January 16, 2015
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Oil… the Crash and the Consequences

Todd Large Cap Intrinsic Value Review

	4Q 2014	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	5.7%	16.1%	20.0%	15.3%	7.9%	8.6%
(Net)	5.5%	15.4%	19.3%	14.6%	7.3%	7.9%
S&P 500	4.9%	13.7%	20.4%	15.5%	7.3%	7.7%
Russell 1000 Value	5.0%	13.5%	20.9%	15.4%	6.5%	7.3%

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

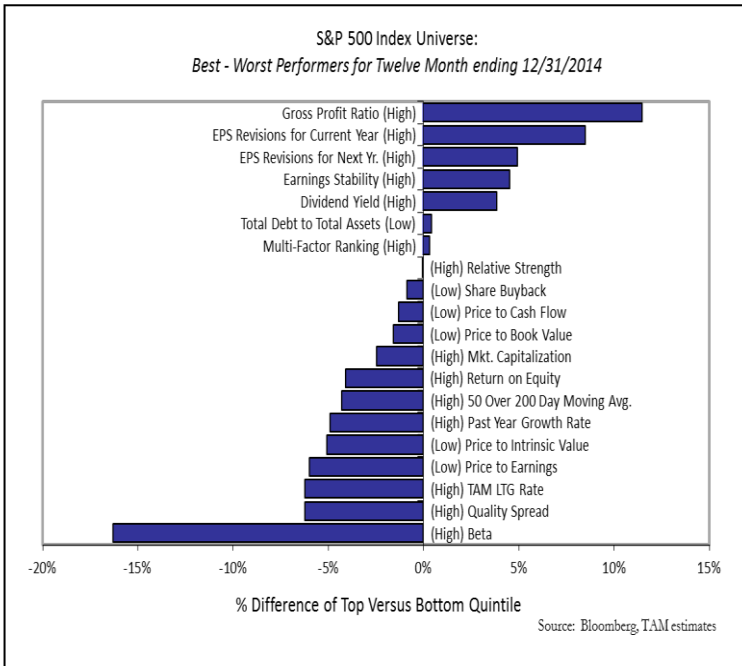
The LCIV posted a gain of almost 5.7% (gross of fees) in the quarter, beating the S&P 500 and Russell 1000 Value returns of 4.9% and 5.0% respectively for the quarter. Year to date the LCIV returned 16.1% compared to the S&P 500 and Russell 1000 Value returns of 13.7 and 13.5% respectively.

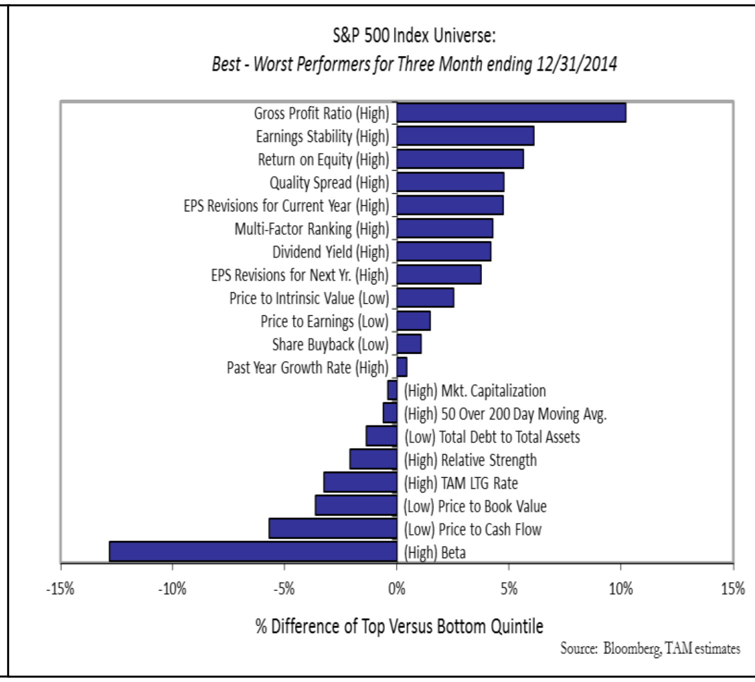
For a pretty good year in the market, there was certainly no lack of disturbing news. Some of the trends to be aware of are as follows;

- Oil prices cratered after Saudi Arabia opted not to cut production at the OPEC meeting on Thanksgiving. This probably has ramifications for some time to come.
- The top two groups in the S&P were Utilities and Health Care while Consumer Staples came in fourth. That is a defensive leadership for a year when the market posted fairly strong returns. Global economic worries and geopolitical tensions were probably what lead to this.
- Four of the five worst groups for the year were economically sensitive, including the Energy, Materials, Consumer Discretionary and Industrials groups. Economic growth in the US started slow with the polar vortex, but recovered as the year wore on. Economic growth in Europe, China, Japan and some of the Emerging market was lower than expectations.
- Bonds posted good returns in the US and worldwide despite the Fed ceasing bond purchases in October. The anticipation of bond purchases in Europe and Japan's decision to increase their bond buying program have significantly decreased rates internationally.
- The dollar surged in the second half as Europe and Japan both sought to devalue their currencies.
- Earnings, buybacks and takeovers proved to be market supports during the quarter and year as low rates, corporate cash levels and better US growth visibility helped these trends.

We were pleased with our performance for the quarter and the year. Volatility spiked several times during the year primarily because the Fed stopped purchasing bonds, which investors perceived as a backstop for the market. We see encouraging signs on US growth and believe lower oil prices probably bolster the economies of oil consumers worldwide. Fundamentals matter more now than they did while the US QE program was in place, a fact that we think plays to our strengths.

We present our customary charts on which factors have been helping or hindering performance for US stocks below. The chart on the left shows the trailing twelve month performance while the chart on the right illustrates the most recent quarter. Over the trailing quarter and year, the market has not been rewarding high beta or lowly valued stocks on traditional measures of value. Quality had been a hindrance over the past year, but the market turmoil of Q4 led investors to seek higher quality stocks. Our factor analysis suggests that the ending of Quantitative Easing in the US prompted investors to look for “fundamentally comfortable” companies with very positive and visible earnings outlooks.





Both stock selection and sector allocation helped returns last quarter compared to the S&P 500, with an emphasis on sector allocation. Compared to the Russell 1000 Value our outperformance was all driven by sector allocation as stock selection was a headwind. This is unusual for us, as we usually generate alpha through stock selection. Against both indexes, stock selection in the Consumer Discretionary and IT areas helped our performance. We have placed an emphasis on companies benefitting from the positive trends in the automotive, home improvement and retailing sectors. Those paid off well during the quarter as we had good performance from Whirlpool, Home Depot, Delphi and Macy’s. The economy is on a steadier footing and is creating jobs. These areas should benefit from pent up demand as more consumers are employed and seek to satisfy some of the needs they deferred during the great recession. Within the Tech sector, we had good results from several of our consumer electronic, corporate IT and industrial names. With new product cycles underway, and both consumers and corporations in better financial shape, these companies are benefitting. Specific stocks that helped include TE Connectivity, Oracle, Hewlett Packard, Cisco Systems and Apple.

Stock selections in Industrial and Energy sectors were a headwind during the quarter. Within Energy, Exxon is the largest and safest name in the group. Energy was a bifurcated group during the quarter, where Exxon was nearly unchanged and then almost all others declined significantly. Exxon declined by less than -1% during the quarter compared to a -12% decline for the sector (implying most others were well below the average). While we were underweight this area, we didn't own Exxon which weighed on our results. We have an overweighting within Industrials, with an emphasis on those in the transports and exposure to the construction cycle. This hurt us as Norfolk Southern and United Rentals lagged the group.

In the quarter, our best five contributors to return were Whirlpool, Express Scripts, CVS, Home Depot and Delphi Automotive. Three of the four are Consumer Discretionary stocks that benefitted from better trends in Auto and Home remodeling. The other two are beneficiaries of better generic drug availability and the upswing in medical demand experienced as part of the Affordable Care Act. Our top five detractors were Halliburton, Gilead Sciences, Cameron International, United Rentals and Phillips 66. Three of these are energy related names, where most of the stocks declined pretty significantly. Of the other two, Gilead was subject to profit taking after some pricing pressures emerged for their new product. United Rentals declined as earnings estimates were trimmed after the third quarter report.

Over the past year, we have been trimming our financial exposure and adding to our IT exposure. We maintain overweighted positions against the S&P 500 in the Consumer Discretionary, Financial, Healthcare and Industrial groups. We continue to believe the US economy is in a recovery phase, and are not seeing signs of significant excesses in these sectors. As capital spending picks up and a new product cycle gains traction, we may look to bolster our IT exposures. Health Care is an overweighting for us as we see unrecognized growth potential at good intrinsic value within the sector.

We are underweighted in the Energy, Staples, Materials, Telecom and Utilities groups. There are no significant changes in most of these, although we have been lowering our energy weighting during the year. Many of these groups (Staples, Utilities and Telecom) rallied to expensive valuations during the bond rally and are not attractive on our work. Two of these groups are facing secular headwinds after overinvestment in new production, namely the Materials and Energy sectors.

Over the coming year, lower oil prices are likely to be a determining factor of which groups outperform. We are on the lookout for consumers of oil rather than producers of oil, and our sense is this plays to consumer and non-industrial capital spending areas. We will provide more on that as the year progresses.

The Oil and Currency Crashes

This quarter, performance depended not only on what you invested in but also where you invested from! Currency differentials worldwide made for varied experiences. For instance investing in the EAFE index in the US produced a loss during the quarter, but if you were German and investing in the index in Euros, you made money. It was even more pronounced for yen based investors. The potential for ECB bond purchases and the acceleration of Japanese Bond purchases have combined to weaken the Euro and Yen versus the Dollar.

The most striking feature of the quarter was the breathtaking decline of oil prices leading up to, and after the OPEC meeting on Thanksgiving. Prices for much of the past few years had held in the $85 to $110 per barrel range as worldwide oil production was starting to creep up. New sources of oil in the US and fresh offshore production in other parts of the world had augmented oil supply pretty steadily over the past four years, with a dramatic shift upward over the past two years from the new US fracking output. At the same time, Europe, Japan, China and other emerging markets saw a downshift in their economic growth as the year progressed. This resulted in sluggish demand for oil. All eyes were on OPEC as they met Thanksgiving Day, with most traders nervously hoping that the Saudis would limit production to raise prices. Instead, they shocked the markets when they announced no change in their production. Essentially, they noted that if they decreased production, it would only result in a market share loss for them and they would rather let oil prices find their natural level. This led to oil plunging from $75 per barrel at the meeting time to approximately $45 at this writing.

West Texas Intermediate Crude Price

Source: Stockcharts

What Lower Oil Means for Stock Prices

Lower oil prices and lower interest rates are probably here for some time to come. Higher equity prices are likely to be the ultimate outcome. The path from here to there is where it gets tricky. As Warren Buffet said, you only find out who’s swimming naked when the tide goes out. The tide just went out for many in the oil patch, and there is going to be some carnage. Different nations have varying degrees of dependence on oil revenue to fund social programs, and they will need to work through some of those problems which could lead to unrest. We are a little wary of the markets over the next couple of months until we get a better sense of how these tensions play out.

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Still, if the average consumer of energy just got a 60% price reduction on oil, then the world economy just got a nice shot in the arm. Since the mid 1980's, we have seen Four episodes of radically lower oil prices in a short period of time. In the prior four episodes, the S&P average gain in the following 12 months was 23%, as noted below in a table from our friends at Strategas. The leadership tended to be Materials Discretionary, Financials, Health Care, and Technology names. As we look at it, these are areas that benefit from lower input costs, higher consumer spending or corporate spending in non-oil service capital goods. This scenario makes sense to us for 2015 as well. All we need to do is get through the near term turbulence to get there.

Absolute Sector Performance 12 Months After Radical Declines in Oil

Sectors	Apr '86 to Mar '87	Mar '91 to Feb '92	Feb '09 to Jan '10	Oct '11 to Sep '12	Average (Sorted)
Materials	45.3%	16.0%	43.0%	26.2%	32.6%
Discretionary	17.4%	26.6%	50.7%	34.4%	32.3%
Financials	-3.0%	23.4%	54.0%	32.1%	26.6%
Health Care	30.2%	21.6%	19.1%	26.5%	24.4%
Technology	13.5%	-0.4%	51.1%	30.8%	23.7%
S&P 500	**22.1%**	**12.4%**	**30.0%**	**27.3%**	**23.0%**
Staples	27.4%	20.5%	18.9%	20.6%	21.9%
Industrials	11.7%	13.2%	32.6%	26.4%	21.0%
Energy	47.7%	-9.8%	9.7%	24.5%	18.0%
Telecom	15.7%	-1.4%	4.6%	28.8%	11.9%
Utilities	8.6%	4.8%	2.2%	8.3%	6.0%

Source: Strategas

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

Jack White, CFA   Curt Scott, CFA   Jack Holden, CFA

Todd Asset Management LLC

1-16-2015

S&P 500 – 2019.42

Russell 1000 Value – 1006.32

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 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. Investors should not construe the Composite's performance or any security as predictive of future results. 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, TVAM redeemed ownership units held by individuals who supported the growth products founded under VAM, and changed its name to Todd Asset Management LLC. The firm continues to offer the same products and strategies managed by the same individuals and 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, 2014 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, 2014. 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%. 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 (all shown with dividends reinvested):

S&P 500 Index is a widely recognized index of market activity based on the aggregate performance of a selected unmanaged portfolio of publicly traded common stocks. The performance data includes reinvested dividends and 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.