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ASSET MANAGEMENT LLC

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The Reset Button

Todd International Intrinsic Value Review

	4Q 2015	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	4.7%	-1.9%	5.1%	4.2%	10.6%	5.2%
(Net)	4.5%	-2.7%	4.2%	3.3%	9.7%	4.3%
MSCI ACWI ex-US	3.3%	-5.3%	1.9%	1.5%	8.0%	3.4%

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

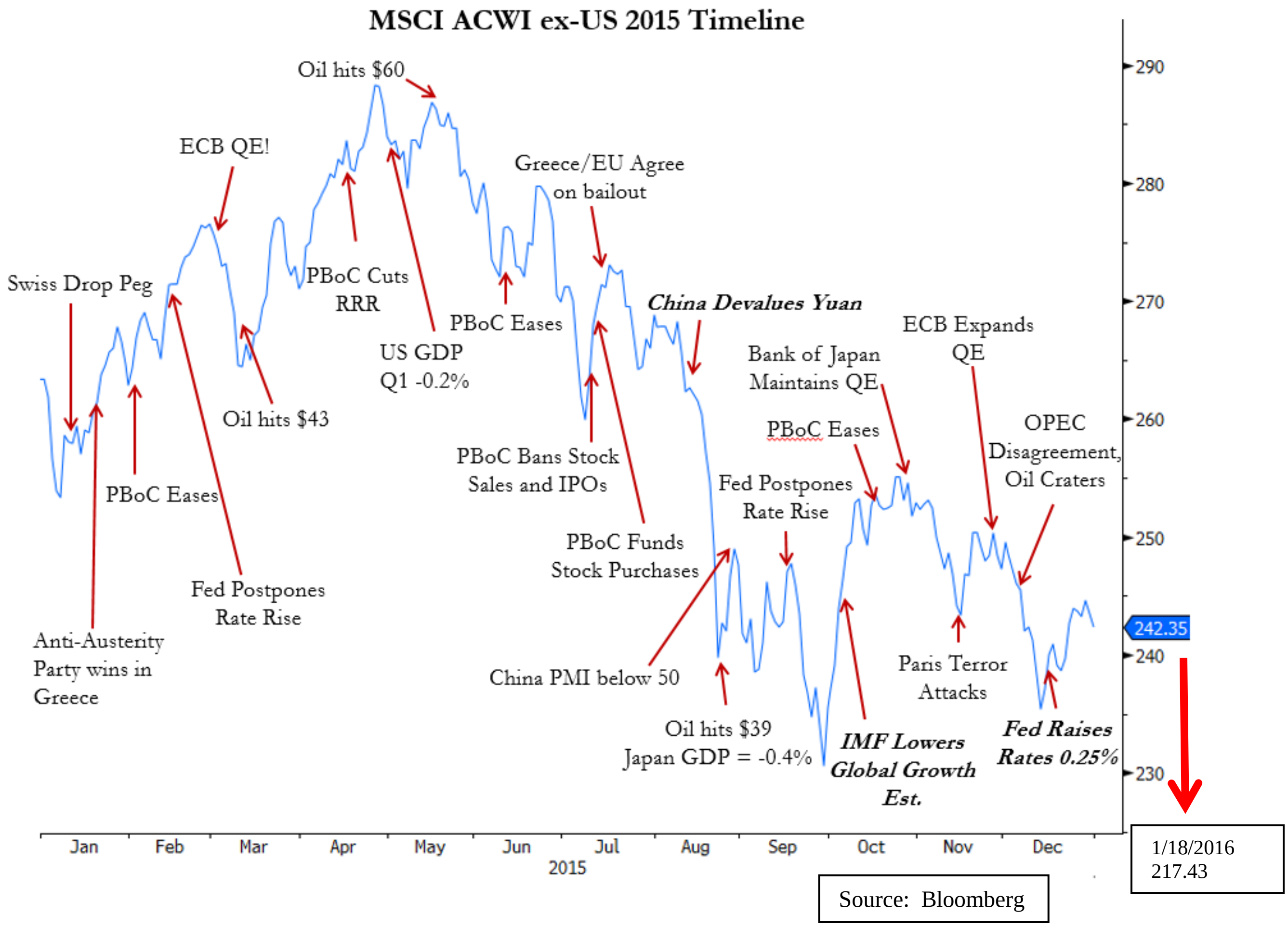
The International IV posted a gross return of 4.7% for the quarter, compared with the ACWI ex-US return of 3.3%. During the quarter, MSCI World Developed Markets returned 5.1% and Emerging Markets returned 0.5%. The EAFE index returned 4.8%. Year to date, our strategy returns were -1.9% vs the ACWI ex-US loss of -5.3%.

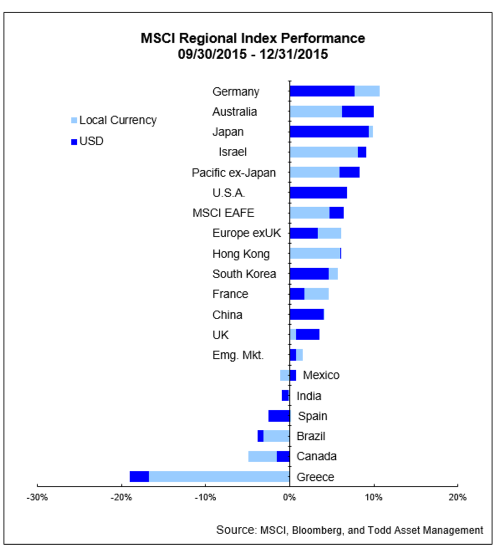
Investors and central banks hit the “Reset” button in 2015. By that, we mean their assumptions for corporate earnings, asset returns, exchange rates, commodity prices and Central Bank easing were reset for many different markets as the year unfolded. The biggest resets we saw were:

- Economic growth expectations were reset lower for many economies during the year.
- In China, the economic reset to a 6 or 7% growth rate was accompanied by a mismanagement of their stock market surge and crash, effectively closing them after their bear market. The result has been a reset of central bank easing expectations and a Yuan devaluation.
- In Europe, the Swiss reset their Franc, de-pegging it from the Euro. The ECB began aggressively easing, resetting the euro lower versus most currencies.
- In Japan, the Central bank stepped up and expanded their QE program after a recession, resulting in a reset, i.e. Yen devaluation.
- In the US, this resulted in a wholesale shift to growth investing. Many stocks exhibiting value characteristics were abandoned. Anticipation of higher rates from the Fed resulted in a reset to a significantly stronger dollar, with correspondingly lower sales and earnings for US multinationals.
- Commodities worldwide bore the brunt of all these resets as weaker demand and oversupply resulted in price weakness.

Are the resets over? Early indications are probably not yet. Lower economic growth may persist for some emerging markets as a result of higher debt levels or commodity declines (or both.) Despite growth concerns, US markets are still elevated. More dollar strength could hurt international translation for domestic investors. Is investing this year a lost cause? Investing should produce better returns than last year with higher volatility because employment and consumer income is growing in Europe, and energy prices remain low. Consumer demand is better in China and Europe, though general industrial demand is weak as trade flows worldwide have been curtailed. Low rates and stimulative actions by Europe, China, and Japan should lead to firmer growth estimates at some point later this year.

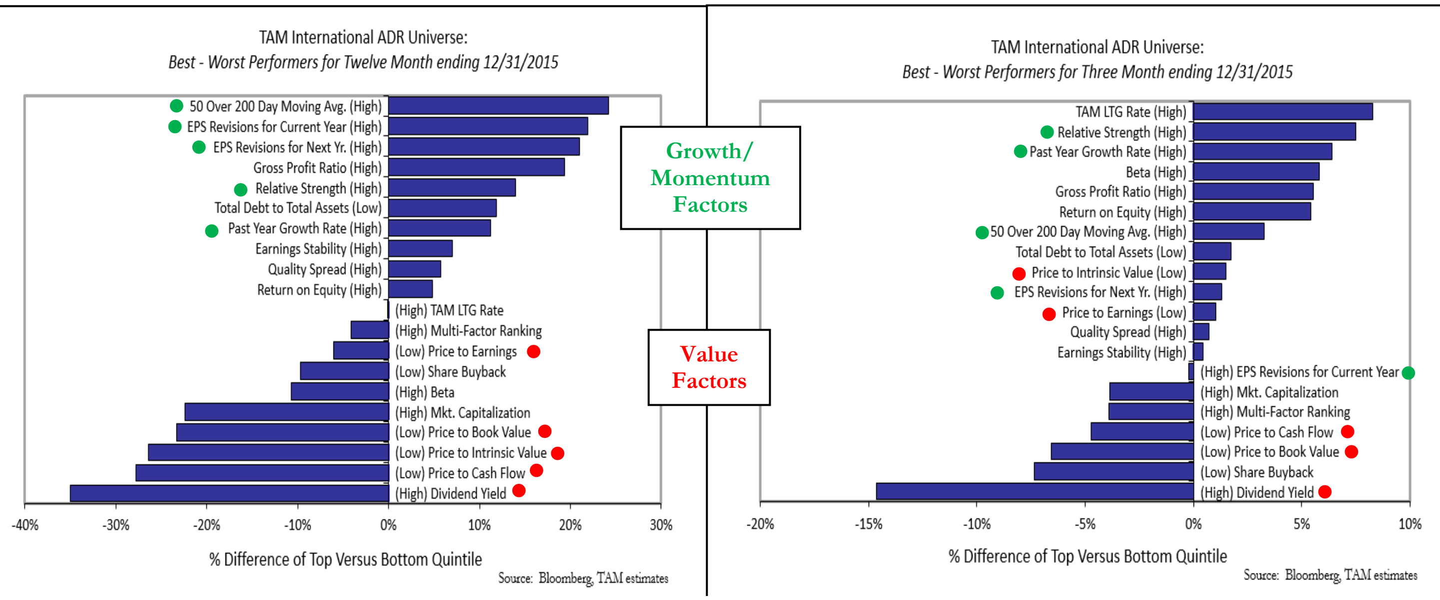
Noteworthy Charts





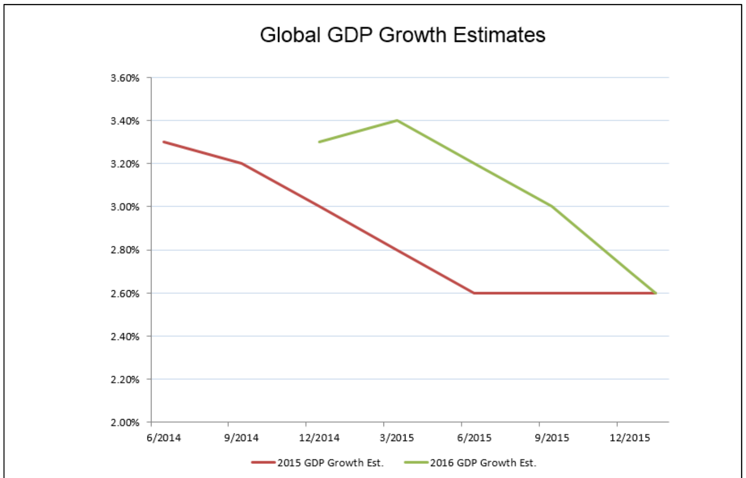
Source: Ford Equity Research, Bloomberg, & TAM estimates.

Regional performance was better for Developed Markets than Emerging Markets during the quarter. Currency movements did occur, though the trade weighted dollar stayed in the range it has traced out over the past year. The Euro went from from $1.12 to $1.09, weakening a bit and costing some performance for those markets translated back to dollars. The Yen was flattish in the quarter, so it did not impact those results. The order of performance had one commodity producer (Australia) outperforming but most others underperforming.



- Price momentum and earnings momentum were the factors the market favored.
- Dividend yield and value factors were out-of-favor.

The push for growth at any price led growth and momentum factors to outperform value factors. We've also seen indicators that stocks with high momentum are very expensive versus their history. This is a risk that growth investors will face, because at some point in the future, visibility for other sectors should improve and momentum stocks are likely to roll over.

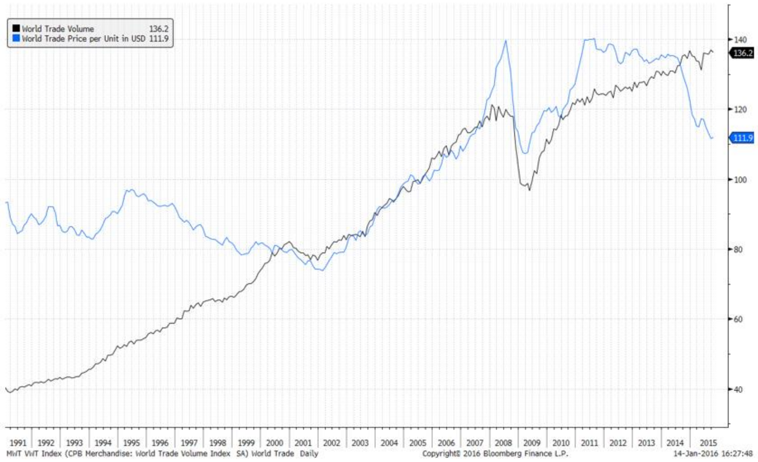


Source: JPMorgan Economic Research "Global Data Watch"

Global GDP growth estimates have been consistently downgraded as the year unfolded. Much of the pressure came from China, the US and Latin America. Europe, the UK and Japan have seen estimates stable, albeit at low levels of growth.

China's economic reset and the currency resets we noted earlier have led to a general slowdown in world trade. This translates into lower economic activity. Stimulative actions should help over the coming year, as Europe spends for the refugee crisis, China promotes consumption and the US anniversaries the currency and oil resets.

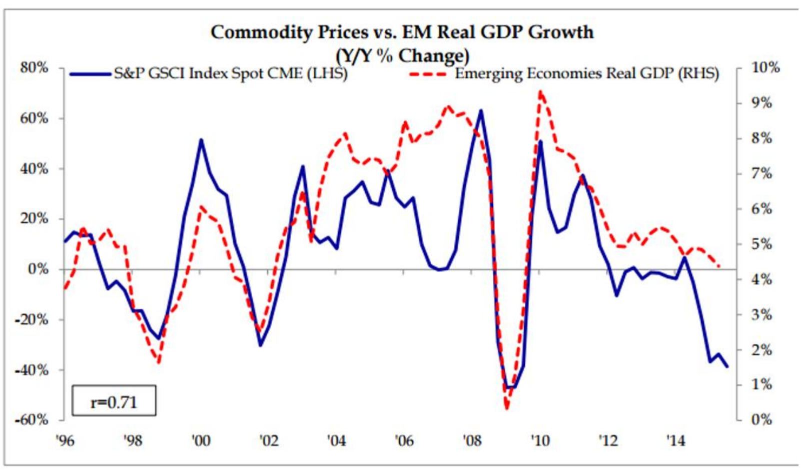
World Trade in Dollars (Blue Line) and Units (Black Line)



Source: Bloomberg and CPB Netherlands Bureau for Economic Policy Analysis

Source: Bloomberg

Worldwide trade, measured in dollars, has seen a reset. It appears trade has declined about 20% by that measure (chart left, in blue). We believe volumes give a truer indication (chart left- black line). Worldwide trade volumes are flattish over the past year. What's changed is the dollar versus most other currencies and commodity prices.



Source: Strategas

Commodity prices and Emerging Market GDP growth are closely linked, as illustrated in the chart to the left. This may be because Chinese economic growth drives demand for commodities which are also produced in Emerging Markets. When Chinese manufacturing slowed, commodity prices declined. This relationship should lessen as China (and India) shifts to a consumption economy, but it probably holds up for several more years until that shift is more pronounced.

Given the current Chinese situation, commodity prices probably remain under pressure for some time to come.

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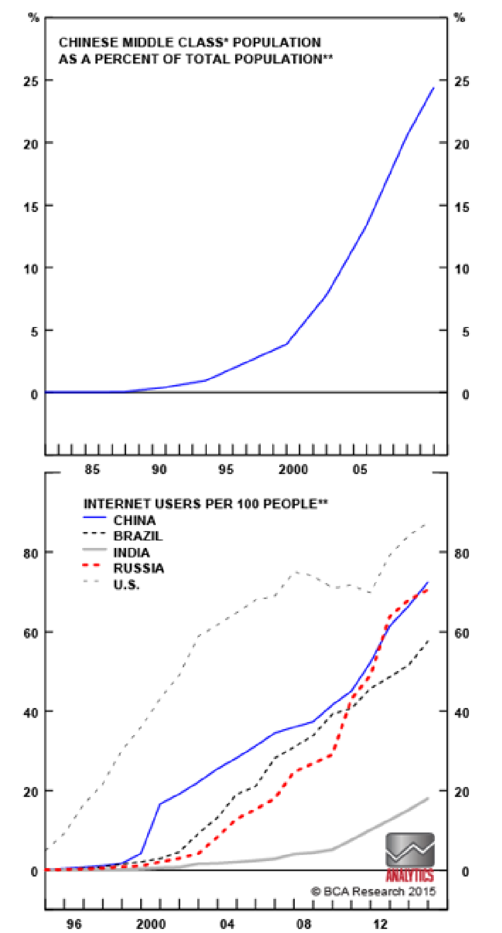
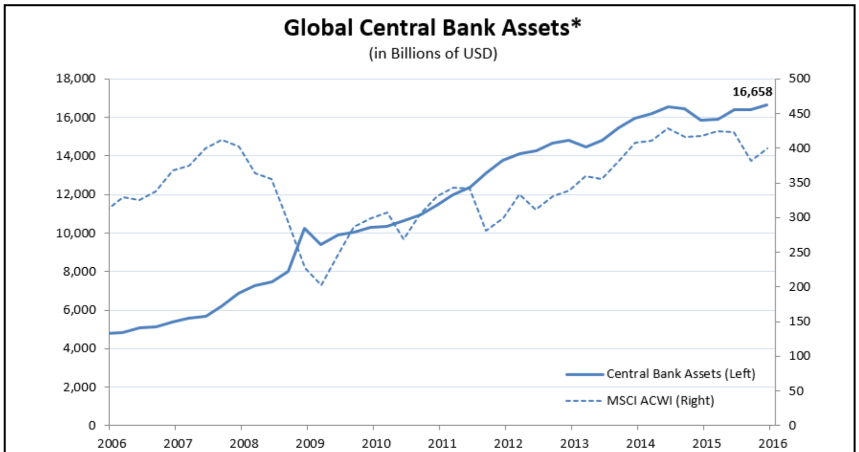


* POPULATION WITH DAILY CONSUMPTION FROM $6 TO $100.
** SOURCE: WORLD BANK.

Before you get too bearish on the outlook for China, review the chart to the left from BCA Research. It illustrates that the middle class continues to grow in China despite the slowing overall growth. It also illustrates that Chinese internet usage is among the highest in the BRICs.

An informed middle class population is one that is capable of consumption. That's what the Chinese leaders are after, and ultimately, we believe they will get that. The current concerns are due to shifting the economy from solely relying on exporting to other countries, and starting to rely on internal demand for growth.



*Aggregate Assets of the US Fed, Bank of Canada, ECB, BOE, BOJ, SNB, People's Bank of China and Reserve Bank of Australia
BOE stopped reporting Total Assets in September of 2014. Therefore, no BOE data is included after that point.
Data as of 12/31/2015
Source: Bloomberg, MSCI and Todd Asset Management

It wouldn't be one of our publications unless we included a chart (see left) showing how Central banks have been busy buying financial assets! This trend continues as the ECB, Bank of Japan and now the Peoples Bank of China are all buying assets or funding loans. In the Chart, note that since 2009, this expansion of holdings has correlated with the rise in the benchmarks. While this trend may be more volatile as the Fed normalizes rates, we still think the central bank driven uptrend in world markets continues.

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Performance Review

The International Intrinsic Value Strategy ended the year ahead of the ACWI ex-US for the trailing quarter, as well as the 1,3,5,7 and 10 year trailing periods. It has been a very consistent performer as well, with gross returns beating the index in 7 of the prior 10 calendar years. Application of our process in the international universe has allowed us to post consistently positive results while protecting against the downside. During the past 10 years, the worst our gross performance trailed the index by in a calendar year was roughly 80 basis points. We're pleased with these results and hope you are as well.

Both stock selection and sector allocation helped results in the quarter. That is good news considering the market has not favored value this year and been more prone to reward strictly momentum stocks. We've achieved this with a portfolio that trades at about half of our calculated intrinsic value, and only 14.5X earnings on the current portfolio. We found the Technology, Discretionary and Industrial sectors added most to performance, while Health Care, Financial and Staples sectors detracted.

Compared to the MSCI ACWI ex-US index, the IIV strategy has above market weights in the Information Technology, Health Care, Industrial and Discretionary sectors. We are being led to these sectors through our disciplines, as they are combining appropriate value, but also offering enough opportunities to add value through the application of fundamental and technical analysis. Most of these sectors are cyclically oriented, probably the result of continued Central Bank activity. We trimmed our Healthcare overweight and added to our Technology overweight during the quarter. We also brought Financials up to a market weight. The Consumer Staples, Energy, Telecommunication, Materials and Utility Sectors remain underweighted versus the index as they tend to remain expensive on our Intrinsic Value measure or we are uncertain about their fundamentals.

Regionally, we are overweight Europe, the UK and Canada, while we are underweight the Emerging Markets, Japan and the Pacific ex-Japan. These are very similar to our prior regional over and underweights. We believe the prospects for economic growth are better in Europe, the UK and Canada than they are for the regions we have underweighted. Within the Emerging markets, we have very little exposure to Latin America and Russia because of their commodity exposures. Most of our exposure is to China and India, where we see better prospects for economic growth and the rising middle class in each country. Time will tell, but we believe that the China reset to a consumer economy is proceeding.

Our stock selections helped performance, especially those in Technology, Discretionary and Industrials. Our selections in Health Care and Financials detracted from performance. Our overweight position in Technology helped performance as well. Our underweight in Staples cost us a couple of basis points in performance.

The best five contributors to return were Netease, New Oriental Education, Qihoo 360, Hollysys Automation and Delphi Automotive. Netease benefitted from strong uptake for their new game offerings, especially in mobile applications. New Oriental continues to see strong enrollment in their K-12 tutoring and test prep business. Qihoo 360 had management bid to take them private, and we no longer hold the security. Hollysys saw the transportation automation and signal business surpass industrial automation for the first time, which investors took as good news. Finally, Delphi continues to benefit from the strong Auto market demand for their electronics. The five laggards were Doctor Reddy's, Magna International, Barclays, Credit Suisse and Louis Vuitton. Doctor Reddy's is having some of their facilities reviewed by the US FDA, which hurt the stock. Magna is seeing fallout over concerns the car market is slowing and pricing pressure for their body parts could suffer. Barclays and Credit Suisse were pressured by concerns they would have to raise additional capital. Louis Vuitton is seeing pressure as high end Chinese consumers are curtailing purchases.

Review and Outlook

At this writing, the world markets are off to a poor start for 2016 with the ACWI ex-US index entering bear market territory (-20% from the peak) this week, and the EAFE index flirting with a bear market. The bearish argument is that an ill-advised Fed rate increase is a precursor to many more rate hikes. The consensus expects a stronger dollar if rates rise in the US, which has led to concerns about foreign entities that have dollar based debts outstanding. These concerns have cascaded into concerns that China will pursue further devaluation and the Saudi's could abandon pricing oil in dollars. Oil has collapsed, as fears of new supply coming on from Iran, Libya and other hotspots has coincided with the Saudi's and the US maintaining very high production levels and weaker economic growth estimates. This collapse has prompted some fears for ancillary markets like high yield, and maintained pressure on commodity based economies like those of Latin America and Russia. Investors seem to be anticipating financial Black Swans, i.e. highly improbable negative events that occur very rarely.

The pessimists will paint a picture that resembles the 2008 meltdown, because that is their most recent reference point and pessimism gets them airtime on CNBC. We do not believe such a bleak outlook is warranted, for several reasons. First, the banking systems have largely recapitalized, and should be able to withstand the shocks that come from the commodities downdraft. There may be some defaults, but our sense is the regulators have kept most of the large banks from getting too exposed to any one sector. The second reason we are not envisioning a 2008 type crisis is most of the developed world economies are consumers of oil and commodities, not producers. Input costs just declined for much of the world. We would also point out that most governments have been pursuing austerity, but this could change. Europe is likely to adopt more stimulative government policies as they absorb the refugees from the Middle East. The US should see higher government spending in the upcoming year. China is offering tax incentives to purchasers of small cars and pursuing stimulus. Japan is actively trying to get companies to raise wages. All of these indicate to us that world leaders do not want to revisit a great recession type scenario. Finally, we see no recession in the US, as employment growth and end demand still appears firm.

A more negative scenario from here assumes that the central banks take no action. We believe with markets weakening and confidence eroding, more actions are likely from the world Central Banks. We do not know if this would take the form of the Fed halting rate increases, or even more expansion of the European or Japanese central bank balance sheets. Also, China has been busy lowering rates and promoting lending. Policy makers are treating the European Recovery like it is fragile, and seeking to bolster it. Japan is looking for ways to promote growth as well.

The resets in many asset classes have caused markets to reset as well. Our sense is once these run their course; a good investment opportunity awaits us. A question we like asking people is "if you could go back to 2008-2009, or the growth scare of 2011 or the growth scare of August, 2015 and invest while the market was down, would you?" The answer is invariably yes, they would. But these same investors are now fearful and not willing to buy. It's human nature. After the markets clear, better times will follow. What we need to do now is hunker down and ride out the turbulence.

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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1-19-2016
MSCI ACWI ex-US- 217.43

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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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 September 30, 2015 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 September 30, 2015. 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.