TODD
ASSET MANAGEMENT LLC

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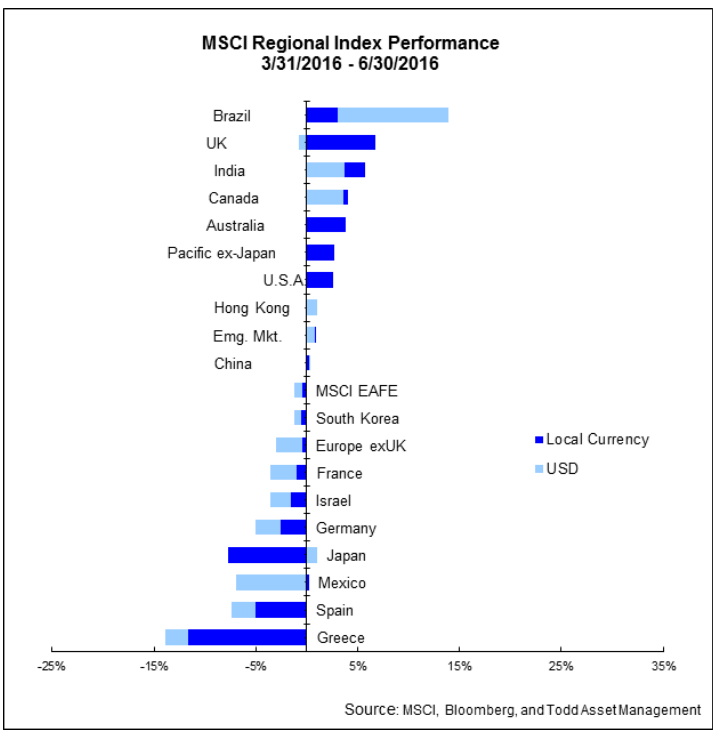
Brexit… A Turning Point?

Todd International Intrinsic Value Review

	2Q 2016	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-3.8%	-7.2%	-14.7%	1.2%	1.6%	7.4%	3.3%
(Net)	-4.0%	-7.6%	-15.4%	0.4%	0.8%	6.5%	2.5%
MSCI ACWI ex-US	-0.4%	-0.7%	-9.8%	1.6%	0.6%	5.8%	2.3%

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

The International Intrinsic Value portfolio declined -3.8% (gross) compared to the ACWI ex-US return of -0.4% in the second quarter. International markets suffered heightened turmoil as Britain decided to exit the European Union and renewed concerns about the financial stability of banks pressured indexes. Emerging markets outperformed developed markets by a wide margin as Brazil, India and the Pacific ex-Japan markets were among the best globally during the quarter (see chart below). There is some healing going on within the Emerging markets as commodities find a bottom. We found that the market rewarded measures of technical and earnings strength. Investors were less keen on Quality, P/E, Dividend Yield, and price to Intrinsic Value during the quarter. All of these led to our proprietary multi-factor model not working well during the quarter. If history is a guide, periods where we have underperformed because of the multi-factor not working have been limited to a few quarters. We believe a recovery is likely.



Without a doubt, one of the largest geopolitical surprises of the past decade was the British vote to exit the EU. In hindsight, we probably should not have been surprised as populist candidates have been surging in the polls in most election contests we have seen recently. Following the election, the "Leave" camp leaders found themselves in the quandary of a dog chasing a bus. Namely, what to do once they catch it? They seem to not have thought that far ahead, and a power vacuum emerged as PM Cameron resigned and a new leader needed to be selected. That situation appears to be sorting itself out, as a new PM has been elected, but there are still many elements of uncertainty to play out in this drama. We think this could be a turning point for governments worldwide as they realize that unhappy electorates want growth oriented policies.

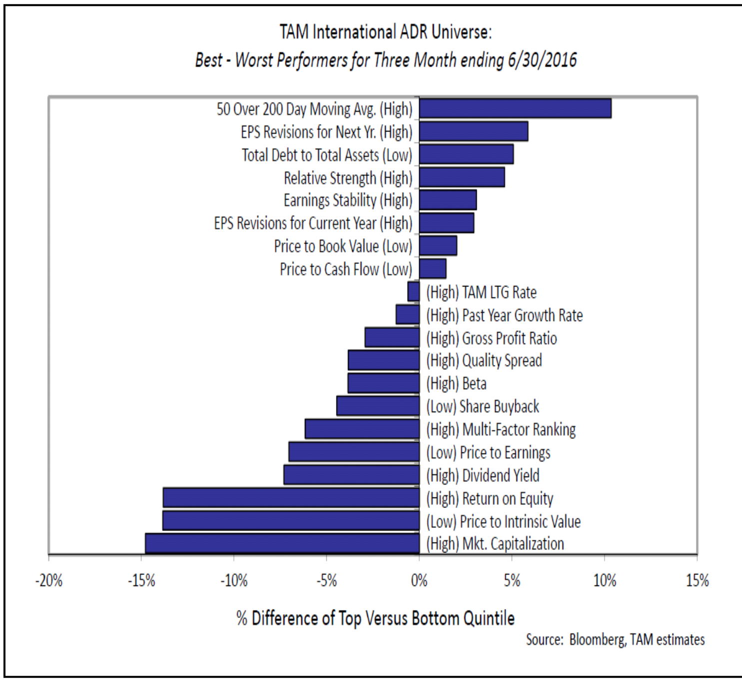
There were other notable developments besides Brexit in the quarter, including:

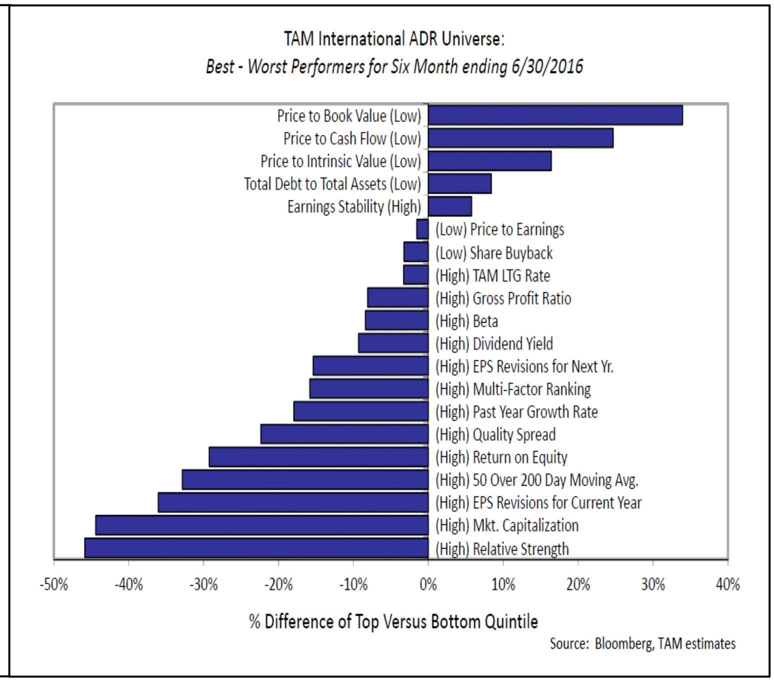
- Most major central banks left policies unchanged. The US Federal Reserve has been tiptoeing towards another rate hike, but economic developments seem to keep them on hold. The Bank of Japan surprised most investors when they left policy unchanged in April. They are currently considering several policies that amount to "helicopter money", i.e. fiscal stimulus directly to consumers to bolster the economy. The European Central Bank left rates unchanged after aggressive moves in March to bolster their economy. The Peoples Bank of China left rates unchanged as well.
- Market rates for bonds have plummeted post Brexit. Many European and Japanese sovereigns moved deeper into negative rates, and the U.S. 10 year government bonds briefly got to 1.35%, before recovering to the current rate of nearly 1.6%. Refinancing of mortgages has surged.
- Most governments are either stimulative or becoming that way. The U.S. has seen government spending go from a drag to a support for growth. China is pursuing more fiscal stimulus and just reported a modest upside surprise to GDP. Japan is on the path to becoming more stimulative. The British vote could push both the UK and Eurozone governments to adopt more growth oriented policies as their electorates are clearly unhappy with the low growth regimes they have been experiencing.
- Economic progress was uneven in the quarter. The IMF and World Bank lowered estimated 2016 growth. Other trends we have seen include:
    - Second quarter US GDP growth estimates firmed up to something at or above 2.5%.
    - Chinese GDP came in slightly ahead of estimates at 6.7% growth in Q2. The IMF actually raised their estimates of Chinese growth in the quarter.
    - Japanese growth estimates were cut by the government to 0.7% from 1.4% for the year ending April, 2017.
    - Estimates for British and EU growth are being re-evaluated by most investors, with an eye towards reducing them as a messy divorce gets underway.
- A poor May employment report for the U.S. concerned investors heading into the British vote, but a spectacular rebound in June employment led the US market to new highs.

Currencies generally behaved themselves during the quarter. Though many analysts are wondering why the Dollar has not strengthened more given the turmoil in Europe. The Dollar and Euro remain in a trading range compared to each other. The yen has been very strong versus most other currencies, much to the dismay of their central bank. Our sense is the Dollar probably stays in the current range for the rest of the year. The Chinese currency has declined in value, but investors are not nearly as fearful of that as they were earlier this year.

While the Brexit vote will be what most investors remember about this quarter, we think in time it will be seen as a turning point for the EU. Since the financial crisis, European institutions have tended to take half measures when trying to improve economic activity. The ECB participated in the first round of extraordinary bank measures with the US and British central banks during the financial crisis. After this, they allowed their balance sheets to contract, draining stimulative policies from the market. While this was occurring, governments pursued austerity. Tighter monetary policies and austere government spending led Europe to weaker growth. The electorate in Britain has backed a populist movement to leave because of subpar growth and concerns about losing control of their borders. Other populist parties are rising in Europe. This may prompt those governments to pursue pro-growth policies like infrastructure spending and possibly employment, tax and entitlement reforms.

What Worked… And What Did Not





In the two charts above, we monitor how various attributes help or hurt market performance to see if the investors are seeking attractive value, earnings growth or something more concrete like dividends. The charts present this performance for the second quarter and year to date period. This chart measures how the best ranked 100 stocks on each measure compare with the lowest ranked 100 stocks within the our International universe. The only factors that meaningfully worked thus far this year are valuation, low debt to assets and earnings stability. ***For fifteen out of the total twenty factors we monitor, the best ranked names underperformed the worst ranked names!*** Historically reliable measures of yield, strong fundamentals or improving technical measures did not work. Our multifactor model has detracted from performance for the first half of the year. We think this presents a good opportunity for us, as in our experience the multifactor model does not stay out of favor for more than a few quarters.

Since the STOXX Europe 600 index peak in April, 2015, the European market's economic sectors have traded like they did in prior recession induced bear markets, pursuing a flight to safety. How do we know this? Examining the bear markets starting 2000, 2007 and the Greek exit (Grexit) scare of 2011, stable companies like Foods, Personal & Household Goods and Utilities consistently led the market. Generally, the best performing sectors outperformed the worst by 30-50% in the 2007 and 2011 safety trades. The performance advantage was even wider than that during the 2000 episode.

Where are we now? As you can see in the next chart, the very same stable sectors have have been the sector leaders, and they have beaten the Financial, Auto and Basic materials sectors by 30-45%. This is very similar to prior bear markets.

We believe recession sentiment and uncertainty should fade as the year goes on. This episode seems to most closely resemble the 2011 Grexit worries. As Brexit developments unfold and we get the uncertainty of U.S. elections out of the way, we believe fundamental measures will regain traction.

STOXX Europe 600 Market Sector Returns 4/21/15 to 7/5/16

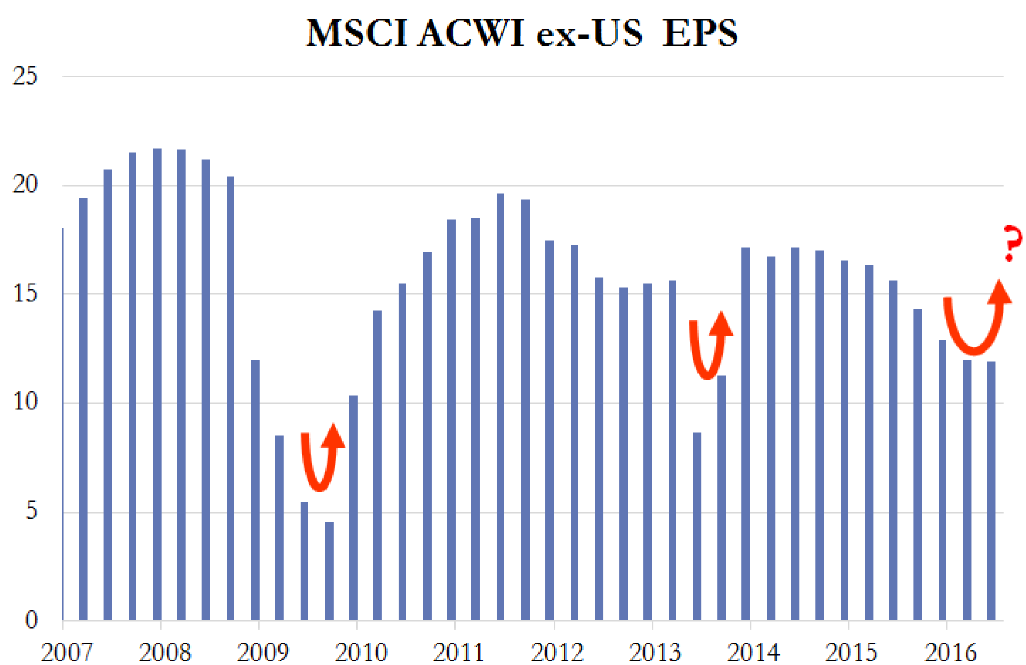
A Bear Market Flight to Safety

Source: Bloomberg

After the markets bottomed, the formerly leading sectors usually lagged and the laggards became the leaders over the year following the market lows. If that holds true this time, we would expect Financial, Insurance and Auto stocks to outperform post recovery. They are the economic sectors that have suffered over the past year that our discipline has favored. We think the relative sector performance has already priced in a recession.

We see several catalysts that could ease recession fears and help earnings through the next couple of quarters, including:

- Earnings for the ACWI ex-US have been under pressure as energy and commodity prices have weakened since 2014, but are now stabilizing. Financial earnings have been pressured as well, with non-performing loan charge off costs rising.
- Currencies have also settled at attractive levels for the Euro and British Pound, probably helping their export outlook. The Yen is stronger, but some stimulus could help activity there.
- Growth has been sluggish worldwide. Central bankers are telling Governments that growth oriented fiscal policies are needed. The Brexit vote could prompt government spending programs and perhaps some supply side solutions.



We feel the triple dip Earnings recession since 2008 has troughed with expectations that Europe and Emerging Markets will drive a rebound.

Source: Bloomberg

Any number of other developments could change this situation as well. The uncertainty from the U.S. and other key elections worldwide should be resolved before year-end, just as the earnings recession is ending. All of these developments could help sentiment.

Performance Review

The International Intrinsic Value portfolio declined -3.6% (gross) compared to the ACWI ex-US return of -0.4%. We believe the world has plenty of easy money, but probably needs to see more fiscal stimulus. Central banks have been very busy, managing rates lower through bond purchases and official rates. They have effectively taken much of the sovereign debt in Europe and Japan into negative territory. Now it is time for the central governments to take action, and promote pro-growth policies. China has implemented them, with infrastructure programs and targeted consumer incentives. The US has promoted them with our highway bill last year. Japan is in the planning process for stimulus. Now Europe needs to consider them. Our sense is that with Brexit turning from an impossible notion two months ago to a real probability now, the central governments of Europe will take notice and it could prod them into action. As this occurs, our sense is it could prompt our multi-factor rating to regain traction.

Looking within our portfolio, stock selection caused most of the underperformance, though sector allocation did not help either. Overall, our underexposure to Energy and stock selection in Technology and Health Care were the largest headwinds we faced. Our discipline is pointing us to above market exposures in Information Technology, Health Care and Industrials. We are underweighted in the Staples, Energy and Utilities sectors. The Staples and Utilities remain expensive both on our intrinsic value discipline and traditional measures of value, so we are likely to maintain that underweighting.

Our best five contributors to return were Netease, New Oriental Education, Yandex, HDFC Bank and Nippon Telegraph and Telephone (NTT). NetEase has benefitted from the rapid adoption of mobile gaming as well as licensing the Minecraft game for distribution in China. New Oriental Education, the Chinese after school tutoring service, has been beating estimates of late and robust enrollment growth continues for them. Yandex, the internet provider serving Russia, has seen a significant recovery in search and advertising activity. HDFC, a leading Indian bank, has seen market share gains continue and anticipates robust earnings growth for several years. Finally, NTT continues to benefit from management initiatives to trim expenses and bolster sales.

The five stocks that detracted the most from our performance were Ryanair Holdings, Navigator Holdings, Delphi Automotive, Lazard and Hollysys Automation Equipment. Ryanair was a casualty of Brexit concerns as investors fear a consumer recession in Europe, their prime market. Navigator, the operator of LNG transport vessels, saw weakness as shipping rates softened amid low commodity prices. Delphi Automotive suffered with the auto industry as investors fret about consumer finances and the potential for recession. Lazard posted earnings below estimates as their assets declined and they saw some advisory deals delayed. Hollysys has seen their industrial automation business weaken as Chinese factories have not been expanding recently.

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Review and Outlook

We have not changed how we buy stocks. We look for stocks that are attractively valued, with positive earnings trends and constructive relative strength measures. Having attractive fundamental attributes has not helped performance yet this year. As investors get more comfortable with buying stocks, we believe they will return to favoring fundamental characteristics and our style should recover.

Investor concerns are being addressed one by one. The Brexit vote is out of the way. Several other European elections have been held, and most of the continent still seems to be committed to the European Union. The Japanese elections are out of the way, and Prime Minister Abe's mandate for growth was renewed. U.S. elections are coming up, but we now know who the candidates are and will soon have a better understanding of how they will compete for the office. The Chinese stimulus program has been a question mark for some, but appears to be working. Commodity markets seem to have bottomed. Against all of this as a backdrop, the S&P 500 just broke out to a new high. It may be a scared market based on stock selection factors and sector winners, but we believe it will broaden out as the recovery in the US continues and worldwide economies show signs of continued expansion.

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

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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.

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 March 31, 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 March 31, 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 6/30/2013, 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.