TODD ASSET MANAGEMENT LLC

July 23, 2015
Jack Holden, CFA
Partner, Senior Portfolio Manager

The Quiet Revolution

Todd Global Intrinsic Value Equity Income Review

	2Q 2015	YTD	1 Year	3 Year*	Since Inception (01/01/11)
Global Intrinsic Value Equity Income (Gross)	-0.0%	-2.5%	-5.8%	11.8%	11.1%
(Net)	-0.2%	-2.8%	-6.3%	11.1%	10.4%
MSCI ACWI	0.5%	3.0%	1.2%	13.6%	8.6%

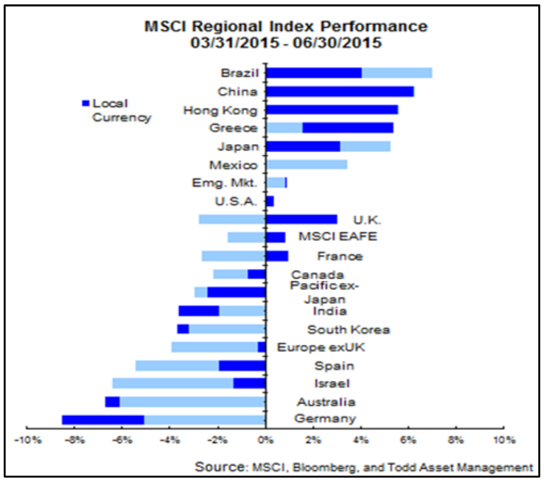
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information*

The Global Intrinsic Value Equity Income strategy posted a gross return of 0.0% for the quarter, compared with the MSCI ACWI return of 0.5%. Year to date, we are behind the index reflecting investor's aversion to yield oriented stocks. Some of this may relate to an expected rise in interest rates, but it also feels like an environment where investors are distrustful of the sustainability of higher dividend yields. International stocks performed better than their US counterparts during the quarter and year to date period, a trend we think will persist. Greek concerns dominated the discussion this quarter, but we believe too much attention has been paid to that crisis. We believe a "Quiet Revolution" has been occurring in Europe where the former problem economies that actually followed the International Monetary Fund's bailout advice have become the growth leaders of the continent. This would explain the surge in most European markets we have seen this year. As U.S/EU economic growth continues, concerns about Greece and Iran abate, and perhaps Chinese/Japanese reflation efforts are successful, pension fund managers may feel good enough to add to their stock holdings.

During the quarter, investors considered and reacted to the following factors:

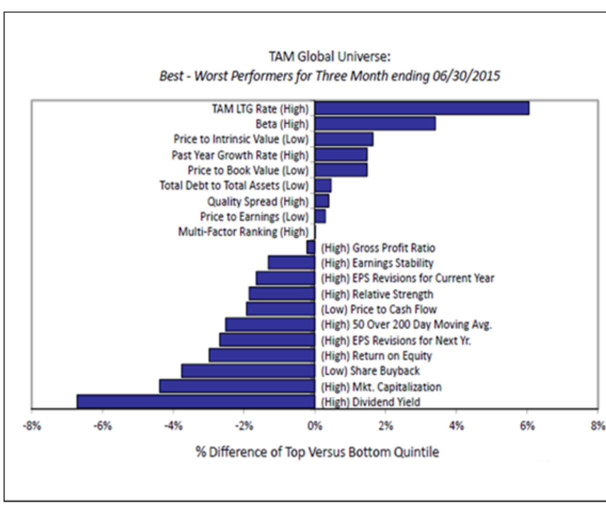
- EAFE, Emerging Markets and ACWI Ex US outperformed US Core and Value indexes for the quarter and year to date periods. Investors shifted assets to international stocks. Bonds suffered as rates generally backed up, probably in recognition that bond rates are too low if developed (EU and US) economies are recovering.
- Europe is entering a quiet revolution. While Greece has "hogged" the headlines, other "PIIGS" (Portugal, Ireland, Italy, Greece and Spain) are learning to fly as IMF reforms generate economic growth. Contagion is not happening.
- China is managing their markets by administrative rules, as market turbulence in a centrally planned economy is an unwelcome development. Their Central Bank is lowering rates. We still believe their consumer class is growing. Markets are dominated by State Owned Enterprises, but the economy will likely see consumer growth.
- Japan is updating the third arrow of "Abenomics." Arrow 1 was QE, Arrow 2 was Fiscal Stimulus, and Arrow 3 is the overhaul of agriculture, energy, labor market and corporate governance rules.
- In the US, "no news is good news." The economy continues to recover from the winter, and the Fed remains on hold for now. Everyone expects some normalization of rates higher.

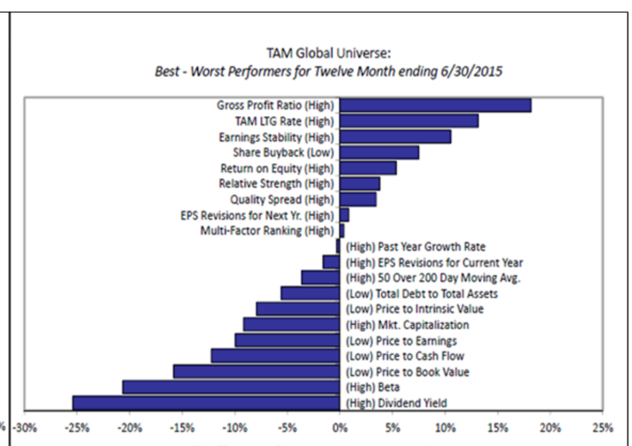
We continue to believe the Global indexes are in a secular bull market. In Euro terms, some local European markets are at new highs and others are flirting with them. Given reform efforts underway, we think the Global economic recovery is probably real. Low bond rates and low inflation rates globally are combining to create an atmosphere where Pension Funds and long term investors have few alternatives to make reasonable returns on their income generating investments. This leaves few options besides stocks.



Performances of world stock markets in local currencies and dollars are illustrated to the left. Some of the lead market performances came from oversold bounces and not secular uptrends. With Brazil as the top market and Greece being number four, the bottom fishers had the upper hand in this environment. Brazil continues to have several economic and monetary headwinds. Our indicators do not suggest this leadership will last for them. Greece was able to avoid a worst case scenario with their recent deal, but their economy still has a fair amount of pain to endure before they get onto a sustainable path to prosperity. China and Hong Kong were still in the midst of their strong rally through most of the quarter, as it was not until mid-June that the central authorities began deflating what they considered a bubble. At the bottom end of the scale, the Europe ex UK markets lost a lot of ground, perhaps as investors anticipate they will need to make concessions in the Greek deal. Australia and Israel also experienced weakness, probably due to commodity fears and Iranian deal fears respectively. In all, it appears investors were not rewarding sound finances or economic growth during the quarter.

Shown below are our customary charts describing which factors have been helping or hindering performance for Global stocks. 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 year, the market has favored growth companies with profitability and stability, and tended to ignore valuation measures. There seems to be a lack of belief or conviction that valuations are based on measures that will hold up. For the most recent quarter, we have seen investors begin to gravitate back to companies with cheaper valuations. Specific to this strategy, dividend yield continues to be at the very bottom of factors that worked over both time periods. We believe this is directly related to our exposure in commodity based stocks, and countries, where dividend yields tend to be higher. These areas have seen price weakness related to lower global economic expectations. It feels like an environment where investors are distrustful of the sustainability of the higher dividend yields. Our belief is that cheap stocks with above average dividend yields will again regain investor's acceptance as we move into the second half of the year.





Source: Bloomberg, TAM Estimates

TODD
ASSET MANAGEMENT LLC

For the quarter, stock selection was responsible for the slight underperformance versus the index.

Within the portfolio, we generally found that our stock selection in Consumer Discretionary, Materials and Technology detracted from performance the most. Stock selection in Industrials and Consumer Staples contributed to performance. Our best five contributors within the portfolio were Eli Lilly, AT&T, AbbVie Inc., General Electric and Philip Morris International. This list featured two Health Care Names, and Industrial conglomerate, a Telecommunication and Tobacco giant. The five stocks that detracted most from the portfolio were Coach Inc., Westpac Holdings, CA Inc., DuPont and Allianz SE. Two of these names were in the Financial Sector while DuPont has been sold due to the company splitting off its performance chemicals division, calling into question their dividend policy.

Regional Developments:

<u>The Quiet European Revolution</u>

Greek woes have caused volatility in European Markets. So a natural question is why are most European Markets rallying this year if this is a concern? Greek problems are well documented, but there has been a quiet revolution in other parts of Europe that lead us to believe the EU is not in as precarious a situation as the TV commentators would have you think. Most of the former problem economies of Europe have been pursuing labor market reforms and are adopting pro-growth policies. Most European economies had a reset in expectations after 2009-2010, and started shifting policies to balance budgets, open labor markets and become more competitive. This is a long term radical revolution that may put them on the path to sustainable growth post the crisis.

Think of the following points and ask yourself whether Europe is in a better place now than in 2010:

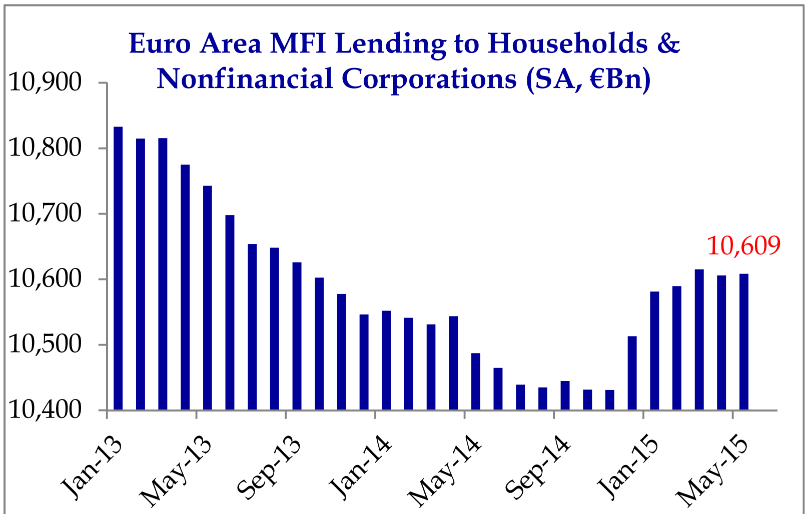
- Ireland had the highest growth rate in the EU for Q1, logging 4.1% GDP growth and almost 12% retail sales growth.
- Spain has the highest GDP growth rate in continental Europe, at 2.7% y/y, over twice Germanys 1.1% growth rate.
- Portugal exceeded Germany’s growth rate as well, registering 1.4% growth. Italy and Greece were the laggards, at 0.2% and 0.1% respectively.
- Retail sales growth surged in the countries that undertook the most significant reforms.
- All equity markets except Greece are up significantly YTD.

Country	Nominal GDP (PPP in $B)	Current GDP Growth (YoY)	Retail Sales (YoY)	YTD Stock Market Return (in Euro)
Germany	$3,635	1.10%	1.10%	11.62%
Portugal	$230	1.40%	3.50%	18.63%
Ireland	$246	4.10%	11.90%	19.73%
Italy	$2,144	0.10%	0.00%	20.73%
Greece	$238	0.20%	-1.90%	-1.08%
Spain	$1,404	2.70%	3.90%	6.89%

Source: Trading Economics and Bloomberg

Post their bailouts, Spain, Ireland and Portugal committed to reforms as suggested by the IMF and OECD. Spain stabilized their banks and pursued labor market reforms. Portugal undertook reforms to strengthen public finances and close the current account deficit by improving export performance. Italy is somewhat behind the curve as political wrangling has left them short of their goals in labor market reform. The OECD seems optimistic that their jobs act and judicial/public administration reforms should make them more competitive. Greece has implemented some reforms, but not enough to put them on the path to sustainable growth. Additionally, they have not been able to provide much hard data illustrating if the reforms have been implemented and are effective. Without economic growth, Greece has one of the highest Government spending to GDP ratios in the Eurozone, suggesting the private sector is not thriving.

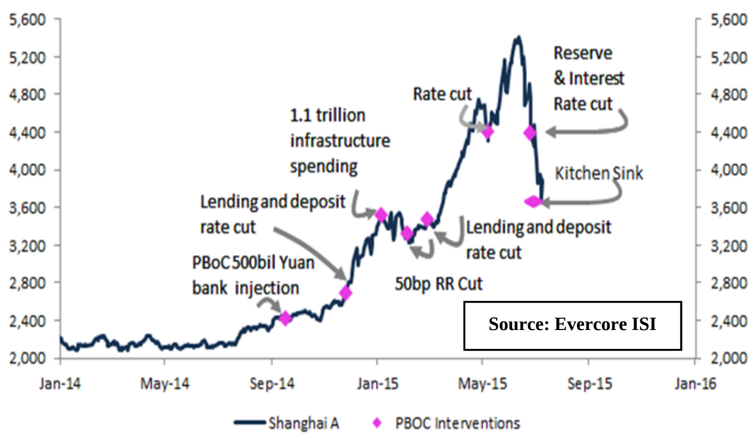
Contagion has been a concern, but investors seem to have discerned between Greece and the other Euro area economies. Contagion, i.e. the fear investors have of Greek problems expanding to other EU members, is low if you judge it by rates and access to debt financing. Most European rates remain low compared to history, and loan growth has turned positive since the Fourth Quarter as seen in the chart to the left. With rates remaining generally low, and Monetary Financial Institution loans growing, there are signs that some recovery is beginning from the European recession of the past two years. Lenders are loosening the purse strings a bit, indicating they are finding more creditworthy applicants. This also indicates that demand for loans is better, a key confidence indicator that is needed before a full blown recovery can take hold.



Source: Strategas

China – Slowing Pains and Growing Pains

China's central bank has cut rates four times since last November, and a bid to shore up flagging growth in the economy. Additionally, they have lowered the amount of cash the banks need to hold in reserve to spur lending. These classic easing moves have been used for some time in Western central banks, and the normal response is for a stock market rally to follow this. That has happened in China as well, with the Shanghai composite more than doubling between Last October and June of this year. Technical Analysts look at a period of sharp price appreciation after a long rally that they call the "blow off phase". This occurred after April, when the Chinese regulators allowed individual investors to open up to 20 trading accounts, a sign that the general public took as Beijing encouraging the rally. Call it "The Beijing Put Option" if you will. On June 13, the regulators widened a crackdown on margin lending in the Chinese markets, prompting a sell-off. We are now seeing a stiff correction as shares have plummeted over 30% from the high set on June 12. Regulators are pulling out all the stops to "fix" this by allowing companies to halt trading, and effectively legislate that stock prices stabilize. Nobody knows with certainty how that will work out. What we do know is:



1) The Central Bank is very accommodative.
2) The Government is trying to spur the economy.
3) Free Markets are a relatively new concept in China and they have made some missteps in regulating their stock market. Call it a learning experience
4) The Chinese stock market is a smaller portion relative to the economy than many western markets. It is also a smaller portion of the average citizen's wealth.
5) The five year plan calls for a boost in consumption for the average Chinese citizen to rebalance the economy towards a more sustainable growth rate.

While financial volatility is to be expected, we would not bet against the emerging market consumers. Economically, we believe the continuing growth in automobile sales, technology adaptation and the continuing improvement in wealth management options should continue. Infrastructure spending should continue and likely accelerate as China continues to open rail links to their interior and pursue the "one-belt, one road" initiative to increase trade via land or maritime routes with Europe, Asia and Africa.

Japan- The Third Arrow

In June 2014, the Japanese Government issued "The Japan Revitalization Strategy". This publication outlined the third arrow of "Abenomics" promoting better corporate governance rules. Investors took heart from this and have driven the Nikkei 225 Index (chart left) up almost 30% in the past year. A council of experts was established by the Tokyo Stock Exchange and the Financial Services Authority of Japan to write the new code of corporate governance. The object of the code is to get companies to take better risks rather than no risks at all, and return the economy to growth. They are working on changing the corporate culture of Japan, something that will likely take time. Their focus is to make corporations more shareholder/stakeholder responsive and more transparent in their management styles. Many Japanese boards are dominated by company insiders, and have been very cautious. They have hoarded cash instead of investing in expansion. "Productivity" was a word that wasn't used in communications because it implied firing people, something that insiders are rarely fans of. We have a sense that companies are likely to embrace restructuring now that the government is promoting it.

The US- No News is Good News.

While the Fed has stopped Quantitative Easing, monetary policy is still very easy by historic comparisons. Despite that, the US market has paused as investors fret that the end of QE means the end of stocks appreciating. Couple that with S&P EPS estimates that came down to flat year over year in 2015 over 2014 and you can see why US stock performance has been lackluster thus far this year. This may continue into the fall.

In our opinion, until dramatic excesses build up you are not likely to see a US recession. Without a recession, a bear market is unlikely. Until we get further into the economic cycle, we are at risk of lackluster growth, but a repeat of the 2000-2002 or 2008-2009 type recessions are improbable. The litmus test for excesses in an economy tends to come from long lived assets. In the late 1990's, vast sums of money were taken from issuing stock and put into telecommunications and internet capital spending. That turned into capital losses, so when the next cycle came along investors decided real estate (instead of stocks) was a sure-fire thing. That led to the well documented real estate bust and more capital losses. Looking at the current situation, the two usual suspects of economic excess; housing and business capital spending, seem to be fairly contained. You can make an argument that Oil related capital spending got extended, but that is not large enough to derail the entire economy. The reset in oil spending coincides with the pause in the markets and flattening of EPS growth. As we move forward in an economy that is creating jobs and bringing unemployment down, our eyes are on real estate and capital spending. We believe a larger recovery in those markets is necessary before the Fed gets restrictive on short term interest rates. Short term rates are probably rising in the next year, but anything up to 1+% is simply getting back to normal in our opinion. The Fed would have to move higher than that to be restrictive.

The Outlook

There has been no shortage of news recently with Greece, China and Iran dominating headlines. During the summer months, investors are still uncertain of the earnings outlook in the US or whether the expected growth in Europe is real. As a result, volatility is probably going to increase for Global stocks. Year to Date, Global stocks have essentially gone nowhere, with some fairly dramatic sector rotations within the market.

In our last letter, we suggested concerns about FX negatively impacting EPS estimates and the impact of Chinese weakness and Greek Negotiations could make for a dicey short term environment. That seems to have occurred, but we have not seen a correction in Global stocks. While we believe the Global economic expansion has years to run, we are mindful that sometimes markets just want to decline. We are trying to balance the prospect of economic growth in the US and Europe, the lessening of geopolitical headwinds (note, we did not mention Russia once in this letter) against the potential for softer global economic growth coming from China. In all, our sense is the Global market will probably rise before year end. Year to date, investors have been seeking high quality growth, both here and overseas. That's an indicator of a scared market. If consumers spend their oil dividend, and fiscal/economic stimulus in China work, and the European economic recovery (ex-Greece) continues, that should be a good harbinger for stocks. That would also help our portfolio performance as investors should start seeking more value oriented stocks.

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

7-23-2015

MSCI ACWI – 428

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

TODD ASSET MANAGEMENT LLC
GLOBAL INTRINSIC VALUE EQUITY INCOME 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 solely as part of 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 public funds, corporate funds, IRAs, and high-net-worth individuals, invested primarily in large cap, high quality, attractively valued domestic and international equity securities with the objective to seek dividend income. A secondary focus is growth of income and capital appreciation.

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 Global Intrinsic Value Equity Income Composite contains fully discretionary, taxable, and tax-exempt accounts that use the MSCI ACWI (Gross) Index as the benchmark. 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, 2015 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 Global Intrinsic Value Equity Income Composite for the period January 1, 2011 through March 31, 2015. 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 0.60% applied monthly. 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 benchmark (shown with dividends reinvested):

MSCI ACWI (Gross) Index is a float-adjusted market capitalization index that is designed to measure the equity market performance of developed and emerging markets.