

Todd Intrinsic Value Opportunity Review

	3Q 2018	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Intrinsic Value Opportunity (Gross)	6.1%	6.1%	14.3%	8.7%	8.1%	13.4%	11.4%
(Net)	5.9%	5.4%	13.4%	7.8%	7.2%	12.5%	10.5%
S&P 500	7.7%	10.6%	17.9%	17.3%	14.0%	16.9%	12.0%
Russell 1000 Value	5.7%	3.9%	9.5%	13.6%	10.7%	15.0%	9.8%

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

Performance Review

The IV Opportunity strategy increased +6.1% (gross) during the quarter, underperforming the S&P 500 (+7.7%) and outperforming the Russell 1000 Value (+5.7%). Year to date, the strategy is up +6.1% (gross) vs. the S&P 500 at +10.6% and Russell 1000 Value at 3.9%. As a reminder, this strategy invests in the most attractive segment of the S&P 500 based on our Price to Intrinsic Value measure. From that group, we then select three sleeves of ten stocks each based on which companies have the best profitability, financial strength or technical strength. We believe a recovery in performance is beginning against the Value indexes that should work into the S&P as we continue to see an economic recovery. Deep value has been a headwind for this strategy, so if there is any rotation of the market to have a more favorable view of valuation disciplines, this strategy should be poised to do well.

Our factor work showed a slight broadening of factors that worked for the quarter. Value metrics continue to underperform, while Quality related factors and large cap ranked among the best performers. Share repurchases, Profitability metrics and market acceptance were all additive.

Sector and industry exposure is most notable in Consumer Discretionary, Technology and Industrials. Retail, Technology Hardware, Security and Capital Goods were all areas being emphasized.

Our top five contributors to performance during the quarter were Corning, United Continental, Walgreens Boots, Fastenal and Ulta Beauty. Corning is seeing strength in all their businesses and with large investments behind them, the stage is set for margins to recover. United Continental issued upbeat guidance on their quarterly earnings call as they have been able to offset most of the rise fuel costs and disciplined capacity growth plans bode well for future profitability. Walgreens Boots shares recovered after selling off last quarter on news that Amazon was entering the pharmacy space with its acquisition of PillPack. Fastenal beat low expectations with their quarterly release as pricing for their fasteners firmed on solid demand from manufacturing and construction markets. Ulta Beauty announced a new partnership with Kylie Jenner ('Kylie Cosmetics') that is expected to reinvigorate sales growth.



Our worst five detractors from performance during the quarter were Seagate Technology, Gap, Micron, Pultegroup and Ebay. Seagate shares sold off as pricing in the memory market remain challenging, which should continue to pressure margins. Weakness at Gap stores caused margins to decline, which is in contrast to many of their peers that are experiencing strength. Micron, like Seagate, sold off on concerns regarding supply/demand dynamics in the memory market and pricing pressure. Pultegroup saw shares sell off due to concerns over higher interest rates and slowing order growth. Ebay experienced a stall in the growth of their user base as well as volumes, which raised concerns about the company's sales growth and forward guidance.

After performing well during the third quarter, US stocks declined and got much cheaper early in October. The concerns driving stocks lower centered on trade tensions, higher rates and the longevity of our economic expansion. We believe stocks are probably also reflecting the potential for the midterm elections to lead to a change in control for the House of Representatives, but probably not in the Senate.

As we look at it, we still believe that there is a potential for better markets after the midterms. Sentiment has deteriorated broadly in October, but fundamentals still look very solid. Concerns are growing that perhaps we are at peak margins, or maybe our trade spat with China spirals out of control. Other concerns center on the midterms and potential for gridlock afterwards. You will hear naysayers wringing their hands over the Brexit, or our breakdown in relations with Iran. To counter that, we remain focused on the economic indicators. Earnings look excellent. Inflation remains well behaved and is not accelerating. GDP estimates look firm. Valuations are not excessive. The Federal Reserve is telling us that the economy is getting back to normal, not dangerously overheating. Until that becomes a risk, we think stocks should make progress from current levels, but will do so with more volatility than we have become accustomed to over the past few years.

As always, if you need any additional information, Please feel free to contact any of us.

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10/19/18
S&P 500 – 2,768
Russell 1000 Value – 1,202

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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TODD ASSET MANAGEMENT LLC INTRINSIC VALUE OPPORTUNITY 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. There is no guarantee that this investment strategy will work under all market conditions.

Registration of an investment adviser does not imply any level of skill or training.

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 intended as recommendations of said securities and carry no implications about past or future performance. 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 in equity securities within the S&P 500 Index with the objective to seek capital appreciation. This goal is pursued by investing in a portfolio of securities that are in the least expensive third of the S&P 500 Index using a rules based process based on financial strength, profitability strength and market acceptance.

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 Intrinsic Value Opportunity Composite contains fully discretionary, taxable and tax-exempt accounts that use either the S&P 500 Index or the Russell 1000 Value 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 independently verified for the periods January 1, 2008 through June 30, 2018. VAM was verified 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. The Intrinsic Value Opportunity Composite has been examined for the periods January 1, 2011 through June 30, 2018. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting 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 transactions costs, and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .80% applied monthly. From October 2009 to March 2014 the management fee schedule applied to the composite was 0.70%. Prior to October 2009, 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.

The composite performance has been compared to the following benchmarks. The indexes are unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs:

S&P 500 Index is a widely recognized index of market activity based on the aggregate performance of a selected portfolio of publicly traded common stocks. The performance data was supplied by Standard & Poor's. It is included to indicate the effect of general market conditions.

Russell 1000 Value Index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 1000 Index, with lower price-to-book ratios and lower forecasted growth values. The performance data was supplied by Frank Russell Trust Company.



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