TODD ASSET MANAGEMENT LLC

July 19, 2017
Jack White, CFA
Partner, Senior Portfolio Manager

Completing the "Great Reset"

Todd Large Cap Intrinsic Value Review

	2Q 2017	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	3.6%	10.0%	28.7%	7.7%	13.7%	14.5%	7.1%
(Net)	3.4%	9.7%	27.9%	7.1%	13.0%	13.8%	6.5%
S&P 500	3.1%	9.3%	17.9%	9.6%	14.6%	15.4%	7.2%
Russell 1000 Value	1.3%	4.7%	15.5%	7.4%	13.9%	14.3%	5.6%

* *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 starting to increase 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.

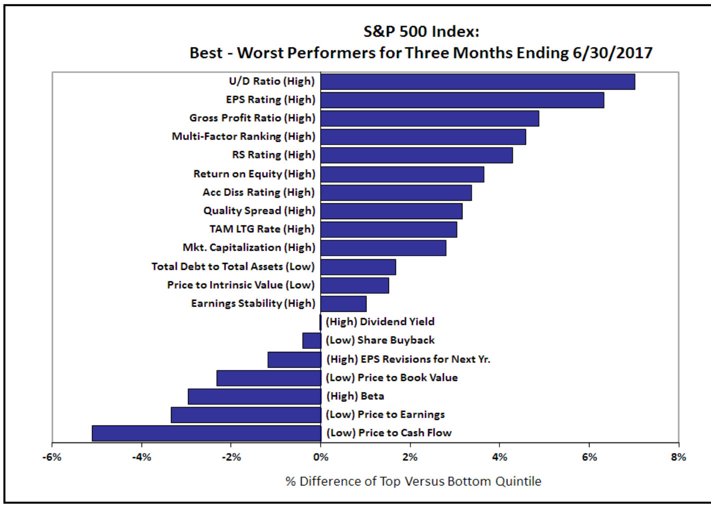
What makes us think the reset is complete and we're getting back to normal economics?

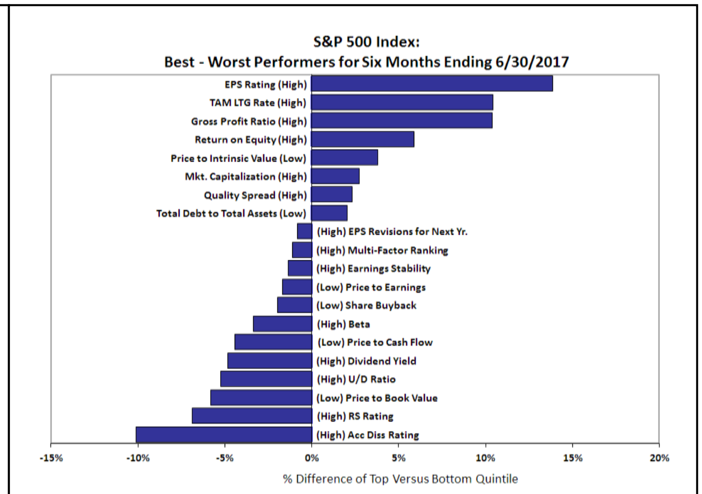
- Many central banks are raising rates (or contemplating it), something they would not be doing unless the reset was almost finished. The US Fed, Bank of Canada and the Bank of England fall into this category. The ECB has hinted at the end of their QE program. To quote Mr. Draghi, "We see growth above 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 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 S&P 500 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. Our Multi-factor model did well in the domestic markets, allowing us to outperform. The factors that are out of favor include several valuation measures, beta, earnings revisions and shareholder return measures.



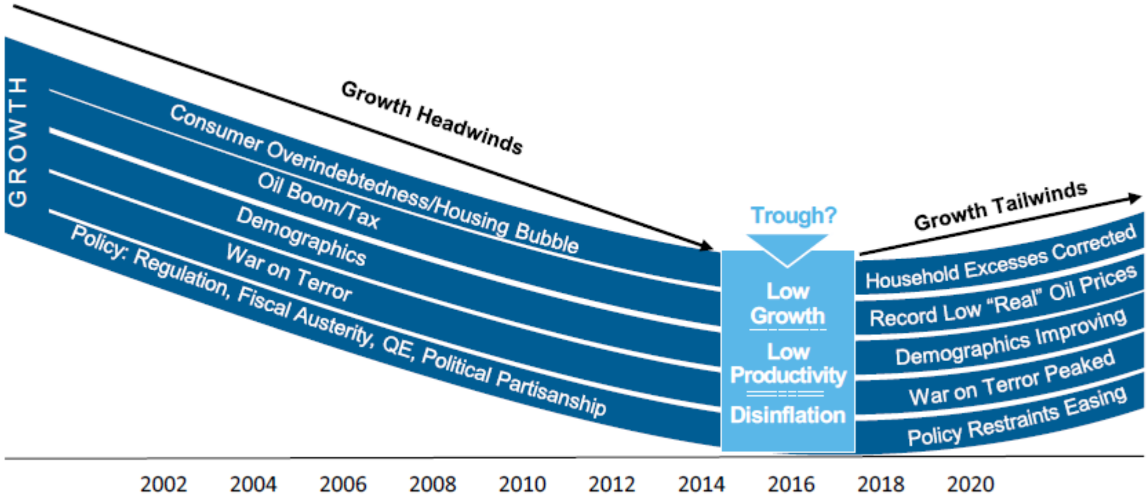


Source: Bloomberg, TAM

Performance for the first six months of the year was dominated by the continuation of the FANGMA (Facebook, Amazon, Netflix, Google, Microsoft and Apple) outperformance. Other technology names also acted well. Additionally, Health Care recovered as investors got comfortable that developments from DC would not sidetrack their fundamentals. Investors seem interested in pursuing growth oriented companies in a slower growth environment. Areas that did not do well included the Energy and Telecommunications sectors. Pricing concerns for both of these industries dominated the news flow during the quarter.

Interesting charts we saw this quarter

Secular Headwinds to Growth are Easing

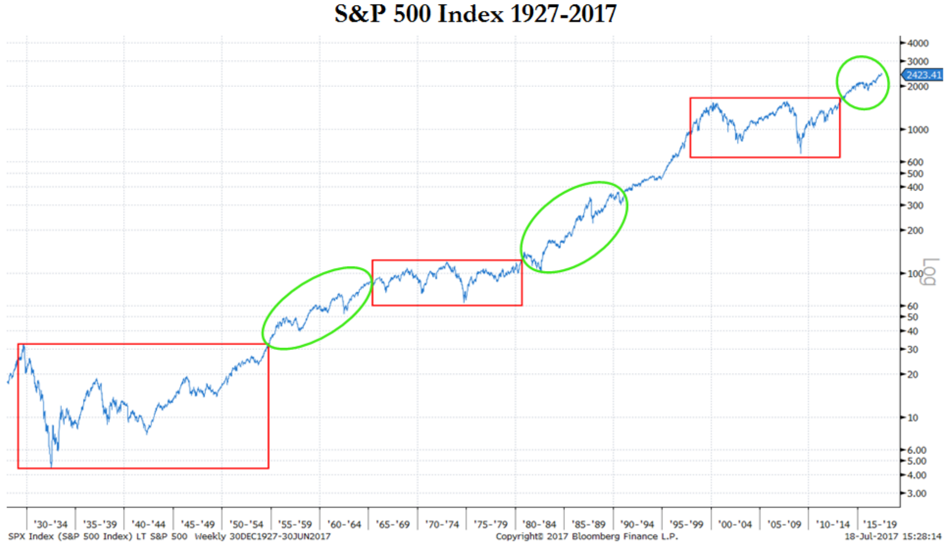


Source: Morgan Stanley

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 S&P 500, FTSE 100 and the German DAX indexes are all at or near all-time highs.

S&P Breaking to New Highs

S&P 500 Index 1927-2017

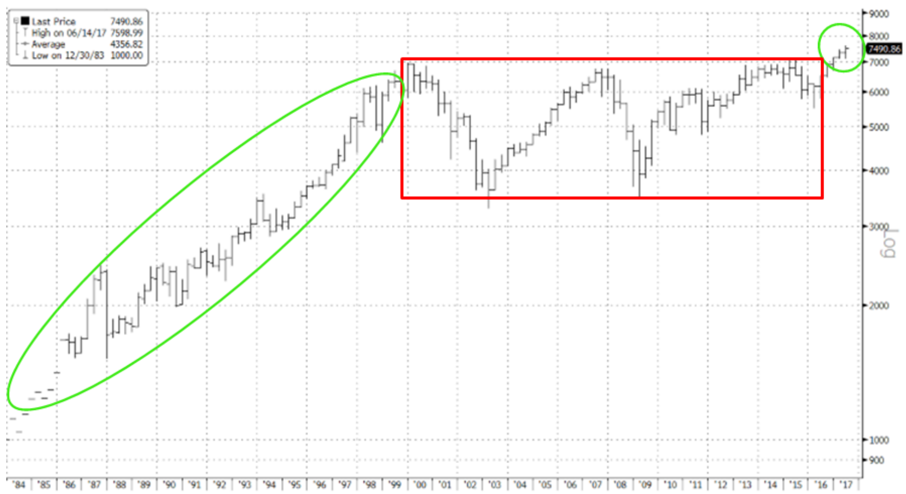


Source: Bloomberg, TAM

TODD
ASSET MANAGEMENT LLC

UK's FTSE 100 Breaking to New Highs

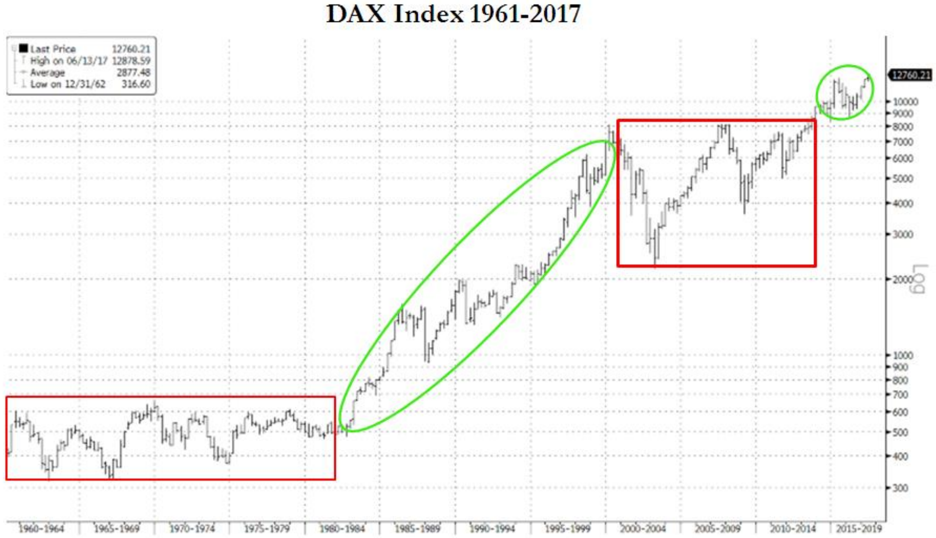
FTSE 100 Index 1983-2017



Source: Bloomberg, TAM

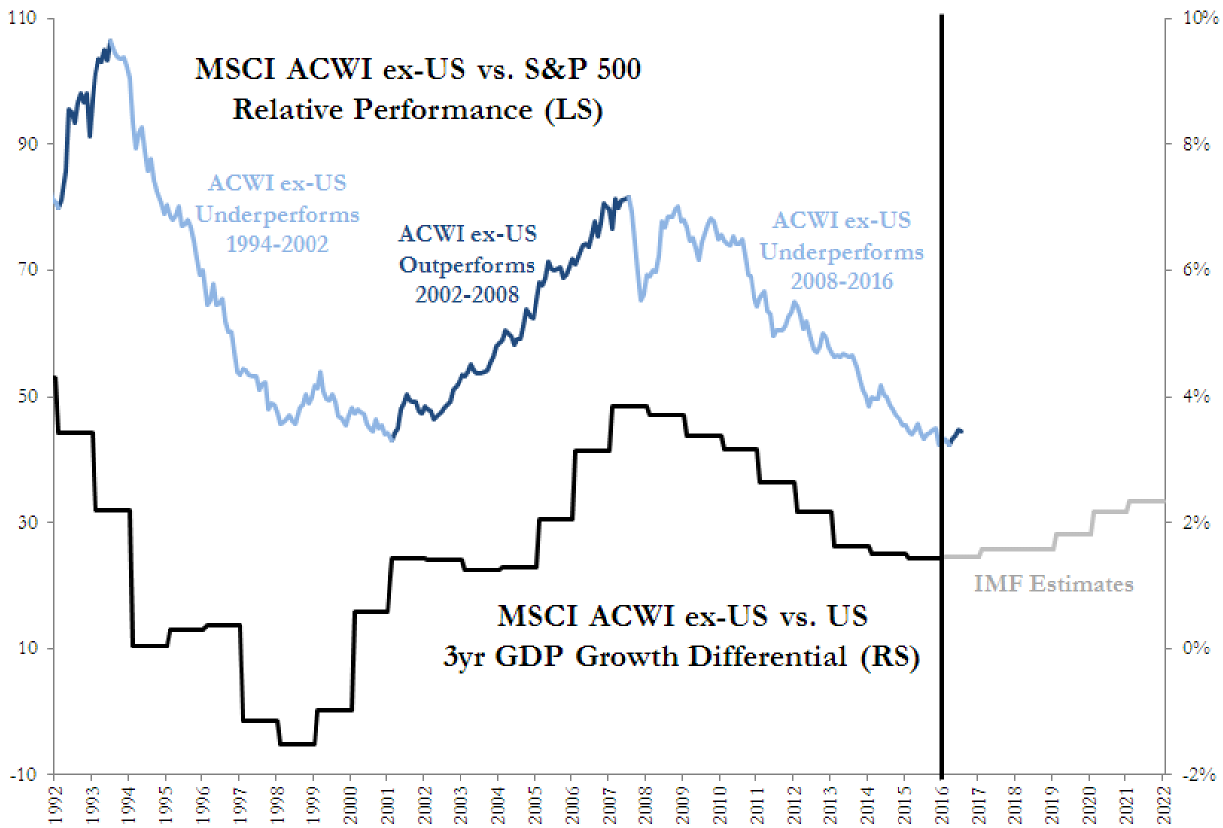
German DAX Breaking to New Highs

DAX Index 1961-2017



Source: Bloomberg, TAM

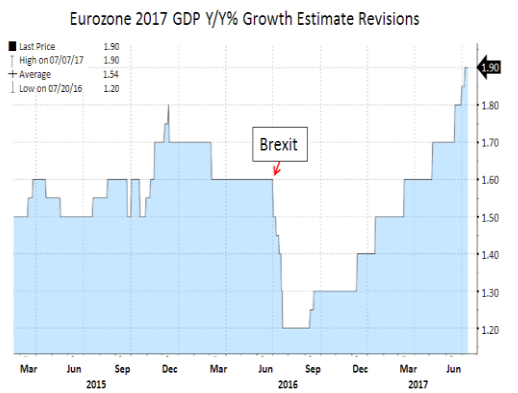
Time to Learn a Foreign Language



Source: IMF, MSCI and TAM

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.

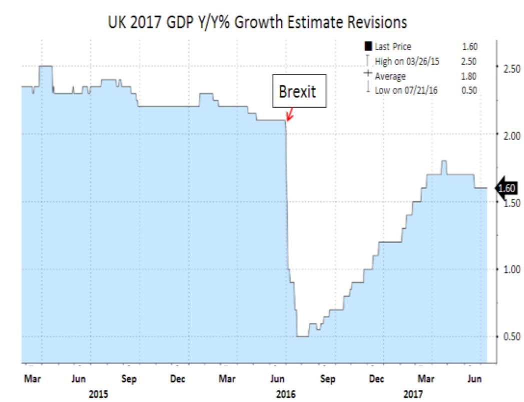
TODD ASSET MANAGEMENT LLC



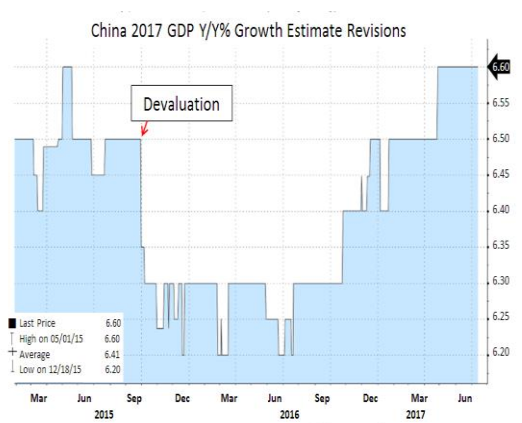
Source: Bloomberg, TAM

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



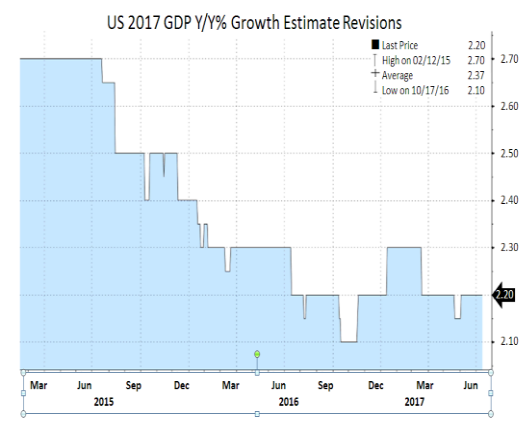
Source: Bloomberg, TAM



Source: Bloomberg, TAM

Chinese 2017 GDP estimates declined in late 2015 on economic and financial stability worries after their 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

TODD
ASSET MANAGEMENT LLC

Performance Review

The LCIV strategy increased **+3.6%** (gross) during the quarter, outperforming both the S&P 500 (**+3.1%**) and Russell 1000 Value (**+1.3%**). Over the last 12 months, the LCIV is up +28.7% vs. the S&P 500 at +17.9% and Russell 1000 Value at +15.5%. During this time frame, the discipline has steered us toward more cyclically oriented areas of the market that should benefit from better economic growth. We are reminded of the period post the internet bubble when we look at recent results. In early 2016, our LCIV strategy lagged the indexes, but then showed a dramatic rebound since June 2016. This strategy's turnover is low, so we did not shift the portfolio dramatically; we stayed with our discipline while the market was focused on a yield bubble. Following bubbly periods, our discipline has tended to outperform the market as fundamentals begin to matter again. We think this time will be no different and anticipate as central banks normalize rates higher, investors should reward disciplines like ours for some time to come.

Stock selection and our sector positioning both helped to drive performance during the quarter. Selection was most impactful in Consumer Discretionary, Energy and Industrials. Technology and Financials were the areas that detracted the most from performance. Factors broadened out relative to the first quarter. Our Multi-factor ranking was one of the better differentiators between winners and losers, as were quality, earnings strength and technical measures. Traditional value factors, like price-to-earnings and price-to-book, as well as shareholder returns were the worst performing factors for the quarter.

We are overweight the Consumer Discretionary, Financials and Industrials sectors. We are underweight the Consumer Staples, Utilities, Energy, Real Estate, Technology and Telecom sectors.

Our top five contributors to performance during the quarter were UnitedHealth, Nvidia, NVR, IPG Photonics and Whirlpool. UnitedHealth continues to enjoy enrollment growth and superior profitability vs. peers due to cost/data analytics advantages from its Optum unit and its exit from the individual exchanges. Nvidia continues to beat upgraded estimates as datacenter revenues are accelerating and end market growth remains supportive of increased GPU demand. NVR is benefiting from the housing market recovery and is seeing improved pricing and sales growth. IPG Photonics posted a very strong first quarter with high powered laser product sales being driven by strength in China. Whirlpool rebounded as free cash flow generation is helping investors read through a difficult sales environment as management is targeting better operating margins over the next few years.

Our worst five detractors from performance during the quarter were Foot Locker, F5 Networks, ON Semiconductor, United Rentals and Cisco. Foot Locker reported a very poor quarter where weak mall traffic weighed on results in a traditionally strong season which brought full year guidance into question. We sold Foot Locker during the quarter. F5 Networks also posted a poor quarter in the midst of a product refresh cycle due to weakness in Europe. ON Semiconductor, along with other Apple suppliers, sold off reports that the new iPhone's modem will be slower than rival smartphones, tempering the hype around the iPhone 8 release later this year. United Rentals saw pricing pressure in the first quarter as rental rates were lower than expected. This paired with policy uncertainty as healthcare reform is holding up infrastructure spending initiatives caused shares to sell off after an impressive 12 month run. Cisco issued weak 4th quarter guidance on their earnings call as they expect US gov't budget issues and weakness in emerging markets to lead to a decline in product orders and revenues.

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.

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

Todd Asset Management LLC

07-19-2017
S&P 500 – 2,473.83
Russell 1000 Value – 1,150.89

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.

TODD ASSET MANAGEMENT LLC
LARGE CAP 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 tax-exempt fully discretionary intrinsic value accounts, invested primarily in large cap domestic equity securities with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of equity securities that TAM believes are trading at a discount to their intrinsic value.

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 Large Cap Intrinsic Value Composite contains fully discretionary, tax-exempt accounts that use either the S&P 500 Index or Russell 1000 Value Index as the benchmark. Prior to April 1, 2010, this composite was known as the Relative Value 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 Large Cap 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, both gross and net of management fees, net of transaction costs and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .60% applied monthly. Prior to September 2001, the management fee schedule applied to the composite was .50%. 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.

The composite performance has been compared to the following benchmarks. The index(es) are unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs.
S&P 500 Index is a widely recognized index of market activity based on the aggregate performance of a selected portfolio of publicly traded common stocks. The performance data was supplied by Standard & Poor's. It is included to indicate the effect of general market conditions.
Russell 1000 Value Index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 1000 Index, with lower price-to-book ratios and lower forecasted growth values. The performance data was supplied by Frank Russell Trust Company.