TODD
ASSET MANAGEMENT LLC

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Oil… the Crash and the Consequences

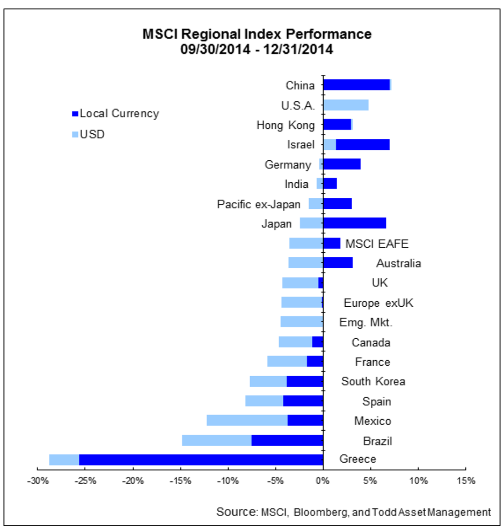
Todd International Intrinsic Value Review

	4Q 2014	1 Year	3 Year*	5 Year*	7 Year*	Since Inception (10/1/05)*
International Intrinsic Value (Gross)	-4.9%	-3.9%	12.1%	7.3%	1.6%	6.3%
(Net)	-5.1%	-4.7%	11.1%	6.4%	0.8%	5.5%
MSCI ACWI – ex. U.S.	-3.8%	-3.4%	9.5%	4.9%	-0.2%	4.8%

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

The IIV posted a loss of approximately -4.9% (gross of fees) in the quarter, trailing the MSCI ACWI ex-US loss of -3.8%. Year to date the IIV declined -3.9% compared to the MSCI ACWI ex-US decline of -3.4%.

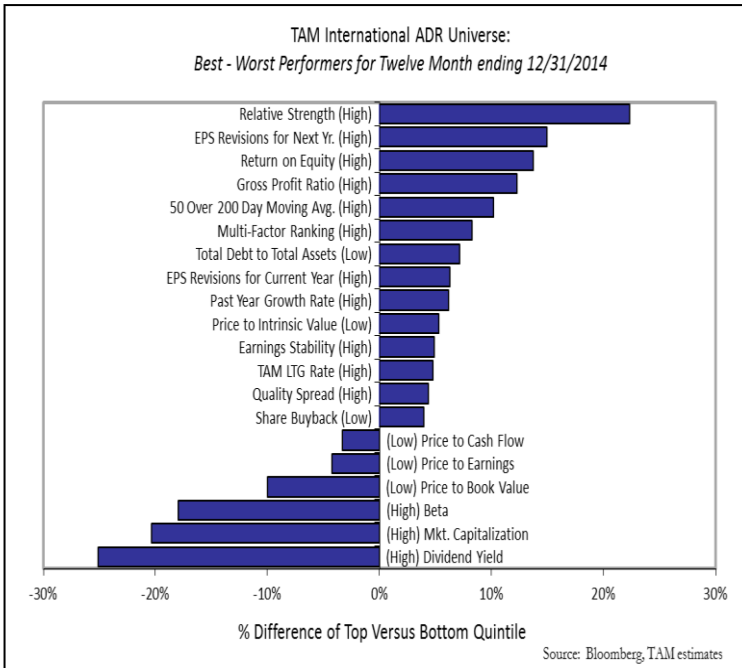
International markets significantly trailed the US market, especially when measured in dollars. When measured in Euros or Yen, the ACWI ex-US index increased over 10% for the year. There was certainly no lack of disturbing news during the year though. If you examine the country by country performance in the fourth quarter (presented below) you get the sense that the fourth quarter was a de-risking period for stock markets, especially peripheral Europe and some of the oil or commodity based countries. Some of the trends to be aware of are as follows;

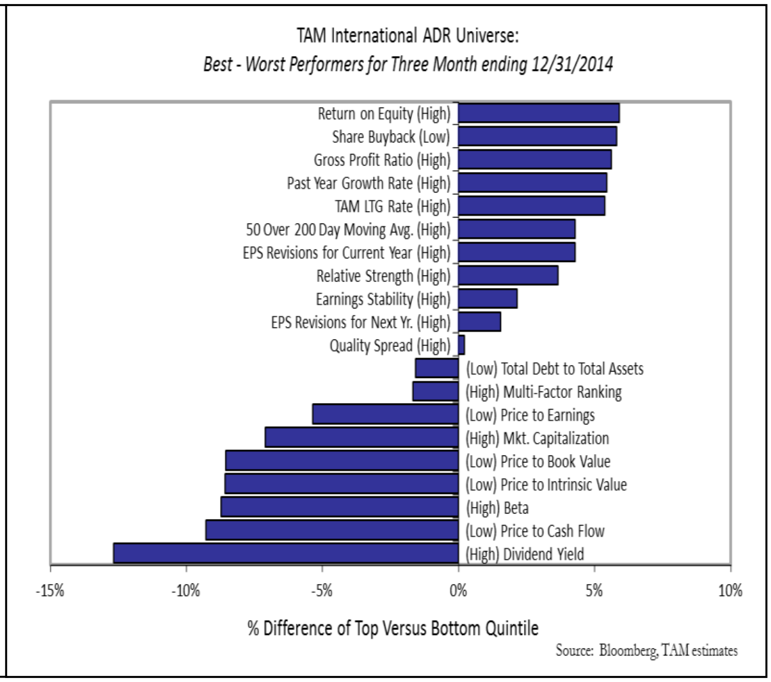


- Oil prices cratered after Saudi Arabia opted not to cut production at the OPEC meeting on Thanksgiving. This probably has ramifications for some time to come.
- The top two sectors in the index in 2014 were Health Care and Technology. Our sense is with sub-par economic growth, these sectors offered more visible growth than most. Global economic worries and geopolitical tensions probably lead to this.
- The four worst sectors for the year were economically sensitive, including the Energy, Materials, Consumer Discretionary and Industrials groups. Europe, China, Japan and some of the Emerging Markets posted lower economic growth than expectations. Overinvestment in Energy and Materials production led to pricing pressures.
- Bonds generally posted good returns despite the US Fed ceasing bond purchases in October. Fears of deflation, the anticipation of bond purchases in Europe and Japan's decision to increase their bond buying program have significantly decreased rates internationally.
- Europe and Japan both sought to devalue their currencies to stimulate growth, leading to weaker currencies versus the US dollar.

Volatility spiked several times during the year especially when growth scares became apparent in Europe and Japan. Geopolitical tensions also increased volatility. Lastly, when energy prices crashed late in the year, many investors took that as a negative sign on current economic activity. We believe lower oil prices probably bolster the economies of oil consumers worldwide. Growth in US demand should help some exporters over the next year. Quantitative Easing should have a positive impact on International Markets in the coming year.

We present our customary charts on which factors have been helping or hindering performance for International 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 higher yielding or larger market capitalization stocks. That makes some sense considering that Energy was the worst sector and many of those companies are larger companies offering high yields. The best performing factors tended to be those companies showing good market acceptance, or better fundamental visibility through higher return and profit ratios. This also makes sense considering economic and geopolitical worries dominated thinking during the year.





Stock selection was the primary culprit for the IIV modestly trailing the MSCI ACWI ex-US index in the quarter and the year. Our stock selection in the Financial and Industrial sectors detracted from performance. Offsetting those to some extent, our stock selection in Health Care and Technology helped, as well as the overweighted position we maintained in Technology. Interestingly, attribution for the fourth quarter almost identically matches that for the year. The indexes were about flat for the year at the end of the third quarter, and attribution for the year rhymed with what we experienced in the quarter.

Stock selections in Industrial and Financial sectors were a headwind during the quarter. Our exposure to BBVA in Spain, as well as Santander Mexico and Shinhan Financial group were the largest laggards in Financials. The reasons for underperformance were varied for these three, capitalization issues for BBVA and economic concerns for Santander Mexico and Shinhan. Within the Industrials, Chicago Bridge and Iron, Makita and Stantec were the laggards. Concerns about capital spending in construction and oil service were clearly the concerns here.
The best contributors to our performance were stock selection in Technology and Healthcare. Our overweight in IT helped, and our leaders in the space were Avago, Netease and Seagate Technology. Avago is a key supplier to Apple for their iPhone 6, and benefitting from consumer acceptance for that product. Netease is enjoying a new product acceptance as mobile games and a new online lottery initiative is supporting growth. Seagate has benefitted from the increasing need for computer storage and new products. While our overweighting in Health Care did not really impact overall performance, stock selection helped. Our healthcare leaders were Actavis, Smith and Nephew and Shire PLC. Consolidation trends within healthcare helped performance for all of these names, as some were thought to be takeover candidates and others actually received bids.

The top five performing stocks in the quarter were Delphi, NXP Semiconductor, Netease, Avago, and Magna. Delphi and Magna are benefitting from the auto cycle recovery in the US. NXP and Avago are both suppliers to Apple and benefiting from the iPhone upgrade cycle. Netease has a new product cycle in mobile games working for them. The worst five stocks during the quarter were Tenaris, LyondellBasell Industries, Methanex, Chicago Bridge and Iron and YPF. All of these companies have ties to the energy complex either as a feedstock, capital spending or supplies. Lower oil prices have decreased oil related commodity prices which weighs on the entire supply chain.

Over the past year, we have been trimming our exposure to the Financial and Industrial sectors and adding to our Health Care exposure. We maintain overweighted positions against the MSCI ACWI ex-US in the Healthcare, Industrial and Technology sectors. Two of the primary beneficiaries of the emerging market consumption theme (that we believe will be a defining trend for the next ten years) are the Healthcare and Technology spaces. Industrials still offer opportunities as well, but we are sorting through what impact sustainable lower oil prices are likely to have on the group.

We are underweighted in the Staples, Energy, Financial, Materials, Telecom and Utilities sectors. 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 past year, we have increased our Emerging Market and Canadian exposure at the expense of Europe and Japan. We carry above index weights in Europe, Canada and to a lesser degree, the Emerging Markets. We are below market weighted in Japan, The UK and the Pacific ex-Japan. With so much Canadian exposure to the Energy sector, do not be surprised if we trim that position during the year. Canada has been a reliable source of outperformance for many years, but this could change with the Energy disruption we are experiencing.

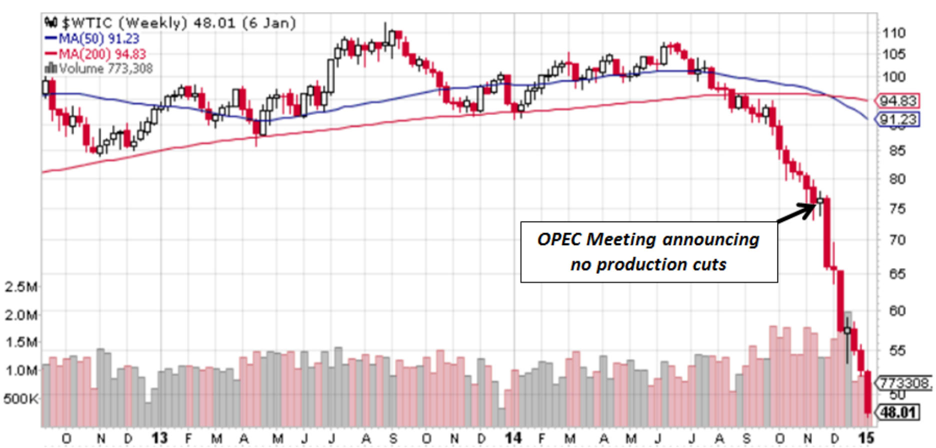
Over the coming year, lower oil prices are likely to be a determining factor of which groups outperform. We are on the lookout for consumers of oil rather than producers of oil, and our sense is this plays to consumer and non-industrial capital spending areas. We will provide more on that as the year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

<u>The Oil and Currency Crashes</u>

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 shut in capacity 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.

Still, if the average consumer of energy just got a 60% price reduction on oil (perhaps a little less than that in Euros or Yen), 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 before this one. In the prior four episodes the EAFE index gained over 15% in the following year. Unfortunately, data for the entire period is not available for the ACWI ex-US index. Areas that benefit from lower input costs, higher consumer spending or corporate spending in non-oil service capital goods are the ones that have led those periods historically. In the international markets, this scenario makes sense to us for 2015 as well and we are looking for the beneficiaries of lower energy prices. All we need to do is get through the near term turbulence and disruption from the price declines to get there.

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

MSCI ACWI ex-US – 258.84

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 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, 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 International Intrinsic Value Composite for the period January 1, 2011 through June 30, 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, 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.