January 23, 2018
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Partner, Senior Portfolio Manager

This Is What a Secular Bull Looks Like

Todd Large Cap Intrinsic Value Review

	4Q 2017	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	8.6%	26.7%	10.5%	15.7%	13.5%	8.7%
(Net)	8.4%	26.0%	9.8%	15.0%	12.8%	8.1%
S&P 500	6.6%	21.8%	11.4%	15.8%	13.8%	8.5%
Russell 1000 Value	5.3%	13.7%	8.7%	14.0%	12.5%	7.1%

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

Worldwide economic growth continued to accelerate in the fourth quarter, and was complemented by good earnings and more pro-growth policies from the US, Europe, Japan and elsewhere. "Animal spirits" are reawakening in the markets. The primary concerns voiced by skeptics are political in nature. Concerns center on North Korea, Iran, and the state of US politics. Many observers expect the midterm elections to go for the Democrats, which might upend the Republican agenda. Still, the market is not worrying about this as gridlock in DC is usually liked by markets. We expect 2018 to be a good year for markets, but are mindful that volatility will return at some point.

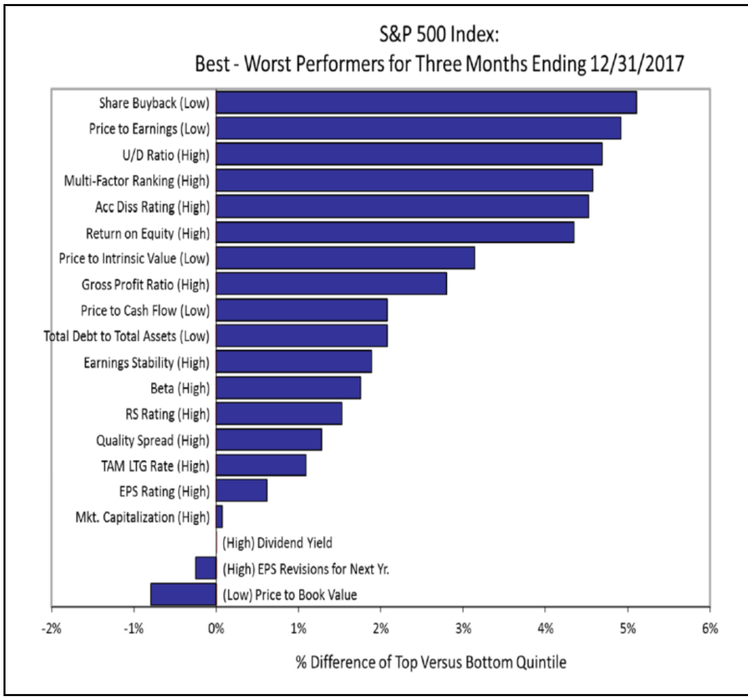
We recently published a think piece titled "The Case for the S&P 500 Doubling and a Global Bull Market." As we watch this unloved US market advance expand into a Global Bull Market, we realize this is what a secular bull market looks like. This secular (i.e. long term) bull market, which was confirmed in 2013 for the US by the new market highs, has been expanding globally more recently. With the economic excesses that triggered the great recession being largely addressed, we believe this global bull market has some time to run and should be supported by solid global economic growth.

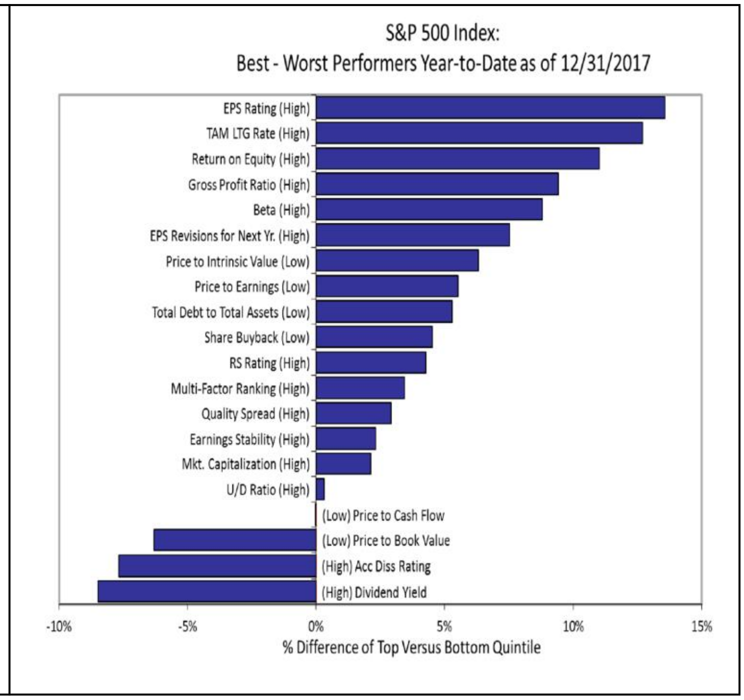
In 2013, we wrote "The case for S&P 2500." At that point, the S&P 500 was trading at about 1800 and had recently broken out of a fourteen year sideways pattern. Historically, when the index had done that, it generally heralded a 10 year plus run that provided annual returns of 11% to 12% on price and mid-teens on total return. Truthfully, we wanted to call that article the case for 4000, but figured the world would assume we were crazy and dismiss the thesis. Now that we were proven correct and are over our initial 2500 target, we believe that worldwide equity markets remain in a secular bull run that probably allows them to double or better over the next 5 years. We believe investors are warming to this market and the path leads to over 5000 on the S&P by 2023. We believe upside for international markets is likely greater than for the US, because they are earlier in their economic expansions and just starting to break out to new highs.

For a more complete review of this thesis, please click the link above for our recent report dated January 12 or visit our website www.toddasset.com.

Our customary charts that illustrate the factors being rewarded within the marketplace during the fourth quarter of 2017 and year-to-date period are presented below. They indicate how the best 100 S&P 500 stocks compared to the worst 100 for each measure. A few observation may be helpful:

- The number of factors being rewarded has risen, indicating most fundamental factors worked in the past year. This represents a much more "normal" market than the QE inspired episode we recently exited.
- Price to book was the consistent laggard among the factors, while the leaders favored a broad mix of technical, fundamental and some valuation measures.





Source: Bloomberg, TAM

Year to date performance has been good for equities and growth factors have generally been in favor. That may be changing, as the leaders during the quarter were Technology, Material and Financial stocks. The markets may be rotating to favor some of the more value oriented sectors as Materials and Financials are clearly value socks. The laggards were a mix of Utilities, Telecommunications, Industrials and Health Care.

As confidence in the globally synchronized recovery grows and more central banks get back to a normal rate structure, we expect that fundamental factors should continue to remain in favor and allow active managers to outperform the index. This is something that indicates participants feel better about the outlook. It is also supportive of our secular bull market thesis.

Performance Review

The LCIV strategy increased +% 8.6% (gross) during the quarter, outperforming both the S&P 500 (+6.6%) and Russell 1000 Value (+5.3%). For the full year, the LCIV was up +26.7% vs. the S&P 500 at +21.8% and Russell 1000 Value at +13.7%. Performance this year stands in stark contrast to early 2016, when we had been lagging. Interestingly, our turnover is still only about 30% annually, so for the most part, this is the same portfolio that hurt us eighteen months ago. The market has shifted to reward our management style, as it has become apparent the Federal Reserve is trying to get US rates back to a more normal level. We think that means that our style should have a tailwind for some time to come, much like the period from 2000 to 2009 after we recovered from our lag of the internet bubble. We are recovering from the yield bubble now, and that recovery should help our performance going forward.

Stock selection drove our outperformance during the quarter. Selection in Industrials and Technology was the most additive. Real Estate and Consumer Staples were the areas that detracted the most from performance. Our factor work shows that a broad based list of characteristics continues to work. Our Multi-Factor ranking was again one of the better performing factors, along with share buyback, price-to-earnings and several technical metrics. Price-to-book and earnings revisions for next year were the two worst factors for the quarter.

For the full year, selection again drove our outperformance, particularly in Consumer Discretionary, Industrials and Energy. Technology and Financials were our worst performing sectors for the full year. We are overweight the Financials, Industrials and Consumer Discretionary sectors. We are underweight the Consumer Staples, Technology Utilities, Real Estate and Telecom sectors.

Our top five contributors to performance during the quarter were NVR, United Rentals, UnitedHealth, PulteGroup and Intel. NVR continues to benefit from an improving housing market as order growth, pricing and margins are increasing. United Rentals is seeing rental rates improve for the first time in several years as the US manufacturing sector, particularly oil and gas, recovers. UnitedHealth continued its best in class sales and earnings growth thanks to its superior data capabilities. PulteGroup, like NVR, is seeing better order growth, pricing and margins due to a stronger US housing market. Intel posted better than expected quarterly results and raised forward guidance as solid demand and new products are expected to drive growth.

Our worst five detractors from performance during the quarter were Celgene, AON, Whirlpool Gilead and Amgen. Celgene had two disappointing drug pipeline readouts, one cancelled and one delayed, which sent shares lower as investors became concerned with the company's ability to manage through their largest drug, Revlimid, coming off patent in a few years. Aon posted disappointing quarterly results that saw organic growth slow and unknown losses from multiple hurricanes caused shares to slip. Whirlpool continued to experience increased competition and pricing pressure, which weighed on margins and forward guidance. Gilead posted a slightly disappointing quarter as their largest drug, Harvoni, saw increased competition and mgmt. expects to see further pricing pressure in their HCV drugs. Amgen also posted results that were below estimates as product sales were light in two of their top drugs.

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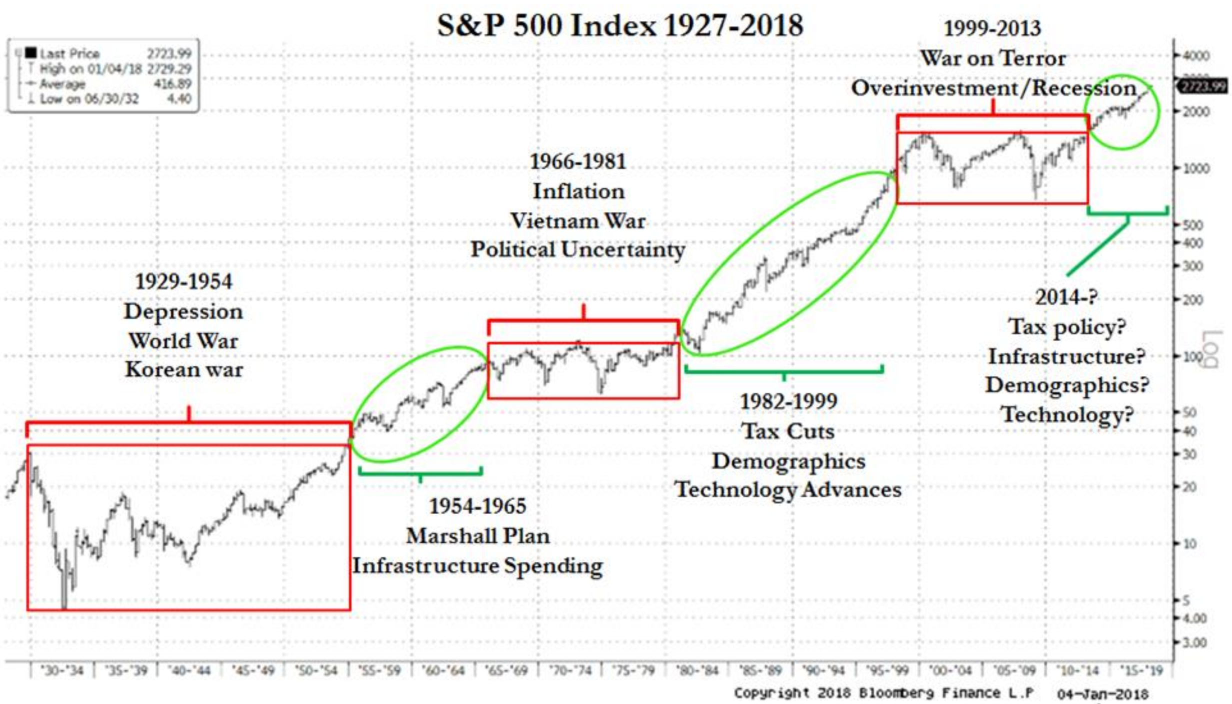
Highlights from "The Case for the S&P 500 Doubling and a Global Bull Market"

The US, Germany and Britain have broken out of long term trading ranges. Historically, this precedes a long secular advance driven by improving macro forces. We think this time is not different, and that there is likely another 10 years or more to run for this secular bull market. Most global markets are only just starting to recover, so their upside is probably better than for the US market. Read our detailed report referenced above for more information.



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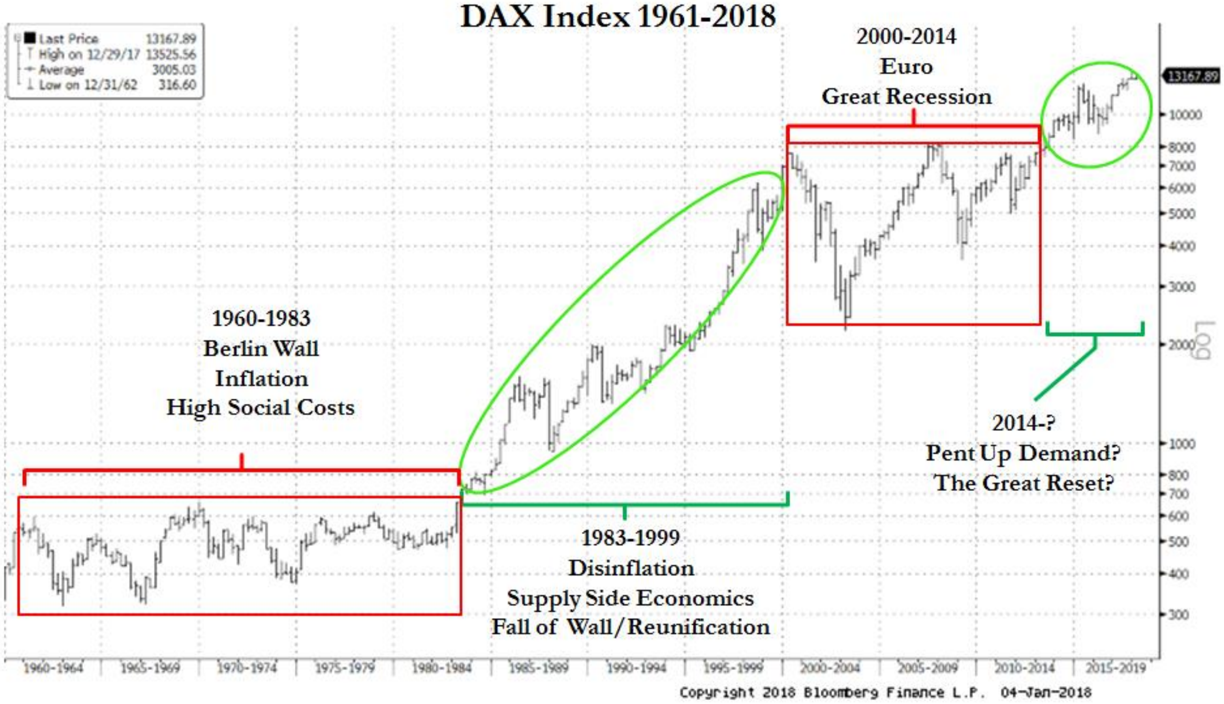
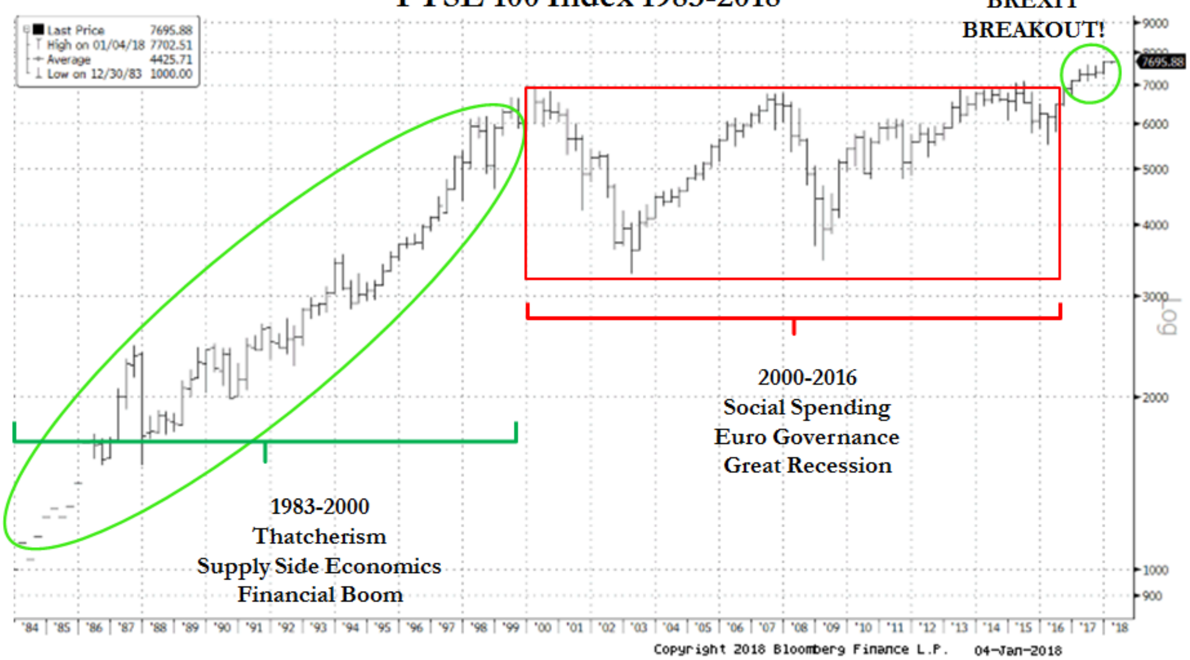
DAX Index 1961-2018



FTSE 100 Index 1983-2018



Growth estimates are being increased for the US and International economies. Earnings estimates have recovered as well, after coming through the earnings recession of 2015-2016. Pro-growth policies have been enacted in the US, Europe and Japan. Commodities appear to be recovering, and our economic checks do not suggest large excesses in the US or most developed economies. We believe this is a recipe for a long term bull market, and despite the objections of the bears, initial results in January seem to support that bullish position. Our guess is the US tax cut is going to prove more stimulative than most economists are estimating, and as numbers continue to firm, the market is likely to rise. Despite the new highs in the market, you won't hear that position espoused by many strategists. As this occurs, and central banks work to raise rates to more normal levels, we think fundamentals continue to be the driver for stocks as illustrated in our factor charts above. As this occurs, we believe our fundamentally based strategies should have a good chance to outperform the markets.

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

Curt Scott, CFA
Jack White, CFA
Jack Holden, CFA
Shaun Siers, CFA

Todd Asset Management LLC

1-23-2018
S&P 500 – 2,839
Russell 1000 Value – 1,280

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
LARGE CAP 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 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 tax-exempt fully discretionary intrinsic value accounts, invested primarily in large cap domestic 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, 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 Large Cap Intrinsic Value Composite contains fully discretionary, tax-exempt accounts that use either the S&P 500 Index or Russell 1000 Value Index as the benchmark. Prior to April 1, 2010, this composite was known as the Relative Value 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 independently verified for the periods January 1, 2008 through September 30, 2017. 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 Large Cap Intrinsic Value Composite has been examined for the periods January 1, 2011 through September 30, 2017. 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 transaction costs and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .60% applied monthly. Prior to September 2001, the management fee schedule applied to the composite was .50%. 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.