

Todd International Intrinsic Value Review

	3Q 2018	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	0.2%	-1.6%	1.2%	8.2%	4.3%	8.7%	6.3%
(Net)	0.0%	-2.3%	0.3%	7.3%	3.4%	7.8%	5.4%
MSCI ACWI ex-US (Net)	0.7%	-3.1%	1.8%	10.0%	4.1%	7.3%	5.2%

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

Performance Review

The International IV strategy performance was up +0.2% (gross) during the quarter, underperforming the MSCI ACWI ex-US gain of +0.7%. Year to date, our International IV strategy has outperformed by +1.5%, decreasing -1.6% (gross) vs. a -3.1% decline for the MSCI ACWI ex-US index. Our longer term gross performance remain ahead of the indexes, and our shorter term gross performance numbers are still repairing after the low quality rally of two years ago. We expect our disciplines to continue to outperform as we do not anticipate recession fears to be realized for international markets.

We think now would be an opportune time to add to international stocks for a recovery from depressed levels as issues are resolved over the next few quarters. Fears that the globally synchronized economic growth we have seen will end are unfounded. Concerns on Trade and Tariffs are likely to ease if any more negotiated settlements are reached. We expect to see more negotiations between the EU and US, as well as China and the US. Sentiment is very negative on that currently and may see some improvement as conversations continue. Fears of a disorderly Brexit are also reaching a crescendo, and negotiations are ongoing. Fears of higher rates snuffing out economic expansion do not ring true to us as inflation remains low and most real interest rates worldwide are still low or negative. Investors are probably going to need to adjust to a more “normal” rate structure post the Great Recession and the Great Reset that followed it. We believe several (though not all) of these concerns should dissipate as we move through the next couple of quarters, which should lead to better international results versus the S&P. For more details on this, please read our accompanying review of the International outlook.

Stock selection drove all of our underperformance during the quarter. Energy and Telecommunications were our best performing sectors. Our worst performing sectors were Consumer Discretionary, Technology and Financials. From a regional perspective our underperformance for the quarter was also primarily driven by stock selection. The United Kingdom and Japan were our best performing regions, while Europe ex-UK and Pacific ex-Japan were our worst.

We remain overweight Energy, Technology, Financials and Industrials. We also remain underweight Consumer Staples, Health Care, Utilities, Real Estate and Materials. Among



regions, we are overweight the UK, Emerging Markets and Europe ex-UK. We are underweight Pacific ex-Japan, Japan and Canada.

Our top five contributors to performance during the quarter were Softbank, CNOOC, Icon, Lukoil and Taiwan Semiconductor. Softbank is a Japanese telecom company (owns 85% of Sprint) that saw subscriber growth recover in Japan and the US. The company is turning its attention to their \$100 billion Vision Fund that invests in new age innovations in technology, which should be a more material driver going forward. CNOOC, a Chinese oil and gas company, saw shares rise with oil prices as supplies remain tight and demand robust. Icon handles outsourced clinical trials for pharmaceutical and biotechnology companies. Funding remains rich as revolutionary new therapies are being tested, which have boosted Icon's trial backlog and bookings. Lukoil, a Russian oil and gas company, also rose with oil prices. Shares were further aided by a rebound in the Russian Ruble in the last part of September. Taiwan Semiconductor is seeing solid smartphone demand and growing its market share in 7nm chips, which support strong earnings growth for the next few years.

Our worst five detractors from performance during the quarter were Melco Resorts, YY, New Oriental Education, Ryanair and Tokyo Electron. Melco Resorts runs hotels and casinos in Macau where gaming revenues have been softer than expected as concerns over the US/China trade dispute have weighed on the growth outlook for consumer spending over the near term. YY is a social media company in China that is seeing increased competition for their live-streaming business from other platforms. New Oriental Education shares sold off after the government tightened regulations on after-school tutoring programs. Ryanair, a discount European airline, is dealing with labor disputes and strikes which have forced the company to cut capacity as well as forward profit guidance. Tokyo Electron shares weakened as spending in the memory market is expected to slow as companies work off elevated inventories.

Many contentious issues have arisen this year that derailed the nascent recovery of International markets versus the US. We still believe that a global expansion is continuing and international markets are earlier in their recoveries than the US market. Trade concerns have weighed on many markets and strength of the US dollar versus other currencies has impacted results for most major markets. We would note that trade deals between the US and Mexico eased pressure on the Peso. We anticipate progress towards a trade deal between the US and EU, which may raise the visibility of their growth and allow the Euro to appreciate as well. It is difficult to see a near term resolution to the Chinese trade spat, though markets are forcing the Dollar to rise versus the Yuan, which should provide some buffer and make their products cheaper. Uncertainties about Brexit are likely to be cleared up one way or the other before year end, providing better visibility there as well.

Against that backdrop, the central banks continue to raise rates in anticipation of better economic growth and a more normal inflation outlook. Oil prices and commodities are also getting a better bid in anticipation of a firmer economic outlook. As uncertainties are resolved, we would expect the US Dollar to weaken a bit, international currencies to firm up and international markets to post a recovery in performance compared to the S&P 500.



Please feel free to contact any of us for additional information

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

10/19/18
MSCI ACWI ex-US (Net) - 218

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.

This publication has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. Commentary may contain subjective judgements and assumptions subject to change without notice. There can be no assurance that developments will transpire as forecast. Information contained herein has been obtained from sources believed to be reliable but not guaranteed. No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission of Todd Asset Management LLC. © 2018.



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. 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 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 or the MSCI EAFE Index 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 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 International Intrinsic Value 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, 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 12/31/2017, the benchmark was changed to the MSCI ACWI ex-U.S. (net) index, from the MSCI ACWI ex-U.S (gross) index. The ACWI (net) is computed net of foreign taxes withheld on dividends, this is consistent with the composite.** As of 6/30/2013, the primary benchmark was changed to the MSCI ACWI ex-US (gross) from the MSCI EAFE. The ACWI better reflects the strategy guidelines with emerging market and Canadian exposure. As of the 6/30/2013 the EAFE was removed from presentations.

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. (net) 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. The Net Index takes into account the impact of foreign tax withholdings on dividend income.



The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or crediting any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).