong that Central Banks knew about, but were withholding. This was the major factor behind the sentiment driving the yield bubble. Central banks have begun to back away from negative rates, helping confidence firm up. Other things that have helped the mood shift have been a resurgent global economy, the end of the US earnings recession, limited fallout from the Brexit and anticipation of more pro-growth policies in the US as the new administration pursues their agenda. Additionally, we have seen global Purchasing Managers Indexes firm up as the year progressed, indicating strength in manufacturing and services activity.

Interestingly, most of these forces were in play after the Brexit but before the US election. Concerns surrounding the Brexit prompted investors to remain selective in the investment disciplines they favored as they were uncertain of what the outcome would be. In our view, this delayed the recovery of our international strategy versus the indexes compared to our domestic strategy. The Brexit put the low in place for sentiment internationally, where the February oil price lows put the bottom in for sentiment in the US. If this gauge is correct, then we believe after a quarter of matching the indexes, it is probably time for our international strategy to outperform as investors get comfortable with the developments they are seeing.

Unless President Trump pursues a trade war, or proposes tax reform that causes consumers to recoil from large expenditures (think elimination of mortgage tax deduction) then we think the US expansion remains intact. If President Trump can spur infrastructure spending and corporate investment, then the expansion could gain and last much longer than most anticipate. We need some clarity on what to expect from DC for a clearer picture on the markets, and we think that is why the US post-election market rally has paused since mid-December.

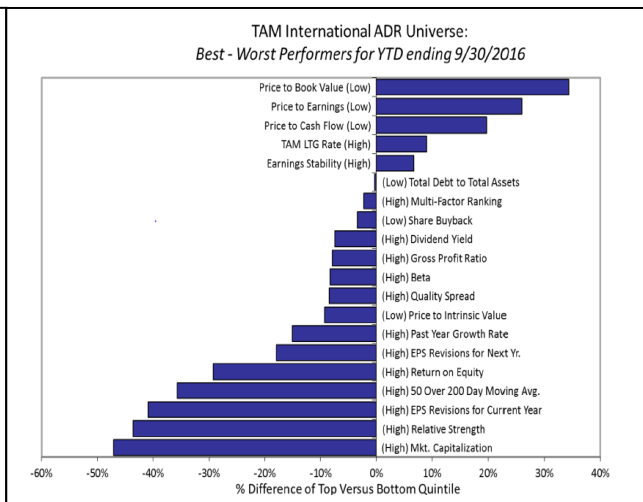
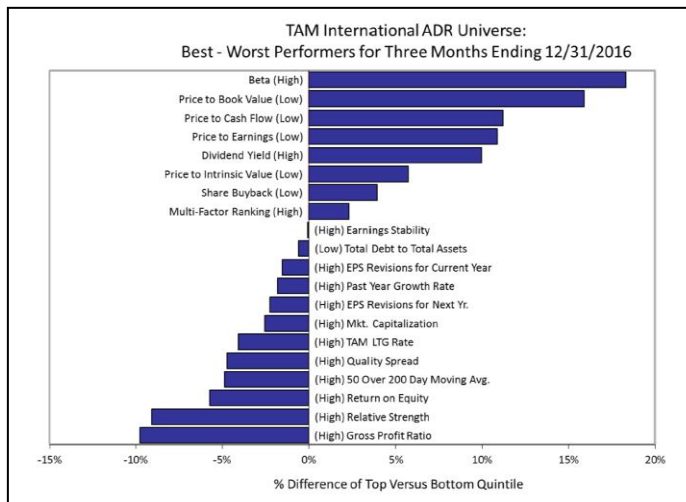
A coordinated global economic expansion is probably beginning. While the US is in a later stage of expansion, that economy can probably avoid a recession for 2017 and 2018 and may see a capital spending cycle unfold. Europe has an economic recovery that is slowly building, and an earnings recovery should be underway as the headwinds posed by lower oil and commodity prices ease up. Japan has exited recession, and is pursuing many actions to spur growth. China is also pursuing pro-growth policies, which appear to be working. Latin America has seen better market action since the commodity bottom in February, but is still working through political turmoil. Economically, they seem to be putting a bottom in place. If you needed to find a problem globally, it would likely be India, where a demonetization experiment (they have eliminated large denomination rupees to crack down on untaxed activities) is pressuring the economy.

The take home point here is that markets are acting as though there is more likely to be an economic growth tailwind than headwind. As confidence grows, fundamentally oriented strategies should perform better internationally as they have in the US since mid-year.



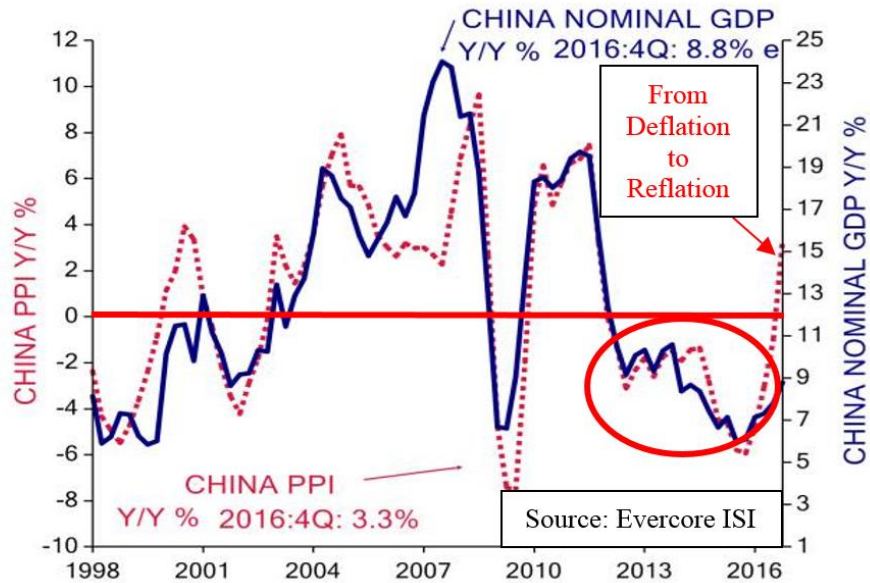
The Developed Markets performed best in the fourth quarter as can be seen by the chart to the left. Japan surged in yen terms, but was virtually unchanged in dollar terms due to the currency adjustment. Europeans countries saw similar (though less extreme) patterns as the USD appreciated against the Euro. Emerging markets trailed the most as investors rotated back into the developed markets. Our sense is that it was profit taking in the EMs as investors were looking to take advantage of the weakness in the developed markets.

Our customary charts that illustrate the factors being rewarded by the marketplace are presented below. The charts present the factors favored in the first three quarters of 2016 compared with a comparable list for the final quarter. In the first nine months (chart right below), fear of recession or another 2008 type event led the market to only reward valuation and stability measures. Only five of the twenty factor provided reward to investors. In the final quarter of the year (chart left below), investors started to diversify the factors they are rewarding, with eight of the factors showing upside. Our multi-factor model is regaining traction. This has allowed our strategy to match the indexes last quarter, and begin outperforming early in the New Year. While growth expectations continue to rise, the recovery in our relative performance should continue as investors broaden the list of factors they reward.

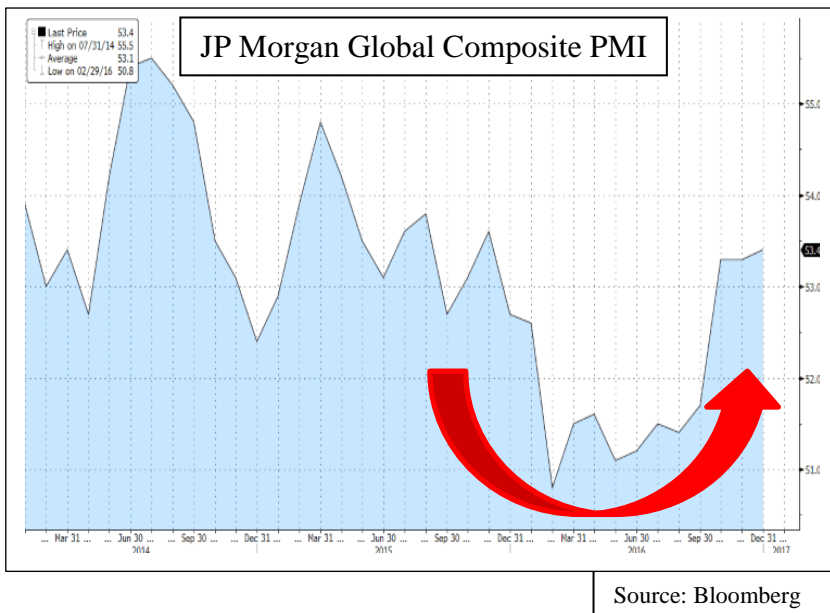


Source: Bloomberg, TAM estimates

Other interesting charts we saw this quarter

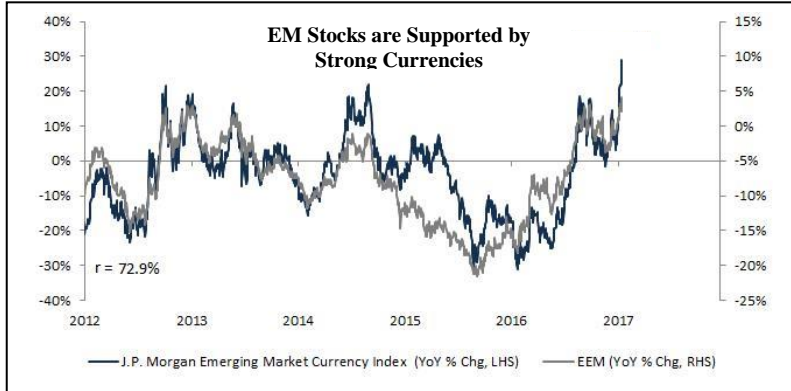


Chinese producer prices have a high correlation with GDP growth and have been solidly negative since 2012. Weak Commodity prices have been one source of this deflation, but the more important one was overcapacity. This contributed to lower worldwide inflation and interest rates as cheap Chinese goods hit the market. Recently, the Chinese PPI went positive. We think this signals that much excess capacity has been absorbed, and deflationary fears (along with negative interest rates) should dissipate over time. Chinese growth is accelerating.

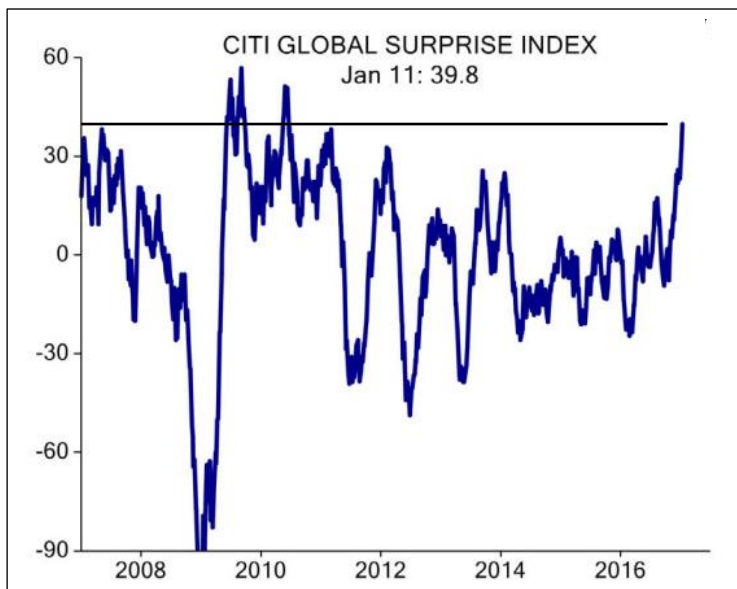


Global Composite Purchasing Managers Indexes deteriorated sharply between the Q4 2015 and Q1 2016. They started to recover after September 30, as the fears of a disorderly Brexit receded and worldwide economic activity picked up. As this indicator recovered in Q4, confidence did too. This allowed more factors started to add value in our market analysis noted above.

Emerging Markets have lead for much of this year. Two factors are at play. First, the commodities cycle appears to be strengthening as economic growth is firming. Also, many of their currencies have been stronger which has lent support to their stock markets. We think the commodity recovery is real and should help their outlook.



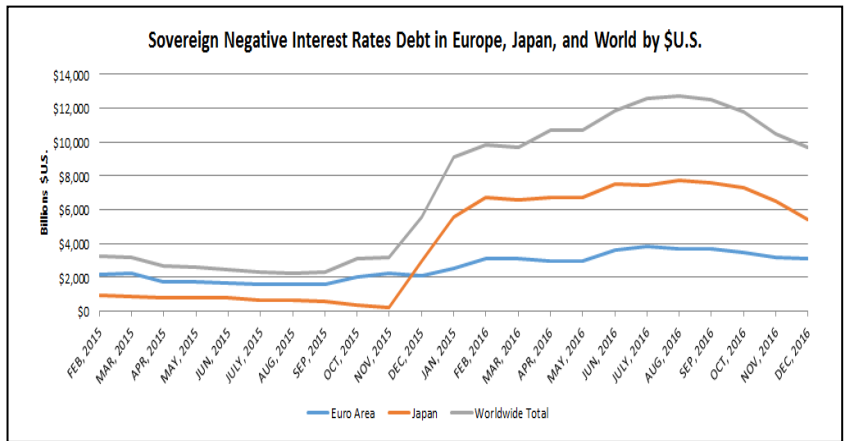
Source: Evercore ISI



Source: Evercore ISI

Citi's global surprise index has improved, and is at the highest level since 2011. This appears to be confirming the stronger readings we are seeing from other economic indicators.

Sovereign debt with negative interest rates ballooned to over \$12 TR in 9/16 from under \$4 TR in 11/15. Most analysts think negative interest rates have not worked as central banks expected. The Japanese have started to back away from them, and we think the Europeans follow suit. This aberration has distorted many asset classes, as central banks have been buying corporate bonds and even stock in some instances. As these anomalies end, we anticipate active managers should outperform.



Source: BCA and TAM

Performance Review

The International IV strategy declined -1.0% (gross) during the quarter, slightly outperforming the MSCI ACWI ex-US return of -1.2%. For the full year, the International IV return of -2.8% (gross) underperformed the MSCI ACWI ex-US return of +5.0%.

Stock selection slightly detracted from performance during the quarter, but was more than offset by the positive impacts of our sector and regional positioning. For the full year stock selection was the primary detractor to performance, specifically in Industrials, Health Care, Energy and Materials. We are overweight the Consumer Discretionary, Financials, Health Care, Industrials, Technology and Telecom sectors. We are underweight the Consumer Staples, Utilities, Real Estate, Energy and Materials. We have been looking for opportunities to add to Energy and Materials as earnings continue to recover. Among regions, we are overweight Canada, Europe and the UK. We are underweight Emerging Markets, Asia Pacific and Japan.

Our top five contributors to performance during the quarter were Sun Life Financial, BNP Paribas, Mobile Telesystems, Bank of Montreal and Ryanair. Sun Life posted excellent results with double digit profit growth in Canada largely driven by interest rate and equity market movements. BNP Paribas continues to benefit from the reduction of negative interest rates in Europe, as well as improving asset quality. Mobile Telesystems shares rose in December as the Russian Ruble appreciated vs. the US Dollar. Bank of Montreal posted very strong results in early December driven by their Capital Market division, which saw better investment and corporate activity. Ryanair continues to see solid passenger growth through 2024.

Our worst five detractors from performance during the quarter were Vipshop, HDFC Bank, Shire, Veolia and Hollysys. Vipshop saw a large decline in new customers during the most recent quarter, which led to concerns about the need for promotional activity compressing



margins. HDFC Bank sold off as the Reserve Bank of India removed the legal tender status of 500 and 1,000 rupee banknotes. Investors expected this to weigh on asset quality. Shire sold off following the release of third quarter earnings as recently acquired Baxalta results were shy of expectations and supply constraints hampered their largest Human Genetic Therapy drug Cinryze. Veolia, the European water and waste mgmt. company, posted results that missed estimates on lower activity levels and pricing. Hollsys shares sold off as they announced order delays for their automatic train protection equipment during the quarter.

The market is getting past the uncertainty of last year. Negative interest rates have kept bad players in the market from being penalized. In environments like that, fundamental analysis is not rewarded because there is always a monetary authority waiting to bail out an overleveraged badly performing company. Our discipline highlights stocks with attractive valuation, improving fundamentals and constructive charts, many of the factors investors shunned during early 2016. Our sense is that the turn is in for fundamental analysis, since the number of factors adding value started to expand when the amount of debt with negative interest rates declined. In other words, investors are anticipating stimulative fiscal actions, interest rates normalizing and a business cycle aimed towards growth. Fundamentals have begun to matter again, and should allow our style to resume outperformance in the International markets.

With that said, there are several items coming up that could cause market disruptions. Elections are occurring worldwide and more populism could roil markets in Europe. Additionally, in the US, we need to see the blueprint for the first hundred days of the new administration to get a sense of what developments are likely. Currencies and rates are resetting as well, which could have unintended consequences for markets. Still, we believe the push towards more pro-growth policies should help our fundamentally based style to outperform in this environment.

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

Curt Scott, CFA
Jack White, CFA
Jack Holden, CFA
Shaun Siers, CFA

Todd Asset Management LLC

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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 September 30, 2016 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 September 30, 2016. 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 June 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.