

Todd International Intrinsic Value Review

	4Q 2018	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-16.4%	-17.7%	0.4%	-0.9%	4.9%	7.4%
(Net)	-16.5%	-18.4%	-0.4%	-1.8%	4.0%	6.5%
MSCI ACWI ex-US (Net)	-11.5%	-14.2%	4.5%	0.7%	4.9%	6.6%

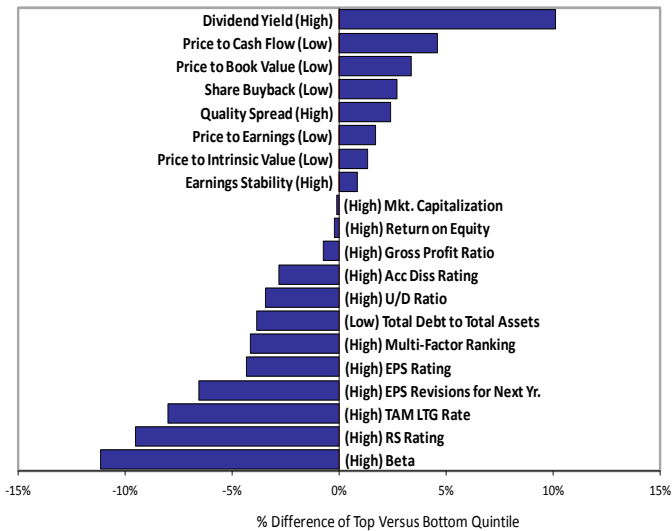
* Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.

Performance Review

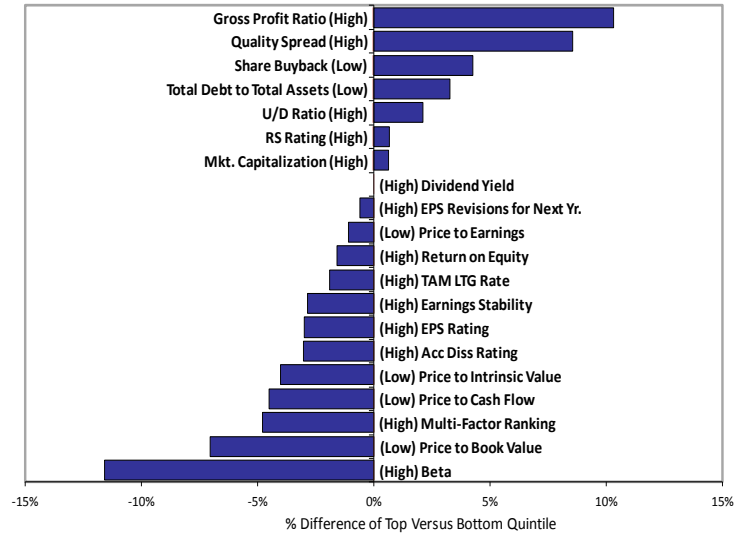
The International IV strategy performance declined -16.4% (gross) during the quarter, underperforming the MSCI ACWI ex-US of -11.5%. This drove the Year to date returns for the strategy to underperformed by -3.5%, decreasing -17.7% (gross) vs. a -14.2% decline for the MSCI ACWI ex-US. The IIV strategy had outperformed until September, when economic fears knocked down our cyclical names and higher US rates took down multiples on some of our Technology investments.

International markets suffered significant declines in 2018 as investors suffered from the worst kind of anticipation, namely worrying about a potential recession. Emerging Markets suffered more than Developed, with a peak to trough decline of -26% vs. -23%. Emerging Markets did bottom two months before the developed markets, and actually were the best performers globally in the fourth quarter. Most Central Banks and Economists are not predicting a recession, but investors have long memories and appear to be inclined to anticipate the worst after the Great Recession experience. As we look at it, this episode feels like an Echo of 2016, another period that was trying for markets. Our sense is it probably plays out the same way, i.e. no recession and a recovery in stocks with good fundamentals. The past six months feel like an “echo” of 2015-2016. There are many parallels, but also some indications of market shifts as well. The most important of these is that the Emerging Markets outperformed EAFE and International outperformed the S&P 500 for the fourth quarter after underperforming dramatically through the third quarter. It appears investors are starting to rotate to the International Markets, but we will need to see if there is any staying power to the move.

**TAM International ADR Universe:
Best - Worst Performers for Three Months Ending 12/31/2018**



**TAM International ADR Universe:
Best - Worst Performers for Twelve Months Ending 12/31/2018**



Source: Todd Asset Management, Bloomberg

We present our customary factor analysis for the fourth quarter (chart left) and year to date (chart right) above. International investors sought the safety of dividend yield, low valuations and quality during the fourth quarter. For the full year the factors favored centered on quality more than valuations. As was the case in 2016, the list of factors that helped performance narrowed significantly. Only five of the factors added any meaningful advantage for the year to date. This narrowing usually characterizes periods that investors are fearful.

Stock selection drove most of our underperformance during the quarter. Technology was our best performing sector. Selection within Energy was also additive. Our worst performing sectors were Communications, Industrials and Discretionary. From a regional perspective our underperformance for the quarter was also driven by stock selection, particularly within Europe and Emerging Markets.

We remain overweight Energy, Financials, Industrials and Technology. We also remain underweight Consumer Staples, 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 HDFC Bank, Itau Unibanco, China Overseas Land & Investment, Netease and E.On. HDFC Bank continues to see strong loan and deposit growth, particularly in rural areas. The bank's high capital ratio and asset quality has also been beneficial. Itau shares rose with other Brazilian stocks following the election of a market friendly president (Bolsonaro). Itau is also seeing a reacceleration of consumer loans (autos and credit cards) boost margin. China Overseas is a Chinese REIT, which outperformed with other



defensive companies in the risk off market experienced in the 4th quarter. They also continue to experience solid revenue growth and low debt levels provide them with opportunities to capitalize on softer land prices in top Tier cities. Netease shares rallied in anticipation of new game restrictions being lifted by authorities, which should help their mobile game revenue recover. E.On is another defensive company (German utility) which outperformed in the 4th quarter. Recent results have been better than expected as several new wind farms have come online.

Our worst five detractors from performance during the quarter were AerCap, Ashtead, CNOOC, Softbank and Momo. AerCap sold off on concerns over interest rates, tariffs, global growth and several small airline closings in Europe. Ashtead also sold off on concerns over growth, interest rates, tariffs and their impact on capex. Brent prices fell from \$85 to \$50 in 4Q18 and shares of CNOOC sold off in tandem. Softbank experienced poor performance in their Vision Fund holdings. This paired with concerns over Saudi Arabia, a large investor in the Vision Fund, as the death of Jamal Khashoggi brought international pressure for the country and its leader. Momo issued disappointing guidance in December on weaker live-streaming revenue as users pulled back on spending.

Please feel free to contact any of us for additional information

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01/18/19
MSCI ACWI ex-US (Net) – 215 (Intraday)

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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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 September 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 September 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.



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