

Failure to Launch

Todd International Intrinsic Value Review

	3Q 2015	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-12.2%	-6.4%	-10.9%	5.6%	5.1%	5.4%	5.1%
(Net)	-12.4%	-7.0%	-11.7%	4.7%	4.2%	4.5%	4.3%
MSCI ACWI ex-US	-12.1%	-8.3%	-11.8%	2.8%	2.3%	3.7%	3.5%

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

The IIV Strategy outperformed its' benchmark YTD posting a gross return of -6.4% versus the MSCI ACWI ex-US return of -8.3%. For the quarter, the IIV posted a gross return of -12.2%, in line with the benchmark return of -12.1%. The US S&P 500 index returned -6.4% while the Barclays Aggregate Bond Index gained 1.3% in the quarter. The International Mid and small cap stocks outperformed their larger counterparts with returns of -5.0% and -2.2% respectively. MSCI developed markets lagged the US and Emerging Markets cratered. The EAFE index declined -10.1% and Emerging Markets indexes declined -17.7%.

“Failure to Launch” is how we would describe the quarter. What does that mean? Investors grew impatient as central bank actions did not seem to be helping to “launch” economic growth. Some examples included:

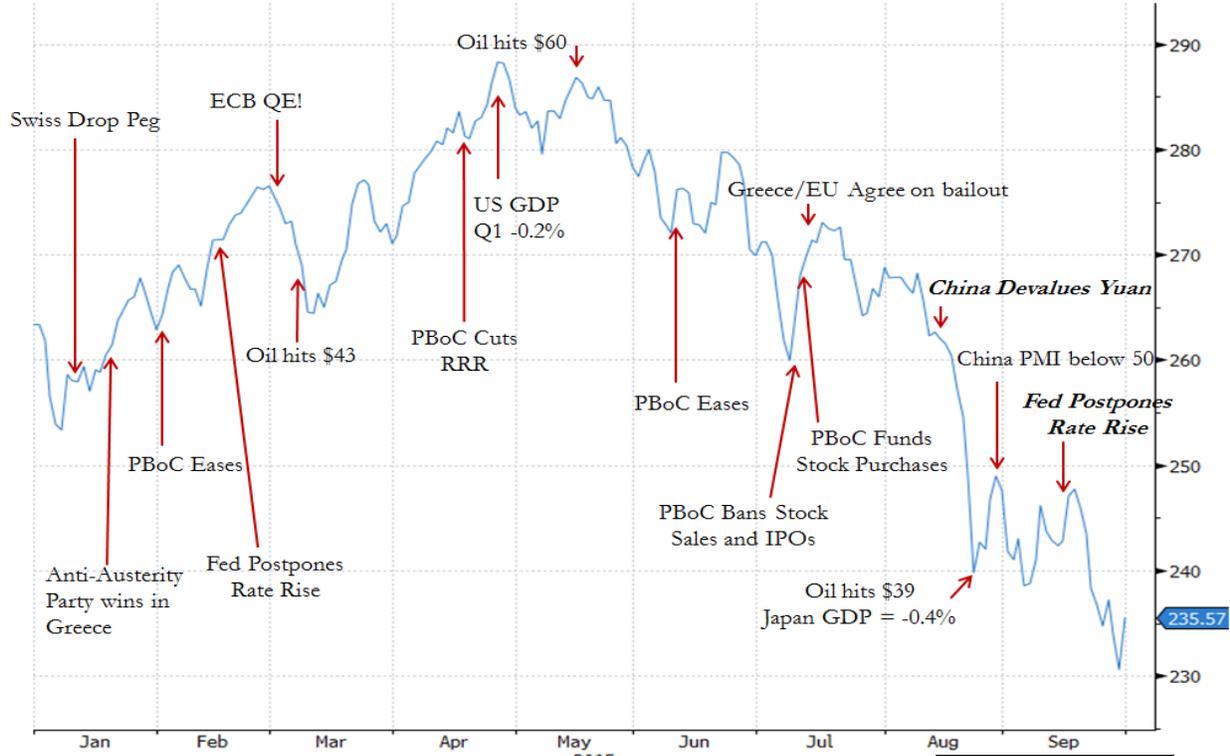
- Chinese growth continues to slow as they shift from manufacturing to services. Additionally, they devalued the currency and mismanaged their stock markets during some stressful periods.
- Europe got past the Greek crisis, and is slowly improving due to very easy monetary policies. The fourth quarter has some challenges for them. Immigrations, implementing the Greek deal and the UK debate over renewal of their EU membership are some issues we are watching.
- The Fed did not raise rates in September and botched the announcement of that decision. This uncertainty led to investor concerns of a dire economic outlook that consensus does not call for.
- Japan saw negative economic growth despite very accommodative policies.
- The rest of the Emerging Markets are seeing poor economic growth, especially those economies dependent on commodity prices, which have been very weak.

After the Chinese devaluation in August, International markets broke down to the worst levels seen in eighteen months. Many factors have been weighing on investors' minds, but the largest has been the persistent lowering of growth expectations. This has played a role in the commodity price declines, which have led to yet lower growth expectations for much of the Emerging Market space. It's a self-fulfilling spiral that is likely resolved over years as excess investment in commodities production is absorbed. Meanwhile commodities users (Developed Markets, India and China) should benefit.

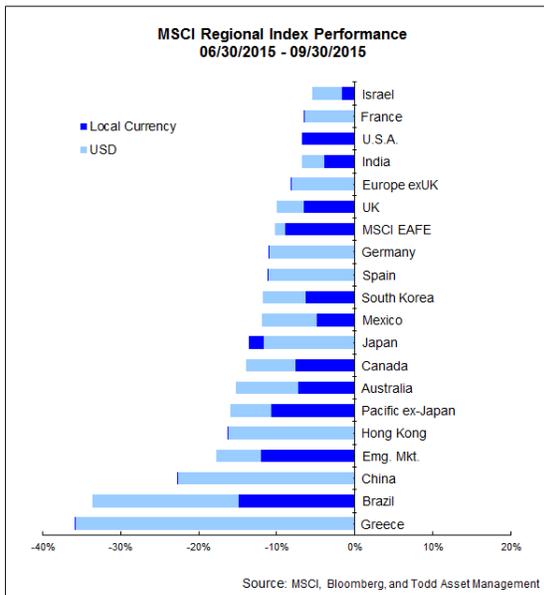
Developed markets are beneficiaries of this, and have been outperforming. European growth has improved after their balance sheet repair and work rule reform. Japan's outlook should improve under similar reforms from Abenomics. The overarching backdrop driving equities will remain very easy monetary policies that force investors to favor growth investments (stocks, real businesses) over holding debt.

Noteworthy Charts

MSCI ACWI ex-US YTD 2015 Timeline



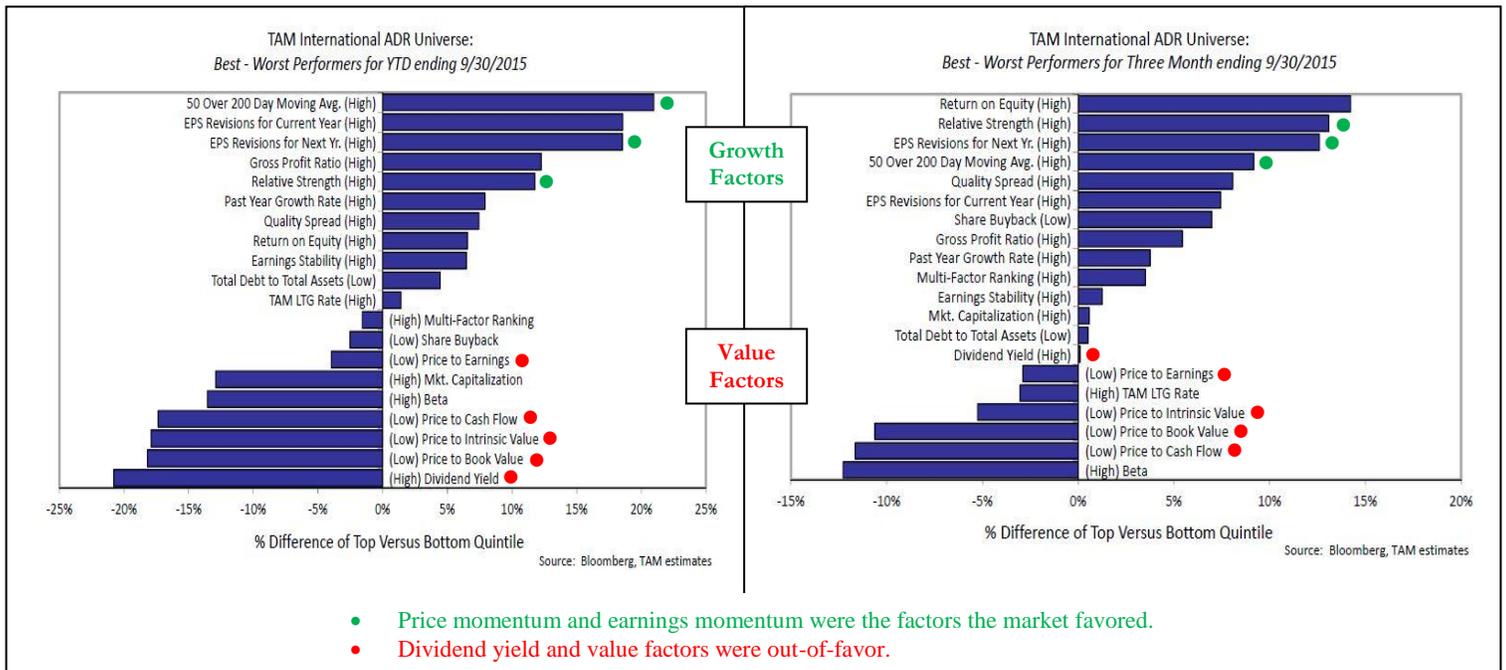
Source: Bloomberg



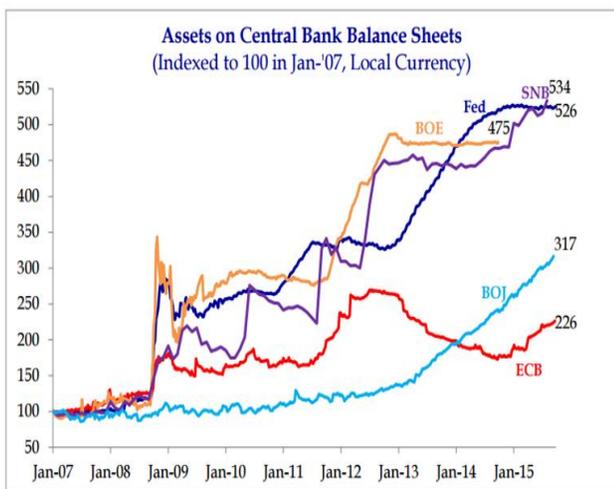
Source: MSCI, Bloomberg, and Todd Asset Management

After an early year rally in anticipation of the European Central Bank initiating Quantitative Easing, the MSCI ACWI ex-US topped out in April. It started to falter through the summer as Japanese and Chinese growth disappointed and European growth remained under 2%. The Chinese devaluation tipped it into a bear market.

Through the third quarter, the best performing markets tended to be developed manufacturing and service based economies. The laggards tended to be the emerging countries with well-publicized growth issues, and many commodity oriented economies. The only exception to these was India, an emerging powerhouse that is experiencing a general acceleration in growth as a new government is working to spur development.



Factors favored growth and momentum over valuation during the quarter and year to date periods, much like the US markets did. For the latest quarter, the performance for the largest capitalization companies with attractive dividends, strong balance sheets and attractive valuations was dismal. Companies with high growth rates good momentum and stable earnings were rewarded.



Source: Strategas

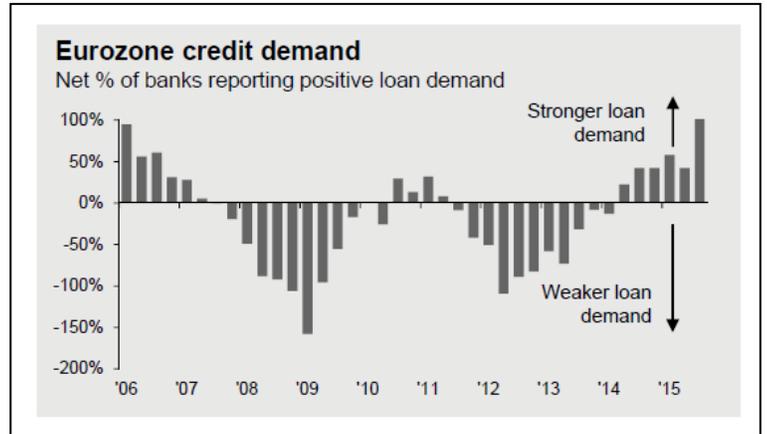
Central banks fall into two groups, ones that have already pursued QE and are accommodative, and those that are currently pursuing QE.

Much attention has been given to the US Fed and the prospects of raising rates. However, the Fed's balance sheet is likely to remain quite elevated through the rest of this decade. Rates probably remain low too. Likewise, the ECB and Japan are continuing to implement quantitative easing while maintain low rates. Therefore, despite the talk of tightening monetary policy, central banks around the world continue to remain extremely accommodative and are likely to continue doing so for some time.

Central bank accommodation usually leads to growth.

Credit Demand and healthy growth in money supply are two good signs for the Eurozone. The chart to the right indicates that loan demand is rising in the Eurozone, while the chart below indicates that M3, a measure of money supply, has resumed growing as well.

One concern arising from the financial crisis is that investor's appetite for loans was structurally impaired as risk aversion was emphasized. These trends indicate that the confidence for expansion is present and we view it as a precursor to better growth.



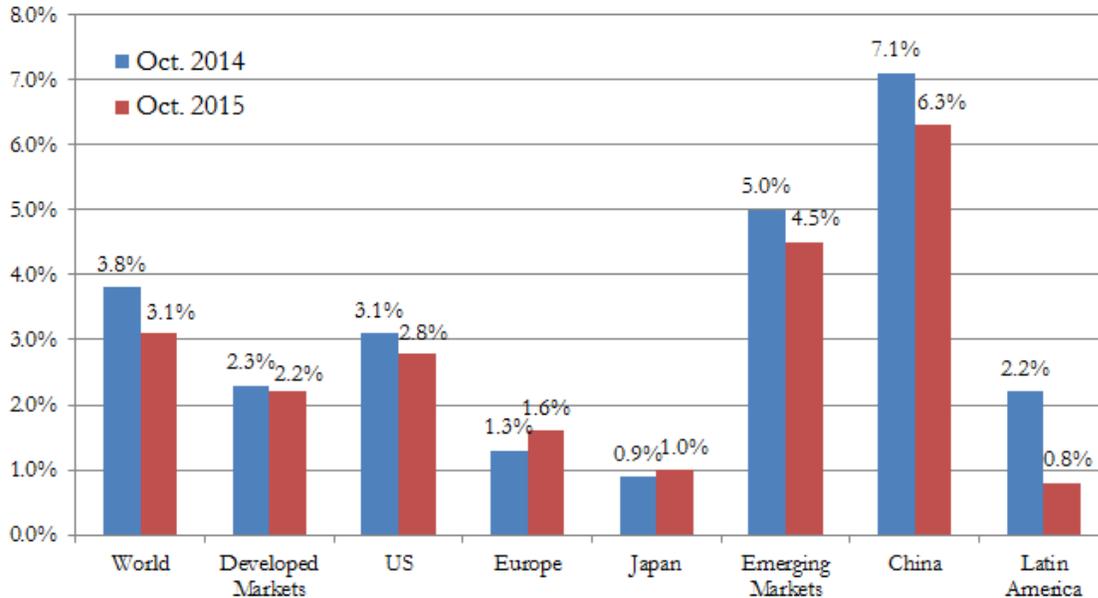
Source: JP Morgan

Eurozone M3 Growth Rate



Source: Bloomberg

IMF World Economic Outlook for 2015



Source: IMF World Economic Outlook (Purchasing Power Parity)

We present the International Monetary Fund (IMF) estimates for 2015 growth in the chart above, measured in October of 2014 and now. Generally, expectations for growth have been trimmed for a variety of reasons. Latin America saw the most dramatic decline in expectations; with estimates being cut to less than 1% from over 2% as commodities have collapsed. While China has seen estimates trimmed as they shift from a manufacturing economy to be more consumption oriented, they are still over 6%. While there may be general concerns over China, the IMF still has confidence they will grow.

What stands out to us is that Europe and Japan have both seen estimates rise, something that probably would not have happened in prior years. Those economies are still early in pursuing pro-growth policies, and if this is an indication, those policies are gaining traction. Also, those economies make up over 20% of global GDP.



Performance Review

The International Intrinsic Value Strategy performed in line with the ACWI ex-US during the quarter. Stock selection was a small headwind while sector allocation was slightly positive for results. We have a value and Large Market Cap bias in our stock selection, which the market has not favored. For example, the most attractive quintile our international universe on Price to Intrinsic Value underperformed the least attractive quintile by almost 2000 basis points year to date. Despite this, we are still ahead of the indexes year to date.

Compared to the MSCI ACWI ex-US index, the IIV strategy has above market weights in the Information Technology, Health Care, and Industrial sectors. Our disciplines are pointing to sectors that should benefit from better cyclical growth. This is probably a result of the extraordinary stimulus measures in place for most central banks. We approximately match the market in the Consumer Discretionary sector. We have below market weights in the Consumer Staples, Financial, Telecommunication, Materials, Energy and Utility Sectors. Many of these sectors remain expensive; especially those that are considered bond surrogates. The decline in energy and materials prices also led us to below market weightings in commodities related sectors.

Regarding regions, we are overweighted in the Eurozone and Canada, and underweighted in Japan, Pacific ex-Japan and Emerging Markets. Within emerging markets, we are very underweighted in the commodity producing regions, especially Latin America. We are tilted towards India and China. Regionally, we continue to favor Europe as we believe the recovery they are currently seeing should last for some time.

Our stock selections in Consumer Discretionary, Consumer Staples and Telecommunications helped results during the quarter. Selection in Energy, Materials, and Industrials cost us the most. Our allocation was generally additive, led by our overweight in Health Care, and underweights in Materials and Energy. Our significant underweighting in Consumer Staples was a headwind as that sector outperformed the index. Our discipline combines attractive valuation measures with signs that fundamentals are good (and improving) and indicators showing those attributes are being rewarded in the market.

The best five contributors to portfolio performance during the quarter were Dr. Reddy's, Ryanair, Icon, Amdocs and Siemens. Dr. Reddy's launched several new generics, notably Nexium. Ryanair guided estimates up for next year on volume and fuel cost assumptions. Icon guided estimates up on better business trends, tax rates and an anticipated share repurchase. Amdocs upgraded their earnings outlook due to better synergies after a recent acquisition. We sold the position and took profits in Siemens early in the quarter, resulting in a gain on that position. The five laggards of the portfolio were Lazard, Jazz Pharmaceutical, YPF, Navigator Holdings, and Hollysys Automation. Navigator and YPF suffered in line with the Energy stocks, which were among the worst performers during the quarter on renewed commodity weakness fears. Hollysys is a Chinese infrastructure and automation company, and has seen negative sentiment based on concerns about their economy. Jazz Pharmaceuticals suffered with most of the other specialty pharma names on reimbursement concerns. Finally, Lazard was penalized as concerns over the declining equity market impacted them.

Review and Outlook

In our last letter, we suggested Chinese weakness and the European negotiations with Greece could make for a more volatile, dicey outlook. That turned out to be half true as Europe got relatively quiet, but China mishandled their stock markets and economic slowdown. A surprise Chinese devaluation led to the late August swoon in the world markets. Truth be told... many underlying technical trends in markets had suggested they were susceptible to such a pullback. What we did not factor into our thinking was the Fed statement after deciding against raising short term rates. In her statement, Chairwoman Yellen noted

that US economic growth in the first half was above most FOMC members' expectations, and employment was strong. Both of these would have indicated a basis for starting to normalize rates upward. She then noted heightened concerns about China and international volatility. That part was what spooked investors, who are unsure if the Fed sees something more sinister afoot, or if they have just declared themselves bankers to the world. The following week, Chair Yellen gave a detailed explanation of why the Fed should raise rates in December, in an apparent attempt to let investors know that the Fed was not expanding their mission and contain the damage.

Uncertainties increased in the quarter, against a backdrop of markets that were already feeling tentative. The global economy has been weaker than expected. Chinese growth rates have been a source of concern, but the decline in Chinese growth is not new. We suspect it was the mishandling of markets that concerned investors. China spurred their stock markets to new highs in May and June through rules designed to promote speculation. When they pulled back from those policies and limited investors' abilities to margin accounts in June, the Chinese markets fell flat on their face. While that occurred, manufacturing indexes in China were indicating a contraction, though services indexes continue to show growth. Concerns about China's growth prospects led them to allow the currency to devalue. This move on August 11th was akin to shouting "Fire" in a crowded theater and started global markets into a correction. European markets had been fretting about the Greek situation, but were beginning to see some resolution in sight when the Chinese Currency devaluation forced them to think about an economic recovery that might be threatened by more competition. Following that, the Fed chimed in with their dose of worries on September 17, and surprised the market by not raising rates. The net result was the MSCI EAFE index declining over 17%, The Nikkei 225 declining 18% and MSCI Emerging Markets indexes declining over 27% peak to trough. Things looked pretty grim as China worried about their economy, The US worried about the Chinese Economy and Europe/Japan worried about their exports. Let's not even talk about Latin American indexes trading at less than half of their 2008 peaks because of commodity price declines. *In all, it was exactly what should have been expected for a September/October time frame, a period when markets normally encounter seasonal weakness!*

So what do we expect going forward? First, the US economy should not see a recession and may see a modest pickup as government spending moves from a growth headwind to a growth tailwind. This is important because most other developed economies sell to American consumers. The Chinese economy has seen growth slow, but policymakers are pursuing pro-growth policies. The Yuan devaluation makes their goods more attractive in world markets. Additionally, they are pursuing infrastructure spending and continuing to promote consumption with targeted fiscal policies removing some taxes on Auto sales and the like (remember cash for clunkers?) Their Central Bank is one of the few on the planet that has rates above zero, and they are reducing rates to promote growth. Investors have anticipated a Chinese collapse for years, but it never seems to happen. We don't think it will this time either. Europe is seeing some growth. IMF reforms in Spain, Portugal and Ireland have driven consumption and investment showing that freer work markets lead to better growth. Germany has stayed the course and is growing. France has been stagnant, and probably needs to adopt the work reforms that the IMF promotes. The ECB is still performing quantitative easing, and will probably extend that in December. The UK continues to experience solid growth, and their central bank is waiting for an opportune time to normalize rates higher. We do not expect a recession in Europe, as there are few excesses to wring out of the economies after the past few years. Japan continues on course with Abenomics, and is pursuing corporate governance reforms designed to make companies more competitive. They also plan to open some markets through the recently agreed to Trans-Pacific Partnership with the US and other Asian economies. Latin America has some serious structural problems. They did not use the commodities boom as the chance to restructure their economies away from commodities. They are paying the price for that now as the biggest victim of the slowdown in Chinese commodity consumption.



How do you combat a persistent softness in world economic growth? Pro-growth policies designed to promote consumer and business confidence are what is needed going forward, but that can be a slow process. The US and UK pursued these policies immediately after the financial crisis, and have succeeded in getting their economies on the right track. Parts of Europe are starting to pursue them, though more is needed. Japan is pursuing “Abenomics”, coordinating their monetary, fiscal and regulatory policies to pursue growth. China has been pursuing them through targeted fiscal policies and monetary easing, but they have had a pro-growth bias for the past 20 years. As all of these factors play out over the coming year and beyond, we think the odds are in favor of markets finding a firmer footing after this period of seasonal weakness.

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.

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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, endowments, foundations and high net-worth individuals, invested primarily in large cap international 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 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 June 30, 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 International Intrinsic Value Composite for the period January 1, 2011 through June 30, 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, 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%. 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 (shown with dividends reinvested):

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.