TODD
ASSET MANAGEMENT LLC

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Slow Is More Sustainable

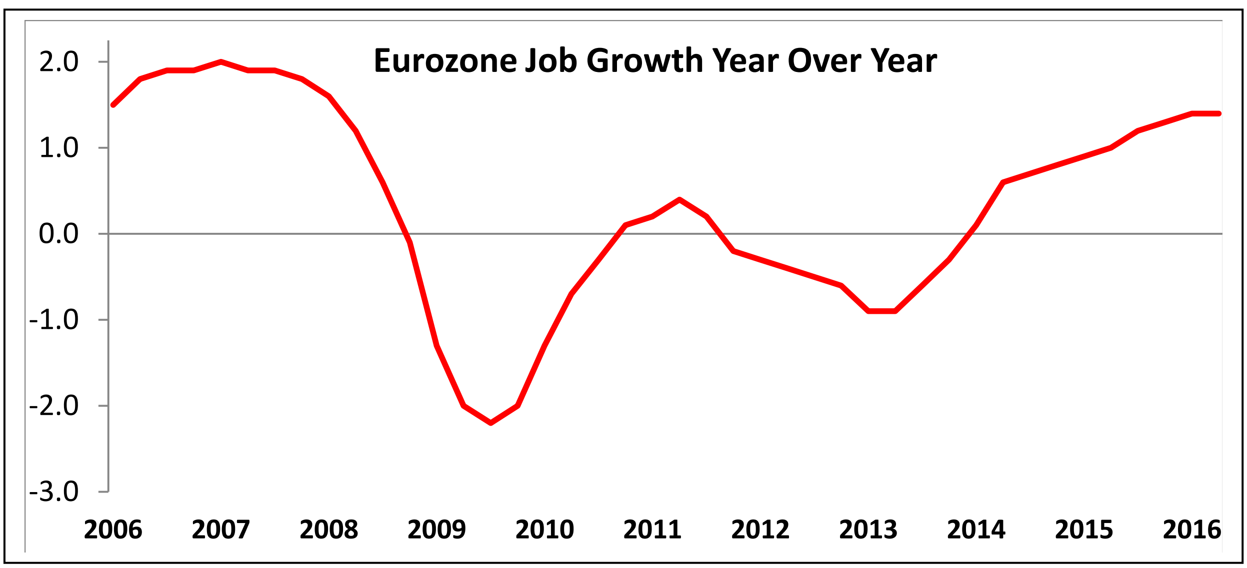
Todd International Intrinsic Value Review

	3Q 2016	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	5.8%	-1.8%	2.9%	0.0%	7.8%	5.7%	3.3%
(Net)	5.6%	-2.4%	2.0%	-0.8%	6.9%	4.8%	2.5%
MSCI ACWI ex-US	7.0%	6.3%	9.8%	0.6%	6.5%	4.1%	2.6%

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

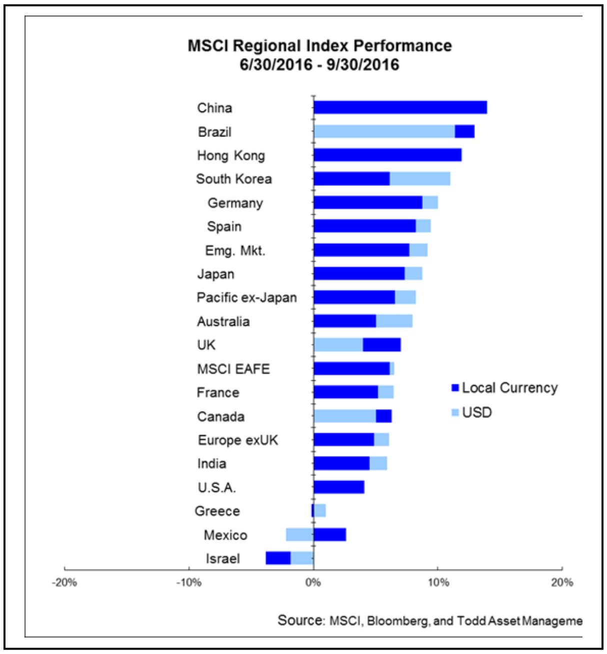
The International Intrinsic Value strategy underperformed the ACWI ex-US index during Q3, returning 5.8% (gross) compared to the index return of 7.0%. Fundamental disciplines remain under pressure post the Brexit vote, but if international markets follow the course of US markets, these concerns should dissipate and see fundamental disciplines rewarded again.

There has been much talk over the past few years of the abnormal nature markets have taken on. Negative interest rates exist for much of the world's sovereign debt, something that is clearly abnormal. We have also seen that recoveries in developed market economies have been slower and shallower than prior instances. Consumer debt repayment, curtailed government spending and reduced business investment are the culprits. These have led to tenuous recoveries and periodic recession worries. The catastrophic nature of the last recession has put the fear of another 2008 episode in investor's mindset, since that is the most recent reference point. We would pose another possibility to consider. What if slower growth is the path to sustainable growth? Most Developed Markets have larger populations of older citizens who tend to consume and spend less, and their newer millennial generations are generally less consumption oriented due to job uncertainties. Against this backdrop, we are seeing an employment recovery in Europe. While unemployment remains high (near 10%) job growth has recovered to near where it was in 2007, growing 1.4% y/y. Absolute employment numbers have hit a post crisis high for the Eurozone, and that growth is expected to continue despite the Brexit uncertainties.

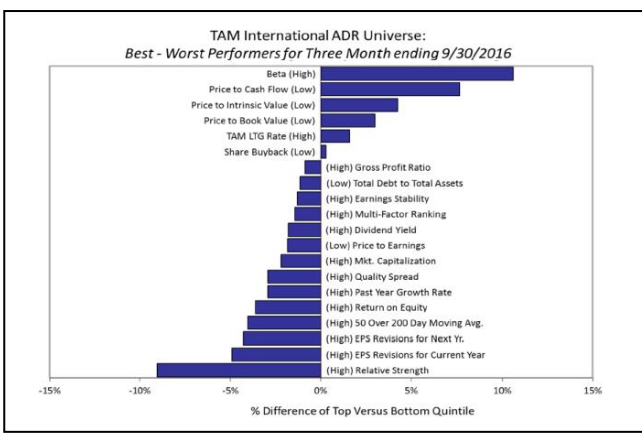


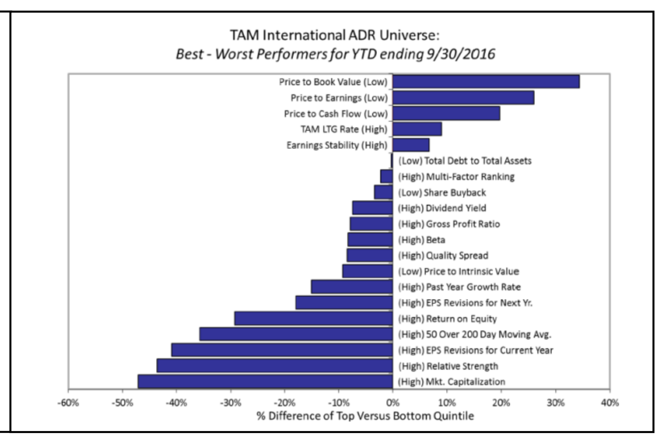
Source: Bloomberg

International markets had a good run last quarter, led by the Emerging Markets of China, Brazil and South Korea. China has firmed up as their stimulus programs are gaining traction. Recently, we have seen a number of strategists raising their estimates of Chinese growth. Their shift to become a services based economy is working, as their purchasing managers indexes indicate services continue to grow while manufacturing slows. Brazil has benefitted from less political instability and a firmer currency, while South Korea has benefitted from strength in the Yen hurting Japan's competitive position. The weakest markets were in Israel, Mexico and the US during the quarter as investors rotated to some prior laggards.



International markets are acting better, but fundamental disciplines have not regained traction yet. Our customary factor performance charts are illustrated below, with the QTD period on the left and YTD on the right. For the YTD and QTD periods we only saw five factors where the best quintile outperformed the worst. What that indicates to us is investors are still concerned and only purchasing attractively valued stocks with high growth rates. Most other measures of fundamental strength, quality or technical strength are still being penalized.





Source: Bloomberg, TAM Estimates

If we put this into the context of how the US market has reacted, after our recession scare (brought on by Fed tightening, weather and currency concerns in Q1) it took about a few months for fundamentals to start being rewarded again. The Brexit shock has international stocks behaving in the same manner. Overall markets may have risen, but it was likely because of lack of alternatives, with rates being low. It was not due to a strong belief in a recovery. As investors become more comfortable that another recession is not imminent, fundamentals are likely to be rewarded again, as they were in the US last quarter.

Central banks have begun to back away from the negative rates they embraced last year. The Chart below indicates which countries and maturities had negative rates as of early October, and they account for about $12 Trillion of sovereign bonds. That is a huge number and has caused distortions in markets. We would not be sorry to see negative rates go away. On paper, their intent is to make savings less attractive and force money to get invested in productive assets. In reality, they scare investors into thinking the economic situation is dire, and actually *increasing* their savings. They also tend to cripple banks that are dependent on interest income from loans. During the Brexit scare at the end of Q2, rates tumbled worldwide and the US 10 year bond yield dropped to new lows of 1.36% only to rebound to 1.75% currently. Since then, the US Fed and Bank of England have indicated they will not pursue negative rates. Additionally, the ECB and Bank of Japan have disappointed markets by not increasing the size of their bond purchases or lowering rates. This is leading investors to think the Central Banks are indicating they have done enough and it is now time for elected officials to introduce growth oriented policies. Think of it this way, if negative rates were the answer, Japan and Europe should be booming right now. They are not. Central banks probably would like to figure out a graceful way out of negative rates without scaring the marketplace.

Global Yields

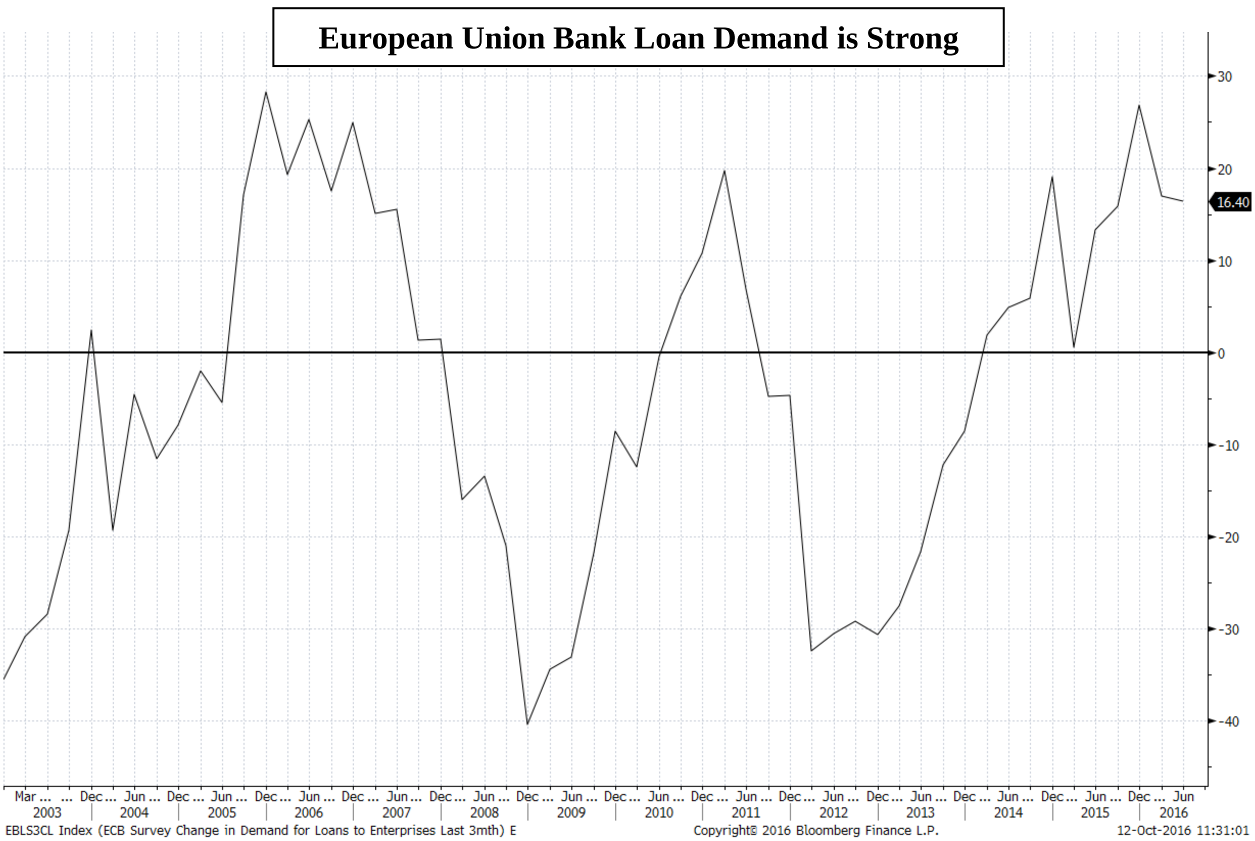
	3 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Australia	1.59	1.70	1.91	1.91	2.25	-
Belgium	-0.75	-0.66	-0.64	-0.40	0.28	1.22
Canada	0.50	0.58	0.59	0.74	1.19	1.81
France	-0.69	-0.63	-0.61	-0.36	0.33	1.13
Germany	-0.85	-0.70	-0.66	-0.49	0.04	0.65
Italy	-0.36	-0.24	-0.08	0.35	1.38	2.50
Japan	-0.29	-0.31	-0.26	-0.19	-0.06	0.50
Netherlands	-0.75	-0.72	-0.63	-0.60	-0.39	0.72
Norway	0.49	0.49	0.61	0.93	1.28	-
Spain	-0.41	-0.24	-0.21	0.13	1.12	2.21
Sweden	-0.75	-0.76	-0.67	-0.31	0.25	-
Switzerland	-	-0.97	-0.94	-0.82	-0.50	0.05
U.K.	0.30	0.20	0.21	0.41	1.02	1.71
U.S.	0.29	0.66	0.84	1.26	1.74	2.47

Source: Strategas. Data as of 10-13-16

Inflation remains tame in the rest of the world, with consumer prices in Europe rising at less than 0.5%, and remaining modestly negative in Japan. Chinese consumer prices are rising less than 2.0% as well. As a basis of comparison, the US is running with consumer price inflation of 1.5%

y/y. Persistently low inflation and the threat of deflation is what kept rates so low worldwide. This indicates that there is spare capacity in labor markets, industrial production and commodity supplies. It is evidenced by lower oil prices and restrained economic growth. US wage inflation is likely to become a concern, but that pressure is not cropping up in international markets yet.

European bank solvency concerns have risen lately as investors fret over the capital cushion many of the major EU banks have to deal with bad loans. The companies say all is well, but the credit default swaps for Deutsche Bank are near the post crisis highs. Risks are elevated as a result of negative interest rates and low returns on their base business. This is a situation we are watching closely. Their base business is seeing loan demand as evidenced by the chart below showing EU loan demand is near levels last seen in 2005-2007. That should bode better for the EU economic outlook eventually, but they need to be mindful that negative rates are hurting their banks.



Political volatility is becoming more prominent globally. Slower growth is becoming a problem for many elected officials as populist candidates are cropping up worldwide. We've seen strong showing from these political parties in the UK (Brexit) the US (Trump), Germany, Austria, Spain, Portugal and elsewhere. Income inequality and concerns that globalization are lessening opportunities for certain portions of the population are contributing to this. We believe this rise in populism may be sowing the seeds for greater growth ahead. Politicians enjoy being employed and in power. If they need to change from austerity policies to pro-growth policies to remain in power, we believe they will. If they do not, a new crop of replacements that support higher growth will emerge. Governments are going to be under pressure to raise growth rates. For developed markets, this suggests infrastructure programs, reforms aimed at job creation and investment incentives may gain some support. If you couple those with the low rates that should remain in place for some time to come, better worldwide growth would be the probable outcome. We believe this shift is occurring in Europe and Japan. If they are becoming more stimulative, like China is, it could lead to coordinated worldwide economic growth before long. That is our best case scenario. If, on the other hand, governments choose to do nothing or pursue policies that slow overall growth further, then the outcome would be continues tepid growth with a chance of recession. We favor the growth case, but recognize there is still a chance for renewed economic weakness. After the rally from the February lows, markets appear in a trading range since the Brexit trying to determine which way this will go. As this becomes clearer, so will the market direction.

Performance Review

The International IV strategy increased +5.8% (gross) during the quarter, underperforming the MSCI ACWI ex-US return of +7.0%. Investors have still been focused on buying stocks with only value or high growth rates, and disregarding quality or fundamental strength. We believe as fears of economic weakness induced by the Brexit lessen, that a shift back to fundamental disciplines is likely. If the US markets are an indicator, that took several months to work through after the recession scare from the beginning of the year. As this occurs, we would expect our Multi-Factor model to return to favor and see an improvement in portfolio performance.

Stock selection drove our underperformance during the quarter, more than offsetting the positive impacts of our sector positioning. Factor analysis shows that international markets continue to shun traditional fundamental metrics (i.e. profitability, stability, quality, etc.).

We are overweight the Consumer Discretionary, Health Care, Industrials and Technology sectors. We are underweight the Consumer Staples, Utilities, Energy and Materials. Among regions, we are overweight Canada, Europe and the UK. We are underweight Emerging Markets, Asia Pacific and Japan.

Our top five contributors to performance during the quarter were NXP Semiconductor, Netease, AVG Technologies, Taiwan Semiconductor and Hollysys Automation Technologies. NXP Semi rose on news that Qualcomm was in talks to acquire the company for $30B. Netease continued to execute well on both their gaming front and in advertising. AVG Technologies was up on acquisition news in early July as Avast agreed to buy the company for $25 per share. Taiwan Semi continued to post solid sales numbers throughout the quarter, easing concerns of an inventory correction within the semiconductor space. Hollysys shares rose on improved outlooks in the Rail and Industrial Automation segments. The company also issued its first regular dividend in late September, which helped shares re-rate higher.

Our worst five detractors from performance during the quarter were Jazz Pharmaceutical, Novo-Nordisk, Mobile TeleSystems, Chicago Bridge & Iron and Volaris. Jazz shares sold off as their

2Q16 earnings release disappointed investors as sales from their largest drug (Xyrem) slowed. Novo-Nordisk also posted disappointing results as insulin sales slowed. Mobile TeleSystems saw sales and margin pressure from increased competition in the Russian market. Chicago Bridge & Iron continues to face headwinds from constrained capex spending, particularly among several LNG projects. Volaris shares declined in September as the Mexican Peso weakened vs. the USD.

International markets have been recovering from the early year selloff in the ACWI ex-US index since February. While the Brexit vote caused a decline, the index did not make new lows and some markets (notable the UK) strengthened on the news. The world is adapting to a slower pace of growth as China has downshifted and Europe is still seeing only a modest recovery. Populist elections are still a risk, but may provide the impetus for politicians to attempt to pursue growth oriented policies. Still if investors come to see slower growth as sustainable, we anticipate they will reward fundamental disciplines like they have in the past. As that occurs, we believe our portfolios are positioned to perform well.

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

10-17-2016
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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 June 30, 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 June 30, 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.